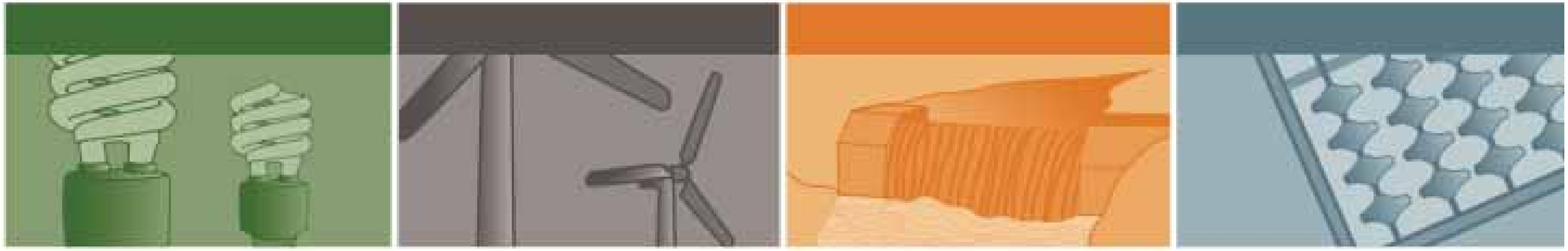
awatea

The Business of
Marine Energy

Oceania Room | Te Papa Tongarewa | Wellington



AWATEA Conference 2011

Key Aspects to Commercialise Independent Generation

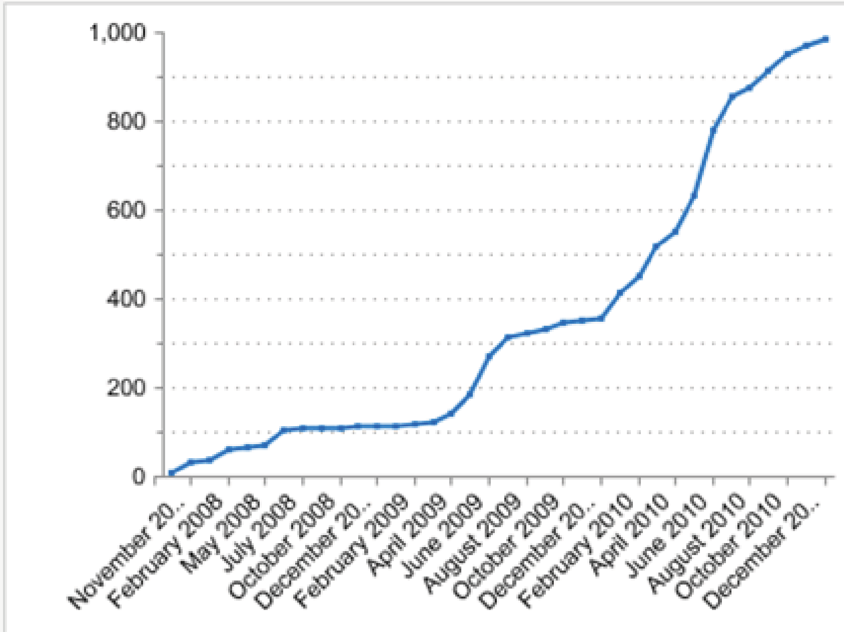
Simply Energy

- Full Retail, Generation and Certified Reconciliation Status
- Nationwide Use-of-System Network Agreements
- Securities Dealers License
- Quality Assured; Contractual, System and Process Infrastructure
- Combined with Expert Advisory and Deal Structuring Services

Delivering structured electricity solutions for our customers

"Carter Holt Harvey has been buying electricity from Simply Energy since June 2007. We are delighted to see a new entrant in the market and believe Simply Energy's innovative approach to retailing will be well received by New Zealand's commercial and industrial users." – Mr. James Flexman, Carter Holt Harvey

