

Operational and Performance Information

Quarter One 2010/2011 Financial Year

Part: 1 Operations

Wholesale market conditions

Wholesale market conditions in the First Quarter (Q1) of the 2010/2011 financial year shifted from low inflows into the hydro lakes in July to above average inflows in August and September 2010, with lake storage remaining above average for most of the period. National electricity demand levels were higher compared to the same quarter last year.

The wet conditions had a strong impact on the wholesale price level as around 70% of New Zealand's electricity is sourced from hydro generation. The average wholesale price at the Hayward's supply point (near Wellington) fell from around \$80/MWh in July to \$20/MWh in September 2010.

Electricity generation

Genesis Energy has 500MW of hydro generation and 1,500MW of thermal generation capacity in the North Island. The Company's hydro schemes experienced above average inflows over much of the first quarter of 2010/2011. The 138MW Waikaremoana Hydro Scheme storage started the first quarter 59% full and ended 91% full and Lake Moawhango on the 360MW Tongariro Power Scheme started 61% full and ended 102% full. Market conditions overall during this period provided for higher hydro generation, but lower output from Huntly Units 1 to 4.

Genesis Energy's total generation in Q1 for 2010/2011 was down 9% at 1,942GWh compared to 2,128 in the same quarter in 2009/2010. Thermal generation was down 17% at 1,277GWh compared to 1,537GWh in Q1 2009/2010 reflecting lower generation from Huntly Power Station Units 1 to 4. Generation output from Unit 5 of 751GWh in Q1 was comparable to Q1 2009/2010. Renewable generation was up 13% at 665GWh for Q1 2010/2011 compared to 590GWh in Q1 2009/2010, reflecting higher generation from both the Tongariro Power Scheme and Waikeremoana Hydro Scheme.

Retail market

Genesis Energy started 2010/2011 with a strong first quarter in both electricity and gas residential markets, despite the retail business environment continuing to experience strong levels of competition. The Company's South Island electricity acquisition campaign and North Island gas acquisition campaign have delivered strong results over the first quarter period with a net gain of 7,034 electricity customers and 1,212 gas customers¹.

On a quarterly basis, the level of electricity customers is down 15,100 or 3% at 542,300 in Q1 compared to 557,400 for the same quarter last year. Gas customer numbers are up 1,900 or 2% at 109,700 in Q1 compared to 107,800 in Q1 2009/2010. LPG customers are also up by 1,900 at 2,400 in Q1 compared to 500 in Q1 2009/2010.

¹ These figures include vacant installations.



In the first quarter 2010/2011 retail electricity sales at 1,698GWh were down on the same period last year by 187GWh. Gas sales were down 0.3PJ to 1.6PJ and LPG sales were up 163 tonnes to 217 tonnes.

At the end of September 2010, Genesis Energy had a total of 89,277 advanced meters installed with 29,417 advanced meters being installed in Q1. Installation rates are around 2,500 advanced meters per week.

Fuel supply

With lower output from Huntly Units 1 to 4 in Q1, the total amount of fuel used for generation fell by 3PJ, from 14.3PJ in Q1 2009/2010 to 11.3PJ in Q1 2010/2011. Genesis Energy used relatively more gas than coal to fuel generation in Q1 compared to last year reflecting the Company's commercial operations over that period. The coal stockpile balance at Huntly Power Station was 1,239 kilotonnes on 30 September 2010.

Gas purchases were up 4.2PJ at 12.3PJ in Q1 compared to 8.1PJ in the same quarter 2009/10, largely due to the receipt of Kupe gas since December 2009. Coal purchases were down 1.6PJ at 5.7PJ in Q1 compared to 7.2PJ in Q1 2009/2010.

The Kupe oil and gas field commenced commercial operations on 22 March 2010. Genesis Energy's share of Kupe sales for Q1 included 1.8PJ of gas, 175 kilo-barrels of oil and 8.4 kilotonnes of LPG.

Part: 2 Quarterly performance results against Statement of Corporate Intent

Genesis Energy's Statement of Corporate Intent 2010/11-13 (SCI) was tabled in Parliament on 6 July 2010 and sets out the Company's agreed performance expectations with shareholding Ministers².

Genesis Energy has performed well over in Q1 against the SCI performance targets.

Financial Performance Targets

Key profitability results over Q1 include the Company's return on equity at 2.0% (target 1.6%) and return on capital employed at 2.9% (Target 2.5%). Efficiency and solvency results are also above budget and will provide a strong platform for the Company going forward.

No dividend was paid during Q1. The Company has yet to declare a final dividend in respect of the 2009/2010 financial year, pending determination of funding requirements for the acquisition of Tekapo A and B.

Non-Financial Performance Targets

The Company experienced three lost time injuries resulting in minor injuries. The availability and forced outage factor results for Huntly Units 1 to 4 were also not within target due to a range of operational issues.

² Genesis Energy's Statement of Corporate Intent 2010/11-2013 can be found on the Genesis Energy website (www.genesisenergy.co.nz) under 'About Us/AboutGenesisEnergy/OurAim' section.



Part: 3 Business outlook

Market outlook

NIWA's seasonal climate outlook over Q2 2010/2011 indicates that late spring (October–December) temperatures are likely to be above average in all regions with rainfall and stream flows likely to be near normal or below normal levels (with some regional exceptions).

Wholesale prices have been relatively low over August and September 2010 and current hedge prices published on the Energy Hedge website for the next quarter indicate that prices may remain at these levels.

