QUARTERLY OPERATIONAL UPDATE

Three months ended 30 September 2024

>> QUARTERLY HIGHLIGHTS

MARKET REACTS TO HIGH PRICES

EVIDENCED BY THE DEMAND AND FUEL RESPONSE

TAUPO LAKE LEVEL NOW NORMAL

DESPITE LOW STARTING LAKE LEVEL AND INFLOWS IN Q1

C&I ELECTRICITY YIELD GROWTH

REPRICING TO A SUSTAINED HIGHER FORWARD CURVE

>> COMMENTARY

Market summary

Near record low national hydro storage and persistent gas supply constraints contributed to the tight electricity market in July and early August, resulting in record high spot electricity prices for the first half of the quarter. The situation eased from mid-August due to unseasonally wet conditions in the South Island, which led to major hydro lakes returning to normal levels. This, along with increased gas volume for generation and sector demand response, resulted in a significant reduction in wholesale spot prices in the second half of Q1 and into Q2. Whilst national demand was 2.5% lower for the quarter relative to PCP due mostly to NZAS' demand response, actual demand, normalised for the short-term industrial response, would have increased by 0.9%. National hydrological inflows for the period were 88th percentile, belying the drought conditions at the start of the quarter, resulting in spot prices averaging $298/MWh in Auckland. Forward prices remain elevated, averaging $193/MWh in Auckland for financial years 2025 to 2027.

Lower hydro generation partially offset by higher wind generation and geothermal performance

Dry Waikato catchment conditions with 19th percentile inflows saw Q1 hydro generation reduce to 965GWh (179GWh, 16% lower than PCP). Wind generation was higher at 549GWh (19GWh, 4% higher than PCP) due to the full quarter impact of the new Kaiwera Downs 1 wind farm. Improved performance in geothermal generation resulted in 22GWh higher generation than PCP at 683GWh. Commercial & Industrial yield growth (physical and end-user CfDs) was $17/MWh higher for the quarter relative to PCP because of contract repricing to a sustained higher electricity forward curve.

We are forecasting hydro generation of 3,900GWh for the financial year, an increase of 100GWh from August guidance.

Spot gas prices shadow electricity spot prices

Daily wholesale spot gas prices peaked at $54/GJ within the quarter, and subsequently reduced as short-term gas availability increased after Methanex on-sold gas and idled their plant from mid-August. Mercury's higher gas purchase price of $28.6/GJ for the quarter was $14.7/GJ higher than PCP and reflects ongoing spot gas exposure.