ICPs under Management



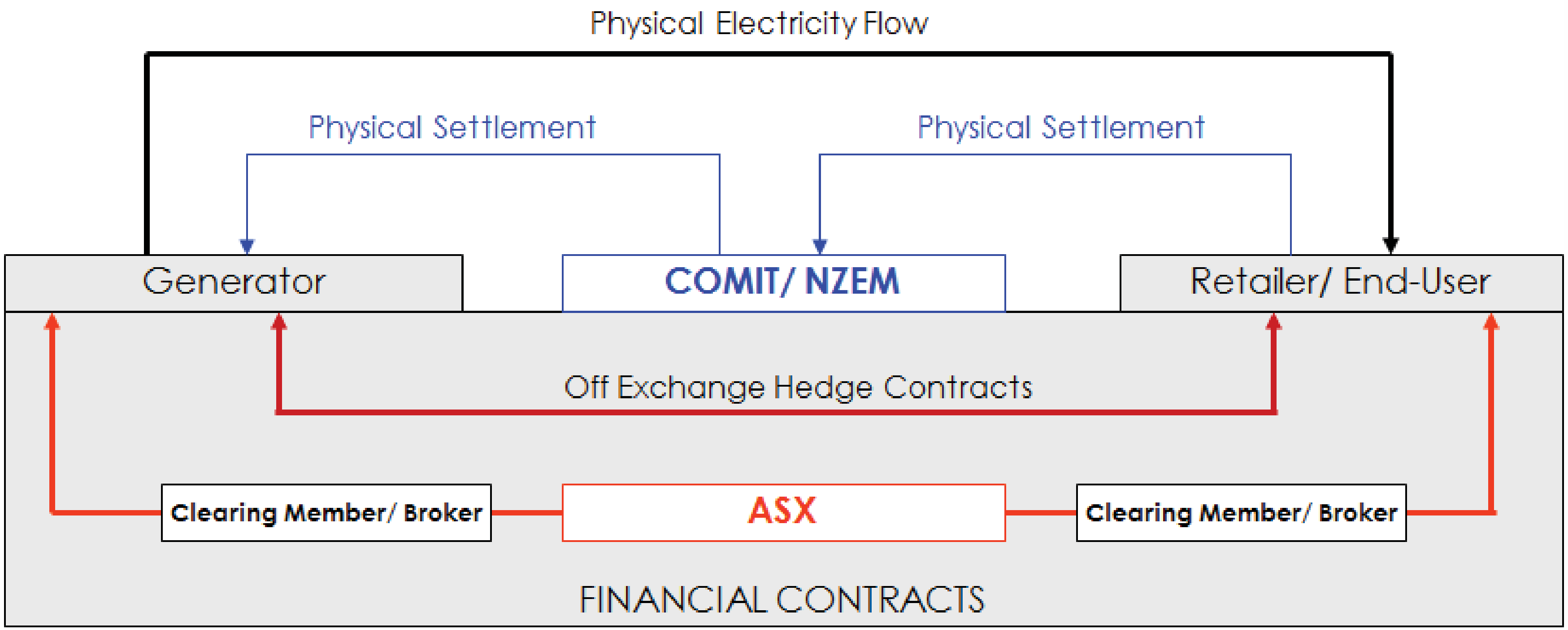
History excludes ICPs not currently managed