Strong retail competition in both the electricity and gas markets is expected to continue over the coming months. Genesis Energy, in anticipation of the acquisition of the Tekapo A & B hydro stations, will continue to advance its South Island retail electricity acquisition campaign as well as its North Island gas acquisition programmes.

The Electricity Industry Act 2010 will commence on 1 November 2010, and will establish the Electricity Authority, enable State generator asset reconfigurations and deliver a wide range of initiatives designed to facilitate better governance, competition and security of supply.

Investment programme

In July 2010, Genesis Energy announced it would lodge a resource consent application for the Castle Hill Wind Farm (up to 600MW), located north of Masterton in the Wairarapa. The Company continues to progress work towards its resource consents application for the Castle Hill Wind Farm.

Genesis Energy's negotiations with Meridian Energy to acquire the Tekapo A and B hydro power stations have been progressing well. This acquisition would add a further 185MW of hydro generating capacity to the Company's portfolio and would create a significant generating base in the South Island.

Genesis Energy's programme to roll out Advanced Meters to our customers continues to gain momentum. As at 30 September 2010, the Company had installed 89,277 advanced meters and expects to install an additional 30,000 new meters over the next quarter. Installation of these Advanced Meters is already producing cost savings and efficiencies, and will facilitate the delivery of new products and services in the near future.

Financial outlook

While there are a range of operating and financial scenarios that might eventuate during the 2010/2011 financial year, at this stage the Company expects to meet the financial targets included in its SCI for the period covering 2010/2011. No account has been taken at this stage for the acquisition of Tekapo A and B hydro power stations or other initiatives provided for in the Electricity Industry Act 2010.

Operational Information

Genesis Energy Operational Information	First Quarter (July to September)	
	2010/11	2009/10
Sales		
Retail Electricity Sales (GWh)	1,698	1,885
Retail Gas Sales (PJ)	1.6	1.9
Retail LPG Sales (tonnes)	217	54
Wholesale Gas Sales (PJ)	1.6	0.0
Wholesale Coal Sales (PJ)	0.3	0.3
Generation		
Gas (GWh)	1,079	818
Coal (GWh)	198	719
Thermal (GWh)	1,277	1,537
Hydro (GWh)	657	583
Wind (GWh)	7	7
Renewable (GWh)	665	590
Total Generation (GWh)	1,942	2,128
Average Price Received for Generation (\$/MWh) [1]	54.85	41.88
Gas Purchases (PJ)	12.3	8.1
Coal Purchases (PJ)	5.7	7.2
Gas Used In Internal Generation (PJ)	9.2	6.3
Coal Used In Internal Generation (PJ)	2.2	8.1
Coal Stockpile - closing balance (kilotonnes)	1239	847
Retail		
Retail Electricity Purchases (GWh)	1,822	2,018
Average Retail Purchase Price (\$/MWh) [1]	54.96	42.67
Retail Gas Purchases (PJ)	1.6	1.8
Total Advanced Meters Installed	29,417	8,976
Electricity Customer Numbers [2]	542,300	557,400
Gas Customer Numbers [2]	109,700	107,800
LPG Customer Numbers [2]	2,400	500
Total Customer Numbers [2]	652,000	665,200
Kupe (Genesis Energy share)		
Gas Sales (PJ)	1.8	0.0
Oil Sales (kbbbl)	175	0
LPG Sales (kilotonnes)	8.4	0.0

Notes:

[1] Excludes settlements from contracts for differences.

[2] Customer numbers have been rounded to the nearest hundred.



Performance Results: Statement of Corporate Intent

Financial Performance Targets	2010/11 FIRST Quarter Actual	2010/11 FIRST Quarter Target [1]	2010/11 SCI Year End Target
Shareholder Returns			
Total shareholder returns (%)	1.8	1.4	2.4
Dividend yield (%)	0.0	2.1	4.7
Dividend payout (%)	0	69	86
Return on equity (%)	2.0	1.6	2.8
Return on equity adjusted for IFRS fair value movements and asset revaluations (%)	2.2	1.9	3.2
Profitability and Efficiency			
Return on capital employed (%)	2.9	2.5	5.7
Operating margin (%)	19.0	13.9	11.9
Generator efficiency (\$)	50.10	42.33	36.21
Earnings before interest and tax to average total assets (%)	2.1	1.7	4.0
Solvency			
Interest cover (#)	6.4	4.8	5.8
Solvency (#)	1.6	0.9	1.0
Non-Financial Performance Targets	2010/11 FIRST Quarter Actual	2010/11 FIRST Quarter Target	2010/11 SCI Year End Target
Number of significant RMA non-compliances (#) [2]	0	0	0
Customer satisfaction (%) [3]	90	85	85
Power Station Availability			
Hydro (%)	96.1	93.7	94
Thermal			
Huntly Units 1 to 4 (%)	85.8	92.5	83
Huntly Unit 5 (%)	98.0	97	92
Huntly Unit 6 (%)	95.6	80	80
Forced Outage Factor			
Hydro (%)	0.15	0.27	0.27
Thermal (%)	2.85	2.00	1.95
Lost Time Injuries (#)	3	0	0

Notes:

[1] Quarter Target is not a published SCI target.

[2] 'Significant' refers to those incidents which are more than minor and for which it is appropriate to notify the consent authority (over and above standard notification of minor consent non-compliances in consent monitoring reports).

[3] Based on the survey question: "Thinking about all aspects of the service provided to you, how satisfied are you with the overall performance of Genesis Energy, where 0 is extremely dissatisfied and 10 is extremely satisfied.". In 2009/10, this question was based on "How do you rate the performance of your energy supplier.". Percentage of customers rating Genesis Energy good, very good or excellent.