Mercury

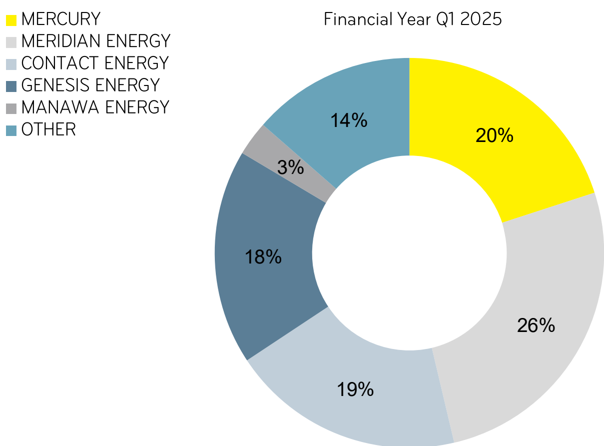
>> OPERATING STATISTICS

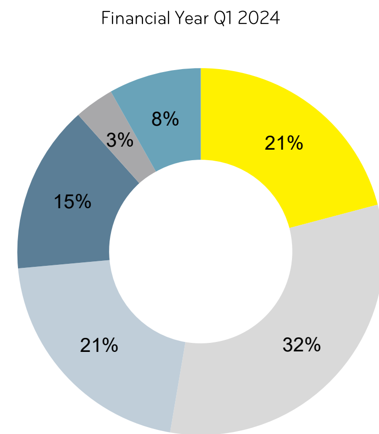
OPERATING INFORMATION		Three months ended 30 September 2024		Three months ended 30 September 2023	
CONNECTION NUMBERS ('000s)					
Electricity connections (ICPs)			579		584
Gas connections	1		105		102
Telecommunication connections			165		153
Mobile connections			28		19
Customers with 2 or more products			197		190
		VWAP [3] ($/MWh)	Volume (GWh)	VWAP [3] ($/MWh)	Volume (GWh)
ELECTRICITY SALES					
Physical		165.44	1,851	155.06	1,941
Mass Market	4	163.67	1,325	156.23	1,370
Commercial & Industrial	5	169.88	526	152.27	571
Network Losses			109		105
Physical Purchases	6	325.57	1,960	133.43	2,046
Financial		164.70	871	134.03	843
End User CfDs		138.28	357	120.49	360
Other Sell CfDs	7	183.05	514	144.14	483
Spot Settlement of CfDs		297.31		127.14	
Spot Customer Purchases		319.83	31	126.58	32
Gas Sales ($/GJ, TJ)	1	25.10	865	22.22	838
Gas Purchases ($/GJ,TJ)	1	28.62	875	13.92	847
Telco Sales ($/month/connection)	2	82.90		84.20	
Telco Costs ($/month/connection)	2	56.98		57.67	
ELECTRICITY GENERATION					
Physical		269.61	2,197	120.11	2,334
Hydro		337.92	965	133.60	1,144
Geothermal (consolidated)	8	277.51	683	122.36	661
Wind Spot		235.90	203	106.79	214
Wind PPA		83.44	346	74.90	315
Financial		132.41	865	108.20	845
Buy CfDs	7	132.41	865	108.20	845
Spot Settlement of CfDs		315.04		124.41	
Net Position	9		-115		-25

[1] Includes LPG bottle connections
[2] Includes mobile connections
[3] VWAP is volume weighted average energy-only price sold to customers after lines, metering and fees
[4] Mass market includes residential segments and non time-of-use commercial customers
[5] Fixed-price, variable-volume (FPVV) sales to time-of-use commercial customers
[6] Excludes spot customer purchases
[7] Includes Virtual Asset Swap volumes of 75 GWh for the 3 months ended 30 September 2024 and 113 GWh for the 3 months ended 30 September 2023. Also includes the Manawa CFD volumes relating to the Trustpower retail transaction
[8] Includes Mercury's 65% share of Nga Awa Purua generation
[9] Includes all physical and financial buys and sells except spot customer purchases and wind ppa