Commercialisation of the generation project

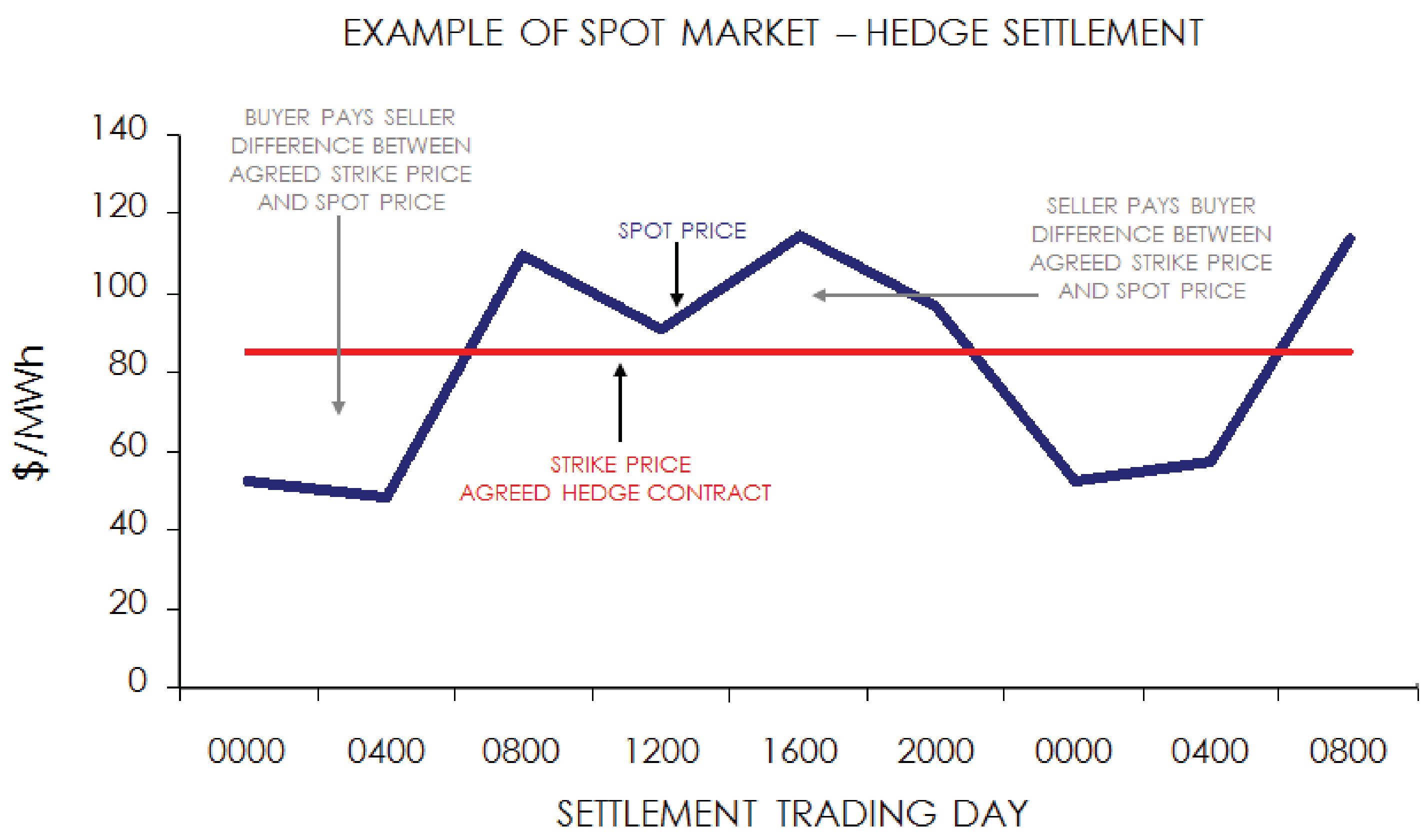
- Focus on engineering – yes but remember the commercials
- Strategic direction
  - Develop, own and sell an off-take – bankable off-takes
  - Partnership with generator-retailer
- Electricity sales value
  - Generation profile – consistent baseload is good
  - Forward prices
  - Locationally adjusted
- Non-energy benefits
  - Avoided cost of transmission
  - Avoided line loss benefit
- Misconceptions:
  - Emissions units
  - Renewable power premium

Electricity Market Interfaces

Chart 1: Relationship between Physical Spot Market and Financial Markets



Electricity Market Interfaces (Hedge/ Swap)



