# CHIEF EXECUTIVE'S ADDRESS: 2024 Manawa Energy Shareholder Meeting
# Clayton Delmarter
# 17 September 2024

**[Introduction]**

Kia ora,

Thank you, Deion, and thank you all for joining us here today, in person or online.

This is my first Annual Shareholder Meeting as the Chief Executive of Manawa Energy. It is a business with which I have had a long connection and with which I can credit much of my professional development and a great many career highlights. I first started with Trustpower in 2002, having the opportunity to undertake a number of roles in subsequent years, leading up the establishment of Tilt Renewables in 2016 where I was a member of the formative Executive team, leading the development and delivery of large-scale renewable energy projects across Australia and New Zealand, through to the sale of this business in 2021. It has been a pleasure and an honour to rejoin the business in my current role.

Recent months have highlighted the challenges and opportunities ahead for Manawa Energy and indeed the wider energy sector in New Zealand. The need for rapid deployment of low-cost renewable energy solutions has never been more pressing, along with a continued focus on ensuring the policy and market settings are right to ensure the whole sector plays its part in delivering a reliable, sustainable and affordable energy eco-system.

Before turning to the proposed acquisition of Manawa by Contact Energy and other topics I will reflect on the company's performance in FY24 and the financial year to date.

**[FY24]**

EBITDAF from continuing operations was up 6% in FY24 at $145m, with no change in underlying earnings from FY23. Generation volumes were in line with FY23 at circa 1,900 GWh. The Board declared a full year ordinary dividend of 19cps, up 19% from FY23.

FY24 was a record year for investment in existing assets for Manawa with major projects at our Waipori, Arnold, Highbank, Coleridge and Matahina schemes all progressing. Good progress was also made on our development pipeline of new projects growing this to over 1.2GW of secured wind and solar options throughout the country capable of generating up to 4TWh of energy.

The health, safety and wellbeing of our people remains paramount – during the year our Board agreed a revised Health & Safety strategy that will drive continuous improvement and a focus on the things that enhance our robust systems and remove potential barriers to safe and healthy work. This will continue to roll out across FY25.

Disappointingly, our LTI numbers increased in FY24 – a review of these incidents has provided the team with valuable insights, and our focus on effectively managing critical risks remains strong. The team is using these learnings as part of a consistent desire to improve our Health & Safety performance and ensure everyone goes home safely.

**[Assets]**

Operationally the team had a good year in FY24, and also in the period since, with improved plant reliability observed. This reliability supported our generation production volumes as well as the supply of water to irrigators in Canterbury in the form of stored water and pumping services – the 2023/2024 period saw us provide record volumes of stored water to meet the needs of our customers.

As noted, we also made solid progress on the most significant asset refurbishment programme in the company's history. Both turbines are being replaced at the Matahina hydro scheme in the Bay of Plenty, the largest of the assets in our portfolio. The original turbines are nearly 60 years old and the first of these was successfully commissioned in May following the commencement of site works in November 2023, with the new turbines performance meeting efficiency expectations. This turbine is optimised for regular lower-flow patterns though the scheme and this will deliver an additional 12GWh/yr – enough energy to power an additional 1,500 homes per year. Replacement of the second turbine will commence late this year and between the two turbines will deliver an additional 17GWh/yr or a 6% increase to scheme output, which is material.

Full replacement of the Highbank turbine and generator unit in Canterbury will commence next month with a significant amount of project planning and assembly of the new generator recently completed in advance of the main unit outage. In the last few weeks, the team successfully commissioned our 'pumps as turbines' project, converting the existing irrigation pumps at Highbank to also run as turbines and generate in the order of 6MW of energy – this will partially offset the impact of the circa 18-month outage on generation volumes over this period, as well as providing resilience during future outages at the scheme in the coming years. This project was a great example of innovation from our team, finding ways to extract additional value from the existing asset base and infrastructure.

The team also completed a complex extended outage at our Waipori scheme in Otago over the 23/24 summer period, completing the 3 and 4 station generator replacement project as well as a number of asset improvements and long-term maintenance projects.

It is pleasing to see the execution of these large projects progressing to plan and we will continue to focus on these to ensure they are delivered safely, to meet or exceed business case expectations.