>> MARKET DATA

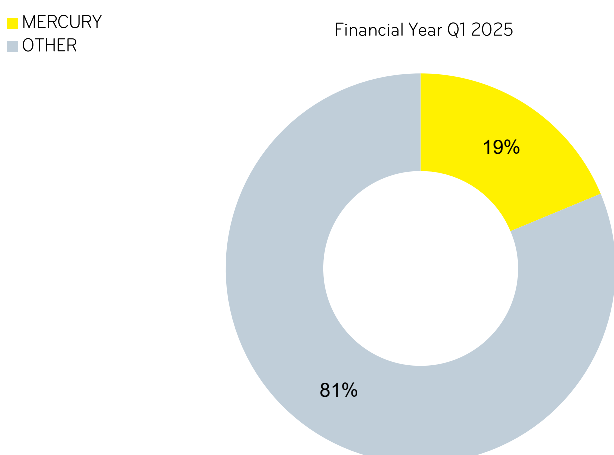
> ELECTRICITY GENERATION BY COMPANY FOR THE THREE MONTHS ENDED 30 SEPTEMBER

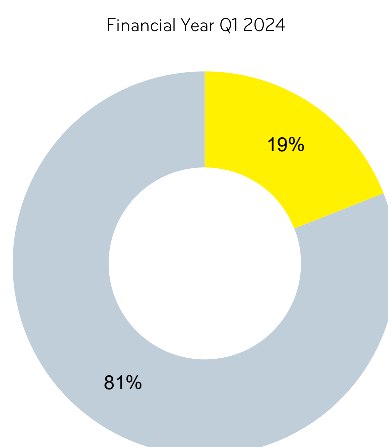




Source: Transpower SCADA

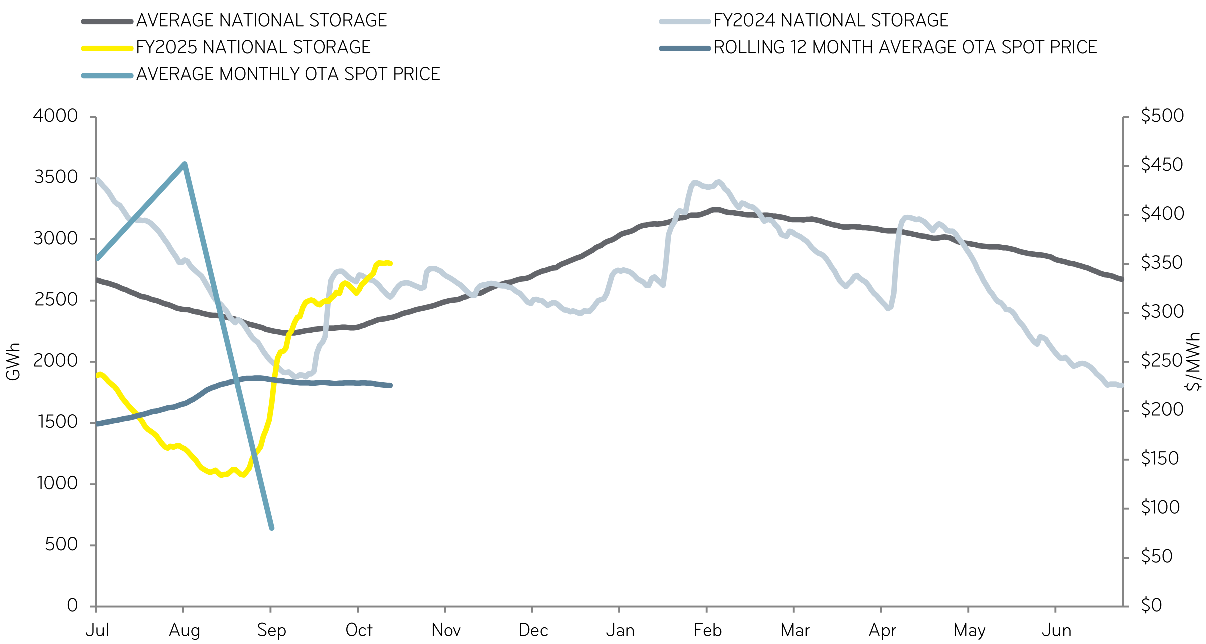
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 SEPTEMBER (EXCLUDING CFDs)





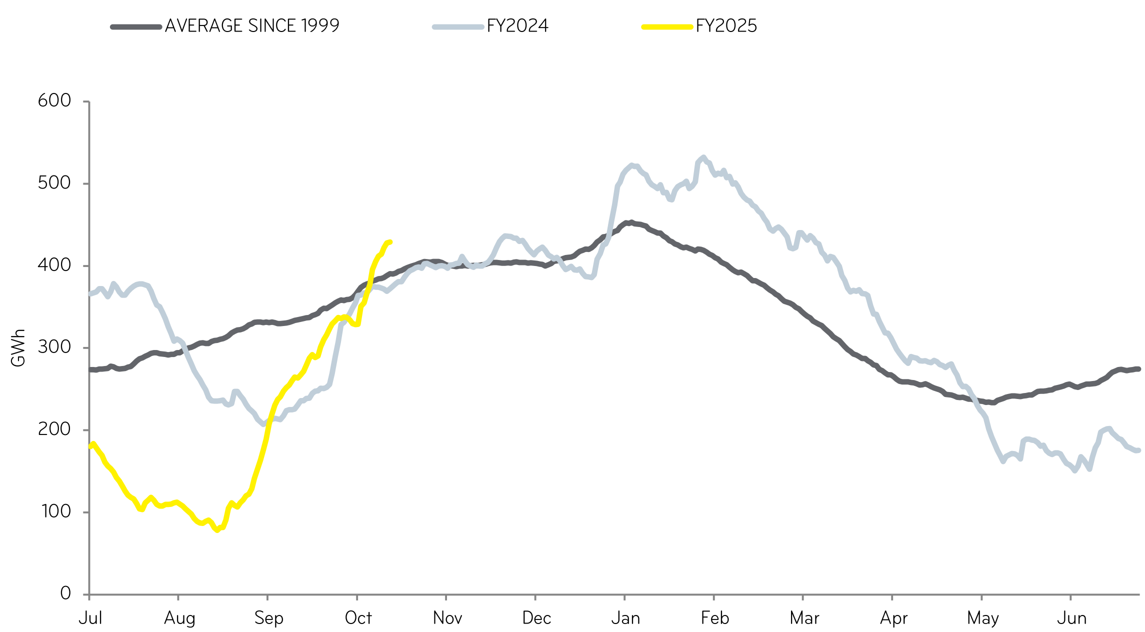
Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



