

NEWS RELEASE

Mercury commits to completing New Zealand's largest wind farm

12 November 2019 – Mercury has amended its contracts with Vestas to complete New Zealand's largest wind farm at the Turitea site near Palmerston North.

Mercury's Chief Executive, Fraser Whineray, announced today that Mercury has committed to build the remaining 27 consented turbines at Turitea, at a cost of \$208 million, adding to the 33-turbine project announced earlier this year. This will create New Zealand's largest wind farm at 222MW, producing 840GWh annually, enough to power 375,000 EVs.

"Being able to complete the Turitea wind farm at its full scale contributes further to New Zealand's sustainable, low emissions future by making more renewable, kiwi-made electricity available for homes, businesses and vehicles throughout the country," Mr Whineray said.

"The combination of long-term electricity demand projections, synergies from already committed transmission infrastructure, construction and operations on site, and co-benefits with the Waikato hydro system mean completion of the Turitea wind farm makes sense.

"We are pleased to be able to announce this closely following the passing of the Zero Carbon Bill by the New Zealand Parliament," Mr Whineray said.

The newly enacted legislation sets up a framework by which New Zealand's policy on climate change will be developed in the effort to achieve the aims of the 2015 Paris Agreement. That includes a target to reduce emissions of all greenhouse gases (except biogenic methane) to net zero by 2050.

Mr Whineray said it is clear that there will be a need for significant amounts of renewable electricity to support the path to a low carbon future.

"Short-term uncertainty is a feature of our electricity market and we are used to that. On one hand, wholesale electricity prices are currently elevated, mainly due to issues in the gas market which are likely to remain. On the other, the aluminium smelter at Tiwai Point is being reviewed by Rio Tinto, noting that its electricity supply contract with Meridian concludes in 2030."

"Renewable energy projects are about the very long term, and we believe the case is compelling for the completion of this leading North Island wind farm site, situated close to the national grid, supporting New Zealand demand into the future," Mr Whineray said.

The 27 new turbines in the south will have a total capacity of 103MW and will generate 370GWh per annum on average. The southern section of the wind farm will use the same Vestas wind turbine model but will have a higher peak output at 3.8MW per turbine compared to 3.6MW per turbine for the northern section of the wind farm. This 0.2MW per turbine increase in capacity helps compensate for the slightly lower average wind speeds in the south of the site.

"Mercury again acknowledges and thanks local councils, landowners and iwi for their engagement through the long process to bring the Turitea wind farm project this far, and we look forward to working with them and other stakeholders during the construction activity to follow," Mr Whineray said.

Mercury already generates around 6,800GWh of renewable electricity per annum, approximately 17% of New Zealand's total electricity generation, from its hydro and geothermal stations located in the central North Island, close to areas of high demand and growth. It operates solar business Mercury Solar, and has a 60kW solar array at its Penrose R&D centre. Mercury also owns almost 20% of Tilt Renewables, which operates and develops wind farms in Australia and New Zealand.



PROJECT DETAILS

Mercury has contracted with the same supplier Vestas-New Zealand Wind Technology Limited, a local subsidiary of Vestas Wind Systems A/S (the world's largest wind turbine supplier), to construct and maintain the combined Turitea wind farm development. This arrangement involves amendment and restatement of the full engineer, procure and construct (EPC) contract and long-term service and availability agreement executed in March 2019 to accommodate the increased scope. Mercury is also working with Electrix to connect the new portion of the wind farm to the transmission currently under construction. These transmission assets already have been designed to cater for generation growth from these 27 additional turbines and the future development of the nearby Puketoi wind farm.

On-site construction for the southern section of the wind farm is planned to start this summer in conjunction with existing construction activities. The cost for this section of the wind farm is estimated to be \$208 million. This will be funded from existing debt facilities.

Further details are provided in the accompanying presentation.

ABOUT MERCURY NZ LIMITED

Mercury's mission is energy freedom. Our purpose is to inspire New Zealanders to enjoy energy in more wonderful ways and our goal is to be New Zealand's leading energy brand. We focus on our customers, our people, our partners and our country; maintain a long-term view of sustainability; and promote wonderful choices. Mercury is energy made wonderful.

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TURITEA TO BE NEW ZEALAND'S LARGEST WIND FARM

- > Mercury has committed to the construction of the remaining 27 consented wind turbines at Turitea, adding to the 33 turbines under construction
- > Mercury has contracted with Vestas to build and maintain the wind farm with synergies achieved in combination with the Northern Zone from:
 - > Reduced construction costs through a single continuous construction programme; and
 - > Reduced per turbine Operating Costs through scale efficiencies

PROJECT SPECIFICATIONS	SOUTH	NORTH
Commissioning	Late 2021	Late 2020
EPC Contractor	Vestas	Vestas
O&M Contractor / Term	Vestas / 25 years	Vestas / 25 years
Turbines	27 x V112-3.8MW	33 x V112-3.6MW
Turbine Tip Height / Hub Height	125m / 69m	125m / 69m
Rotor Diameter	112m	112m
Total Capacity	103MW	119MW
Net Capacity Factor	~41%	~45%
P50 Yield	370GWh p.a.	470GWh p.a.
Capital Cost ¹	\$208m	\$256m
Total Operating Cost ²	~\$12/MWh	~\$13/MWh
EBITDAF Impact ³	~\$25m p.a.	~\$30m p.a.

¹ Excluding capitalised interest

² Assuming CPI increase of 2% p.a. over 25 year term of O&M contract

³ Assumes \$80/MWh received for generation



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\$1B OPPORTUNITY IN WIND

- National Grid
- Committed 220kV Transmission
- Consented future 220kV Transmission
- Turbine Zone

NORTH
119MW / 470GWh
Committed
\$256m

PALMERSTON NORTH

TURITEA WIND FARM

PAHIATUA

SOUTH
103MW / 370GWh
Committed
\$208m

PUKETOI WIND FARM
53 turbines consented



INVESTMENT RISK FROM NZAS REVIEW UNCHANGED

- > Wholesale market clearly signalling new generation necessary
 - > ASX Otahuhu Futures CY22 - \$97/MWh & CY23 - \$100/MWh
- > Any renewable investment decision needs to be made with the view that New Zealand Aluminium Smelter (NZAS) will close within its investment horizon (25 years+)
 - > NZAS is 48 years old
 - > NZAS has the right to terminate electricity contracts with Meridian Energy with 12 months' notice until contract maturity in 2030
- > The full Turitea wind farm complements and adds to a portfolio of resilient generation assets
 - > 100% renewable, with flexible hydro for firming of wind; and
 - > 100% North Island based, close to major load centres and free of major transmission constraints resulting from an NZAS closure