The Esk Scheme in Hawkes Bay suffered significant damage from Cyclone Gabrielle in early 2023 – in June this year, the team successfully returned the full scheme to service, in fact finding ways to improving operational performance, and this asset has performed very well for us in recent months.

The team has also restored some capacity at our Bream Bay facility in Northland, where we now have 6MW of diesel peaking capacity, up from on average 3-4.5MW for much of the previous 12 months – this asset, expected to run quite infrequently, can offer some protection from our exposure to very high price periods in the market where we may also have an energy shortfall from our wider portfolio or need to preserve water, as well as supporting energy security in the local region, as was observed in June this year.

These are just a few examples of many of the great projects happening around our regions. The hard work of our site-based teams and their ability to maintain reliability and develop innovative solutions to challenges across our unique and diverse asset fleet has underpinned our asset performance over recent months, and I would like to thank them for their ongoing dedication in this space. During the period we also saw the retirement of several long-standing members of our Manawa community – the ‘two Les’s’ on the West Coast and Len Parnell locally at our Kaimai Scheme in the Bay of Plenty. Les Neame, Les Larking and Len all made a significant contribution to the hydro industry and their regional assets in particular, retiring after many years of dedicated service and myself and the wider team thank them and wish them well.

**[Guidance Update]**

We were obviously very disappointed to downgrade our FY25 guidance in early August. It is fair to say that it has been a very tough few months in the New Zealand energy market, with, as is often the case when any market comes under stress, a unique combination of factors contributing to this outcome.

Manawa Energy has a very geographically diverse asset base, that typically would see rain or inflows in some catchments at any given point in time – for much of the calendar year through to the end of August, we observed a unique very extended dry period across almost all of our assets, with near record low inflows into many of our catchments including key storages at Coleridge and Cobb. In addition, the lovely weather many of us experienced over winter meant that conditions were also relatively calm, with lower average wind speeds and output than expected from the Mercury wind farms we procure energy from over this period.

This dry/calm sequence over the entire country, coupled with very elevated gas prices as a result of depleting New Zealand gas reserves and associated production, has put a lot of pressure on the system - with high priced thermal generation and scarce water storage resulting in a period across July and early August that saw the highest monthly, weekly and daily wholesale spot prices ever observed in the history of the New Zealand electricity market. To be clear this was primarily due to fuel scarcity, with the market price reflecting the value of this scarce fuel and energy.

These conditions meant that Manawa’s key storages were drawn down to very low levels, with production from our run-of-river assets and the procured energy from the Mercury wind farms well below average. As a result, our overall production levels and associated revenue were down and we faced some exposure to the high wholesale market prices at times procuring energy to meet our contractual supply commitments.

The team took a number of steps to mitigate the impact of these market conditions, including proactive management of our shorter-term outages to reflect near term market conditions, prudent use of our water and lake operating ranges, including securing dispensations for some operational restrictions due to the extreme market conditions/hydrology and the implementation of various energy trading strategies.

In late August/early September we have seen a return of more typical weather conditions with stronger wind patterns and an increase in rain and inflow sequences across many of our catchments. This combined with various industry responses to the very tight market conditions observed – such as Methanex temporarily suspending its operations whilst gas is diverted to the electricity sector, demand response from the NZ Aluminium Smelter, along with recent improved inflows has seen a marked decrease in wholesale electricity prices. Our lake levels at Cobb and Coleridge have returned to near average for this time of the year, with Waipori still at relatively low levels and we will monitor this carefully heading into next Autumn as we look ahead to winter 2025.

**[Prime Energy]**

Another contributor to our earnings downgrade was provisioning for a potential bad debt. For well over ten years, Manawa had a rather unique wholesale intermediary arrangement with Prime Energy, an electricity retailer specialising in supply of electricity to customers throughout the country. As a result of the recent stress in the electricity market (which I've just spoken to), Prime defaulted on its payments to Manawa. Manawa's exposure to Prime Energy climbed very rapidly, given the market conditions and ultimately, it was determined by Management and the Board to terminate Manawa's legal supply arrangements with Prime Energy and make a provision for the potential uncertainty associated with the recovery of the debt due. Manawa also quickly took steps to successfully limit any further exposure to debts beyond the amounts disclosed. Manawa and Prime Energy continue to work together to resolve this matter and an update on this will be provided in the future when the outcome is more certain.