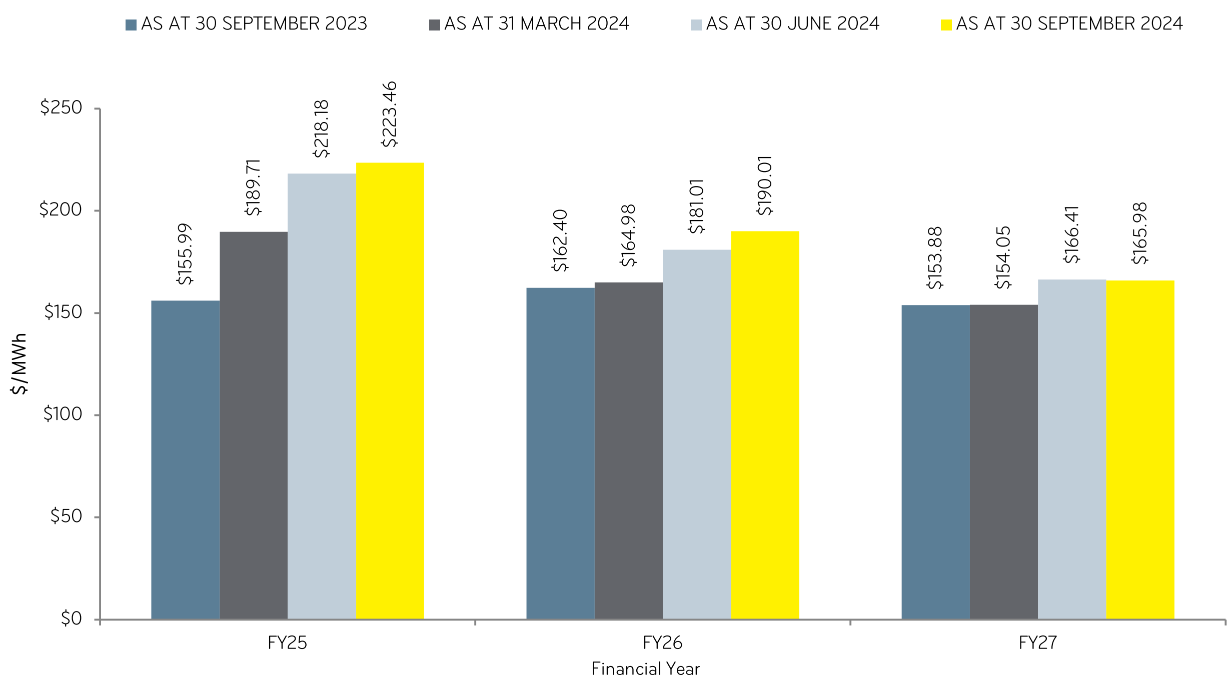
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



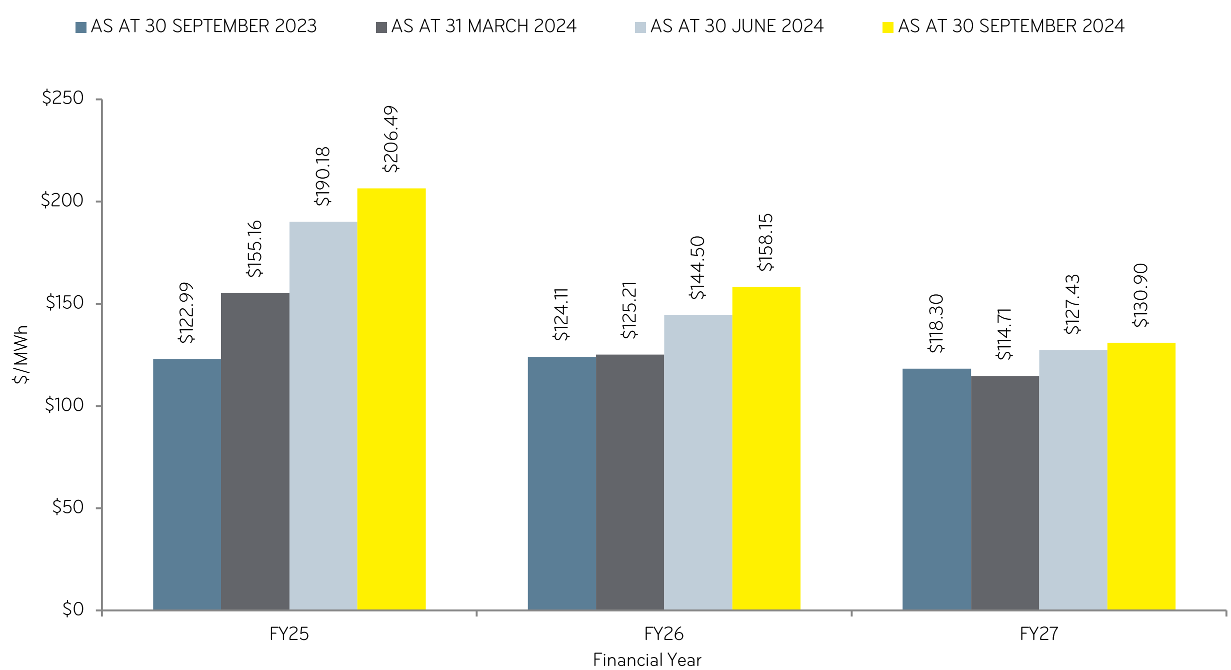
Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE



