



meridian

Quarterly operating result announcement Meridian Energy Limited

Reporting Period

Three & Twelve month period ending 30 June 2011

OPERATING STATISTICS	3 months to 30 Jun 2011 current quarter	3 months to 31 Mar 2011 previous quarter	3 months to 30 Jun 2010 prior quarter comparative	12 months to 30 Jun 2011 current year	12 months to 30 Jun 2010 prior year comparative
Generation (GWhs)					
- Hydro generation	3,119	3,180	3,294	12,629	12,857
- Wind generation	295	256	244	1,023	1,005
Total Generation	3,414	3,436	3,538	13,652	13,862
Avg Price per MWh Generated	\$39.65/MWh	\$26.22/MWh ³	\$50.35/MWh	\$41.57/MWh	\$48.33/MWh
Retail					
- Meridian Retail ICP's ¹	239,216	238,671	238,822	239,216	238,822
- Powershop ICP's ¹	33,560	28,414	16,440	33,560	16,440
Total Retail ICP Numbers	272,776	267,085	255,262	272,776	255,262
Powershop Contract Sales (GWh)	86	56	45	267	83
Meridian Contract Electricity Sales ² (GWh)	1,329	1,491	1,405	5,807	5,823
Meridian Spot Electricity Sales (GWh)	451	411	449	1,796	1,835
Avg Electricity Purchase Price	\$44.77/MWh	\$50.47/MWh ³	\$57.85/MWh	\$51.65/MWh	\$58.05/MWh

¹ Excluding vacant ICP's

² Retail sales excludes volume sold to RTA Power (NZ) Ltd

³ March quarter price per MWh adjusted based on Electricity Authority's decision to cap Huntly offer prices at \$3,000/MWh over the period deemed an Undesirable Trading Situation on 26 March

Financial Results

Meridian's financial results for the full year ending 30 June 2011 will be announced in the week commencing 22 August 2011 and our Annual Report will be publicly available following tabling in Parliament.

Operating Commentary

The claim process around the abnormally high wholesale prices of 26 March culminated in the Electricity Authority publishing its final decision on 4 July determining an Undesirable Trading Situation and outlining corrective actions. High Court appeals against the final decision have now been filed by Bay of Plenty Energy Limited/Todd Energy Limited, Contact Energy Limited and Genesis Power Limited. Both Meridian and Mighty River Power Limited have filed submissions supporting the Electricity Authority's decision.

Previously Meridian indicated the abnormal wholesale prices on 26 March had a net negative impact of \$17.5million on Group EBITDAF compared with prices normally seen in March. The March quarter results above have been adjusted assuming the \$3,000/MWh cap determined by the Authority.

Meridian continues to manage the ongoing impacts of the Christchurch earthquakes which are resulting in reduced revenue from these customers. A pleasing outcome during the quarter was the occupancy of new premises for our Christchurch based Meridian staff.

Waitaki catchment storage (including Lake Tekapo) at 30 June was 1,896GWh, 104% of historical average. Inflows experienced in the quarter were 81% of the historical average compared with inflows of 122% of average in the same period last year. The June quarter is the first to record below average inflows since the March 2010 quarter. Meridian's hydro generation volumes decreased slightly from the previous quarter, reflecting the 1 June 2011 sale of the Tekapo assets to Genesis Energy.

Meridian's net contract position has increased to 86.3% for the year with the short term contracted volumes being sold at prices higher than available on the wholesale spot market. Reduced Christchurch and national demand, above average storage, HVDC constraints and outages have led to low average generation prices for our electricity sold on the spot market, which averaged \$39.65/MWh during the quarter.

Retail competition remains intense, with churn increasing since the Electricity Authority's "What's My Number" advertising campaign. Almost 44,000 ICP's changed supplier in June, compared with 32,600 in March. Meridian's total ICP numbers increased by 5,691 during the quarter, with growth in Powershop and Meridian Retail North Island ICP's, offset by a decline in South Island ICP's, reflecting a rebalancing of load and intense competition.

We expect to achieve our key Statement of Corporate Intent financial performance measures for the 2010/11 financial year (adjusted for the impact of Tekapo asset sale).

Outlook

National storage continues to track above average and this will continue to result in challenging trading conditions with wholesale spot prices expected to remain low in the short term. Retail competition is expected to remain intense. Additional uncertainty now exists as Transpower moves into a significant period of outages on the HVDC link and the timing of these outages may potentially change. In May, Transpower advised that completion of commissioning of the new Pole 3 was likely to be delayed until late in 2012.

Meridian is well positioned for future growth. Meridian's medium term development pipeline has options well placed in the generation merit order to meet future demand growth expectations. As a utility scale generator, Meridian will benefit as wholesale prices are expected to trend towards the marginal cost of generation over the longer term. New arrangements with our largest customer, Rio Tinto Alcan New Zealand Limited provide improved commercial certainty from 2013. Alleviation of transmission grid constraints, through investment such as the HVDC upgrade, will improve Meridian's portfolio flexibility and risk position.

The 2010/11 Annual Report will be available on Meridian's web site www.meridianenergy.co.nz immediately following the Report being tabled in Parliament.