This arrangement was unique within Manawa, and it does not have similar arrangements with any other party.

Following this, Management has initiated a review of a number of its internal controls and processes to assure itself and the Board that its risk management processes, including its assessment of counterparty credit risk are appropriate and fit for purpose when also considering how the market might evolve and how potential market risks in the future compare with those observed historically.

**[Development Portfolio and Reconsenting Efforts]**

Manawa has a long history of renewable energy project development, with Trustpower owning, operating and developing some of the first utility scale wind farm projects in New Zealand, and successfully developing a number of projects throughout New Zealand and Australia in the last two decades.

Following a period of relatively little activity in this space, Manawa has built up an attractive pipeline of wind and solar options throughout the country, as noted now having over 1.2GW of secured project options to advance, representing nearly 4,000 GWh p.a. of new generation, as well as more than 500MW of projects at an earlier stage of development.

During the past year Manawa secured resource consents for our first solar project, the Argyle solar project in Marlborough. This 65 – 70 MWac project represents an estimated 130 GWh p.a. of generation potential, across two sites in Marlborough, which are located adjacent to our Branch hydro scheme. This project represents an attractive near-term development opportunity with a great location, solar resource and synergies with our existing hydro assets.

Consenting activities at the Huriwaka and Kaihiku (in partnership with Pioneer Energy) wind farms, both significant scale developments for Manawa are also progressing with lodgement of consents expected in late FY25/early FY26. We also continue to progress consenting and design related activities at our other wind prospects in the Waikato (Hapuakohe), Whanganui (Ototoka) and Marlbourough (Vernon Station) regions.

Manawa has submitted a number of projects for consideration into the proposed Fast-track Approvals Bill process, including reconsenting associated with a number of its existing hydro-schemes, and will await the outcome of this process later in the year.

I am very proud of the efforts of our environment team, in particular maintaining a strong record of ongoing compliance across some 3,500 resource consent conditions, as well as enhancing environmental outcomes such as improved fish and eel passage around structures in our schemes - working closely with iwi and hapu on this environmentally and culturally important work.

Appropriate resource management act reform remains a key focus for Manawa, with changes necessary to reduce the time, cost and complexity of consenting new, or reconsenting existing generation infrastructure. We do have significant concerns that some of the proposed RMA changes signaled will not in fact provide an enabling regime for new renewable generation investment and reconsenting, rather introducing new and expanded hurdles that will add delay, uncertainty and cost. We and the wider industry will continue to work with Government to address these concerns and seek to achieve the intended outcomes.

New Zealand will simply not achieve its energy or climate ambitions if the industry is not able to efficiently secure the key approvals necessary along with operationally and economically feasible conditions, and unless it appropriately balances actual or potential environmental effects against the significant economic and environmental benefits these projects can deliver.

**[Proposed Acquisition and Conclusion]**

Deion has talked about the proposed acquisition of Manawa by Contact Energy.

As he has noted, the Board and Management is very focused on ensuring that its ‘business as usual’ until the transaction is completed. We recognise that without our people we cannot achieve this, and my focus along with the Management team is on supporting them through this period and ensuring that we keep our people healthy and safe, continue to operate our assets reliably, respect our relationships with and commitments to our partners and stakeholders and advance our development pipeline.

It is pleasing that the value of our unique asset portfolio, the opportunity our generation development pipeline presents, the strength of our stakeholder relationships and the great people and capability in our team have been recognised by Contact Energy.  I am confident, that subject to completion of the transaction, the combined business will be well positioned to deliver benefits to customers, the New Zealand economy and climate. Greater resilience through diversity of generation technology, fuel, and location along with a highly prospective expanded development pipeline, and an ability to accelerate the build out of this pipeline, is exactly what is required to deliver improved economic and environmental outcomes for New Zealand in the future.

Finally, I would like to extend my thanks to Deion, the Board, my Executive team, and all the team at Manawa Energy for their continued efforts and support over what has been at times a rather challenging period. We look forward to meeting the challenges and opportunities ahead together and continuing to deliver value for shareholders.

Thank you.