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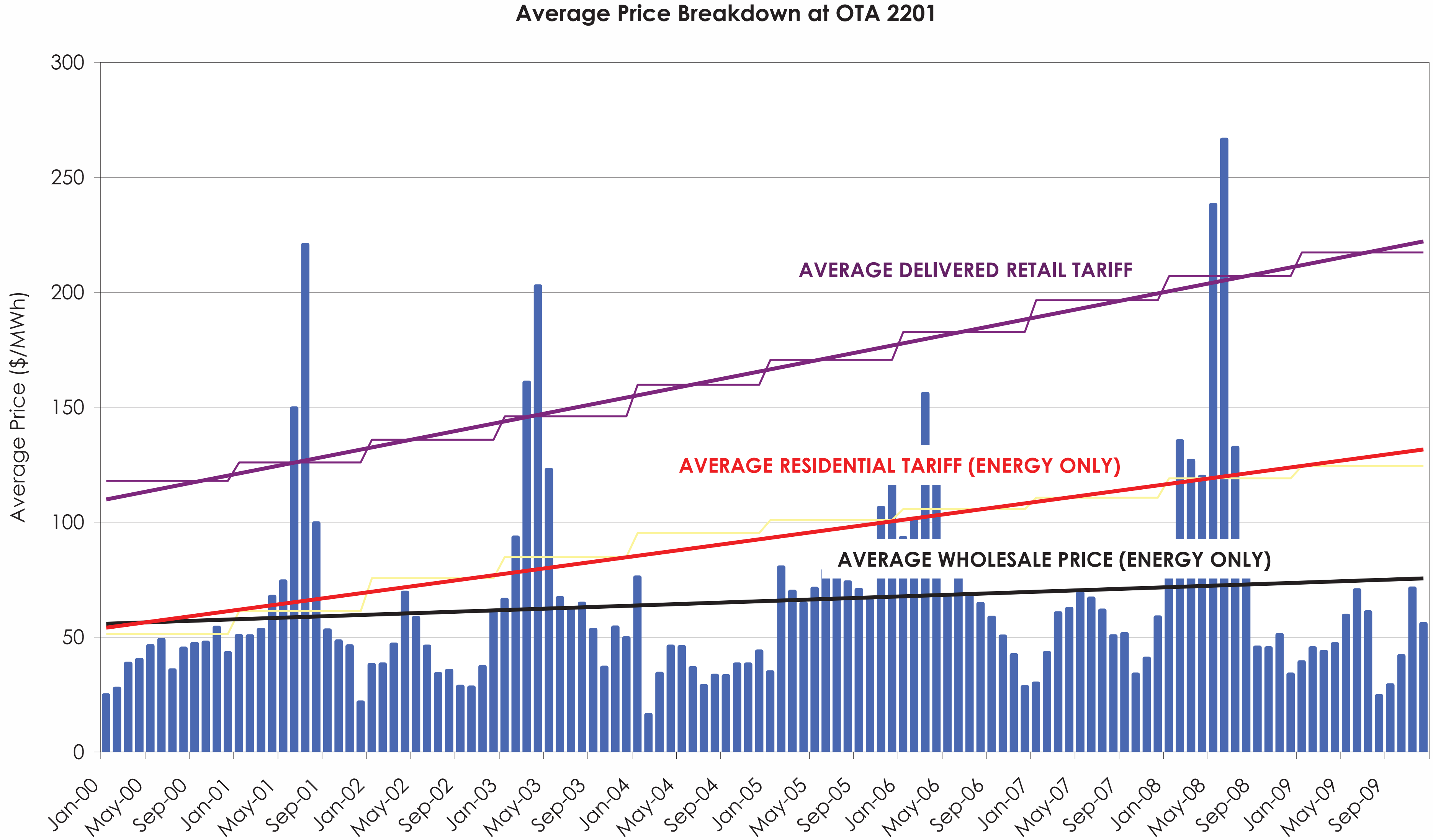
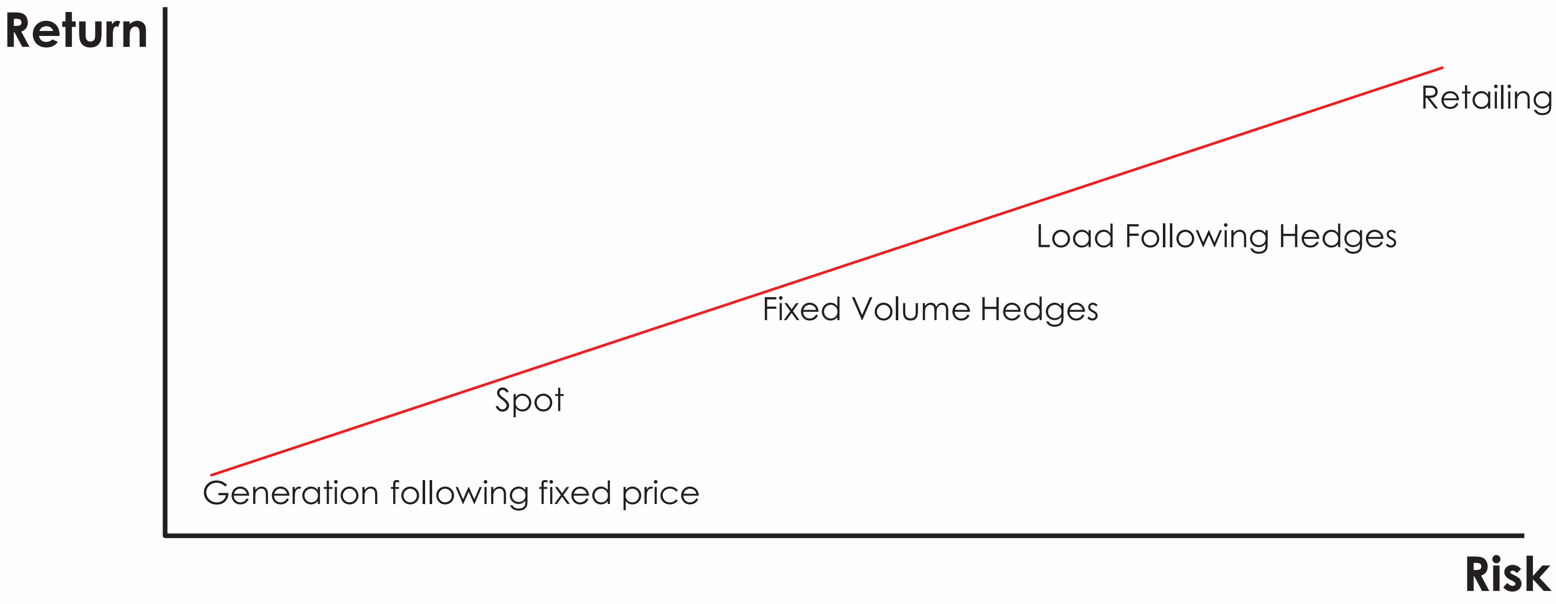
Wholesale vs Retail Numbers



* NB: wholesale price benefit to be adjusted for retail load

Risk & Return Framework

- Power Sales (bankable for project financing)
  - Spot (volatility – debt servicing)
  - Generator-retailer off-take
  - Direct sales to end users (Swap)



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DG Regulations

- Connecting the Generator
- Embedded Generation – Distribution Network connected
- Distributed Generation Regulations 2008
  - Essentially the generator should pay the marginal cost to connect and export power
  - The generator should receive the marginal benefits
  - Default contract terms and time line that must be complied with
- DG Regulations do not cover:
  - Guaranteed capacity
  - Interruptions and disconnection - performance guarantees
- Practical issues
  - Transparency around generation specific asset charges
  - DG Agreement can drag out as not a high priority with some network companies
  - Transformer and build lead times
  - Transmission charges (SI HVDC charges) and net export charges

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