Source: ASX

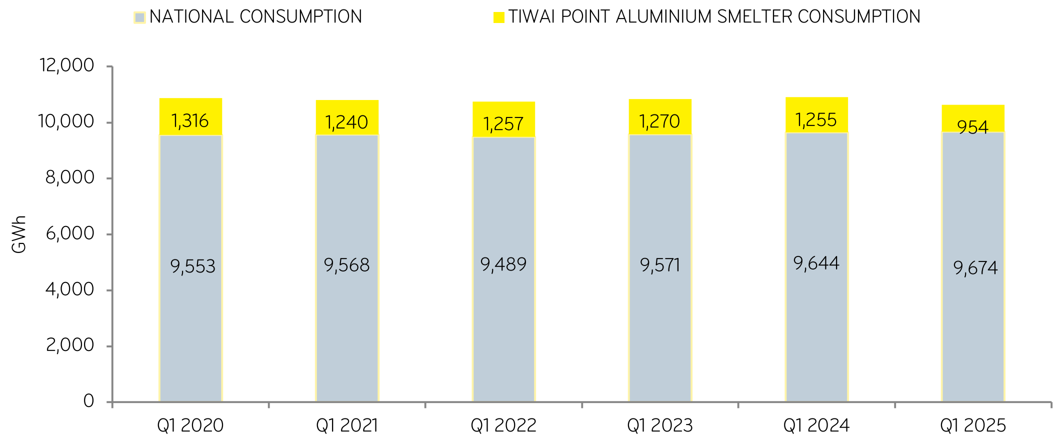
> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

Mercury

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



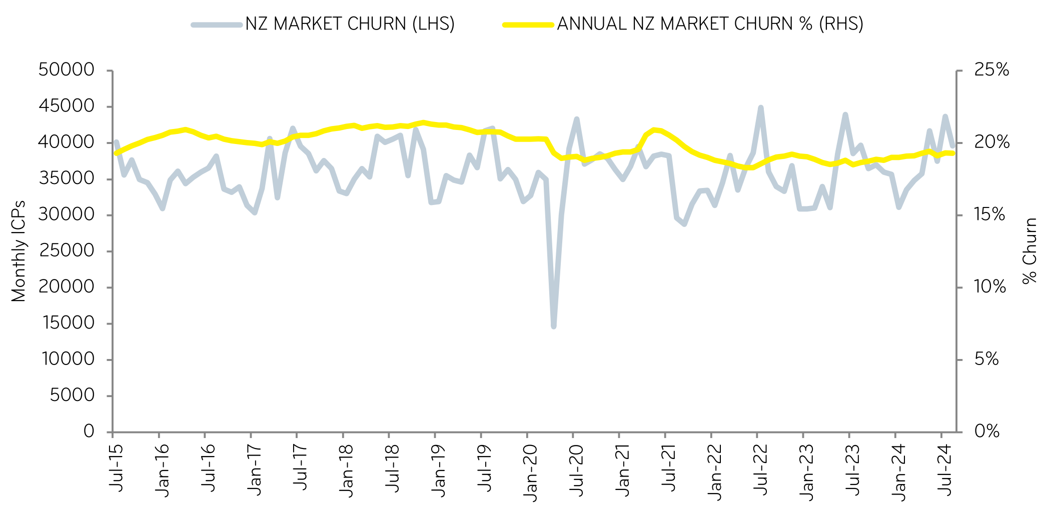
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (ºC)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2025	12.5	-	-	-
2024	12.2	16.8	19.6	14.3
2023	12.9	17.2	19.2	15.1
2022	12.2	17.8	20.8	15.1
2021	12.3	16.9	19.5	14.8
Historical Average (since 1999)	12.0	16.2	19.5	14.2

Source: Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority