



Market Announcement

Friday, 29 July 2016

Trustpower Limited First Quarter Operating Results for the Three Months Ended 30 June 2016

Trustpower's operating statistics for the quarter ended 30 June 2016 together with prior period comparatives are provided at the end of this announcement.

Trustpower has continued to maintain good progress during the first quarter of the 2016 financial year on its retail growth strategy. Energy accounts have increased by 2,000 and telecommunication connections by 4,000 since 31 March 2016. Growth remains primarily targeted at North Island metro markets. Pleasingly, the number of customers taking two or more services has grown by 24,000 (41 per cent) over the last twelve months confirming Trustpower's leading multi-product retailing position.

Mass market electricity sales volume was up 9 per cent on prior period, driven by increased customer numbers. Usage per customer has however declined in the quarter due in part to mild weather during the quarter. This has also impacted on gas sales which are 15 per cent below prior period. Time of use fixed price sales volume decreased 8 per cent over prior period.

There was significant inflow into the major South Island hydro storage catchments during the period and this has resulted in total New Zealand hydro storage currently being well above average. This coupled with the mild weather lowering demand has resulted in lower wholesale electricity prices over the period as more expensive thermal generation has been required to run less often.

New Zealand generation production was 2 per cent above prior period but 8 per cent below expected long term average as Trustpower responded to the lower demand and prices by reducing generation volume.

Australian wind generation was 343GWh for the quarter, 23 per cent higher than prior period. This increase has been driven by very strong wind conditions in the quarter (the current quarter is 18 per cent higher than expected long term average). The same quarter in the prior year had below average wind conditions.

On 17 May 2016 the Electricity Authority released two consultation papers of significant interest to Trustpower: a proposal for review of the distributed generation (DG) pricing principles (DGPPs) and the second transmission pricing methodology (TPM) issues and proposal paper. Taken as a package, the two proposals have the potential to materially impact the profitability of DG around the country, including the schemes owned by Trustpower. However, the magnitude of these potential impacts is unclear at this stage; the Authority has said that the information required to assess the financial impacts on DG "will not be available for some years".

As with many other stakeholders in the industry we are disappointed with both proposals. In particular, we had not anticipated the proposal for wholesale removal of the long-standing DGPPs, but more critically, are disappointed that the Authority did not appear to appreciate the reasons why the DGPPs were introduced in 2007, following an extensive, multi-year review by central Government. We also refute the Authority's

contention that introducing changes of such magnitude, without appropriate change management mechanisms, would not result in any long-term efficiency impacts.

As an industry participant committed to ensuring regulation in New Zealand is of the highest quality, we expended a considerable amount of effort on our submissions to both proposals, including commissioning reports from a number of international and local experts. We requested of the Authority changes to the consultation process to allow the issues to be considered. These changes were rejected, as a consequence today the Trustpower Board has decided to apply to the High Court for review of the Authority's consultation process, including orders requiring the Authority to accept further reports from us on the work we were unable to do during the consultation period, and to provide all parties with the ability to comment on others' submissions.

Trustpower has recently announced it has lost its appeal to the Supreme Court in relation to its dispute with Inland Revenue. The amount in dispute was provided for in the March 2016 financial statements.

Trustpower is continuing to progress the proposal to demerge into two separate groups. One focusing on Australasian wind and solar and the other on hydro and retail predominately in New Zealand. The proposal is now before the courts and subject to a favourable ruling will be presented to shareholders for consideration in August/September.

A handwritten signature in black ink, appearing to read 'PM Ridley-Smith', written in a cursive style.

PM Ridley-Smith

Chairman

	3 Months June 2016	3 Months June 2015	12 Months March 2016
Customers, Sales and Service			
Electricity connections (000s)	279	248	277
Telecommunication connections (000s)	66	44	62
Gas connections (000s)	32	26	31
Customers with two or more services (000s)	82	58	77
Mass market sales - Fixed Price (GWh)	481	443	1,820
Time of use sales - Fixed Price (GWh)	201	209	823
Time of use sales - Spot (GWh)	332	377	1,389
Total customer sales (GWh)	1,014	1,029	4,032
Average spot price of electricity purchased (\$/MWh)	63	64	64
Gas Sales (TJ)	258	303	1,046
Annualised electricity customer churn rate*	16%	15%	16%
Annualised electricity customer churn rate - total market*	21%	22%	21%
Generation Production and Procurement			
North Island hydro generation production (GWh)	203	165	639
South Island hydro generation production (GWh)	227	251	949
Total hydro generation production (GWh)	430	416	1,588
North Island wind generation production (GWh)	148	146	605
South Island wind generation production (GWh)	31	37	119
Total wind generation production (GWh)	179	183	724
Total New Zealand generation production (GWh)	609	599	2,312
Average spot price of electricity generated (\$/MWh)	57	59	60
Net third party fixed price volume purchased (GWh)	269	258	902
Australian wind generation production (GWh)	343	279	1,197
Australian hydro generation production (GWh)	28	17	254
Total Australian generation production (GWh)	371	295	1,451
Other Information			
Resource consent non-compliance events	3	1	7
Staff numbers (full time equivalents)	787	648	727

*Based on Electricity Authority data