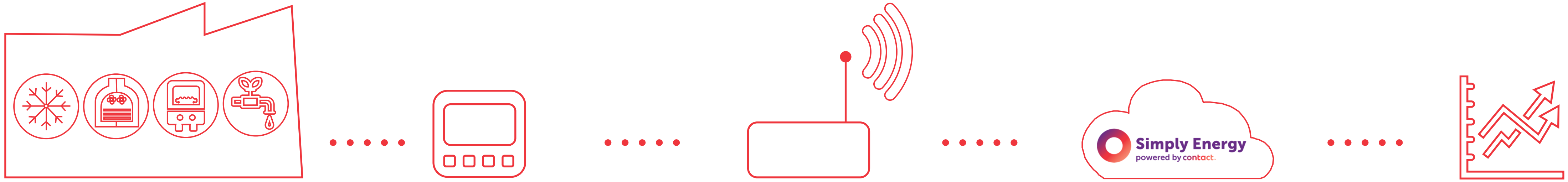
Demand Response

Discussion with MDAG

Simply's Demand Flex Program

Flexible load to reduce reliance on thermal power, support thermal decommissioning and the transition towards a 100% renewable electricity grid



CUSTOMER ELECTRICAL EQUIPMENT

CUSTOMER EXISTING CONTROL SYSTEMS

SIMPLY ENERGY DEMAND FLEXIBILITY HUB

SIMPLY ENERGY DEMAND FLEXIBILITY SOFTWARE

ELECTRICITY MARKETS

Simply's Demand Flex Program

Commercial and industrial sites providing reserves and demand response

2016

Team & program established, initial focus on residential demand response

2019

First industrial customer signed up

Today

40+ largely industrial sites, some large commercial

Wide range of industry sectors participating

> 120GWh controllable load

All sites can provide fast reserve, most sustained reserve

Some sites suited to providing demand 2 hour response

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Current DR Program

Limited by lack of demand response markets and value

- Max 2 hour events
- Not interrupting process / production output
- Shifting load rather than permanent load loss
- Limited C&I load suitable to join program
    - Many C&I loads have process / production / storage limitations
    - Lack of wholesale DR value, energy constrained market
    - Lack of Transpower and network DR programs

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Growing DR participation

Significant C&I load potential if market settings are developed

1. Sites willing to curtail production for short periods
   - Load available if benefits exceed costs
2. Higher wholesale DR value, capacity constrained market
3. Confidence in wholesale price forecasts – RTP, forecasting
4. Growth of Transpower and network DR programs
5. Growing a competitive aggregator / flexibility services market
   - Multiple trading relationships
   - Wholesale demand response mechanism

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Thermal Review

May 2021

Contact26

Our strategy to lead NZ’s decarbonisation

Strategic theme	Grow demand	Grow renewable development	Decarbonise our portfolio	Create outstanding customer experiences
Objective	Attract new industrial demand with globally competitive renewables	Build renewable generation and flexibility on the back of new demand	Lead an orderly transition to renewables	Create NZ's leading sustainable energy brand that will support renewable development ambitions

Enablers

ESG: create long-term value through our strong performance across a broad set of environmental, social and governance factors

Operational excellence: continuously improving our operations through innovation and digitisation

Transformative ways of working: create a flexible and high-performing environment for NZ's top talent

Outcomes

Growth
Pivot our business to a new growth era that captures the value unlocked by decarbonisation

Resilience
Deliver sustainable shareholder returns, aligned with our ESG commitment

Performance
Realise a step-change in performance, materially growing EBITDAF through strategic investments

We have set ambitious measures of success across our strategic themes

	Grow demand	Grow renewable development	Decarbonise our portfolio	Create outstanding customer experiences
Objective	Attract new industrial demand with globally competitive renewables	Build renewable generation and flexibility on the back of new demand	Lead an orderly transition to renewables	Create NZ's leading sustainable energy brand that will support renewable development ambitions
Metrics & measures	Senior in-house capability to support industry electrification partnerships by 2021 100 MW of new commercial and industrial demand by 2025 Identified 300+ MW of market-backed demand opportunities, replacing NZAS in the lower SI by end of 2024 (e.g., hydrogen)	Tauhara online by 2023 FID on next renewable build (Wairakei, wind, and/or solar) by 2024 Decision on North Island battery by end of 2023, for delivery in 2024 100 MW demand response capacity by 2025	Complete thermal review in 2021, and executed by the end of 2022 TCC decommissioned by end of 2023 Reduce Scope 1 and 2 GHG emissions 45% compared to 2018 baseline by 2026ê[2]	Top 10 ‘most trusted brand’ by 2025[1] +650,000 customer connections by 2025 CTS < $120 per connection 75% of customer interactions through digital channels

1. As per Colmar Brunton Rep Track report, 2020 ranked 38th
2. Sbti target at 1.5 degrees.

B. Our thermal review will identify an operating model to optimise the value of our flexible thermal assets add to security of supply and benefit our shareholders

- Act on our commitment to ESG, contributing to better outcomes for our communities and the environment
- Ensure secure 24x7 electricity supply for Contact's customers and all other market participants
- Capture the value flexibility offers to the electricity market
- Provide an integrated system to support the transition to renewables by providing risk-coverage to the market and reducing price volatility
- Reduce fixed costs by finding cost reductions, synergies and highest-value ownership

Design principles for targeted thermal portfolio structure

B. We are engaging with key stakeholders to explore establishment of 'ThermalCo' to achieve a return on assets and facilitate the energy transition

Structure

Ownership

Optimise ownership structure

Assets

- Peakers
- Reserve
- Co-generation
- Fuel storage
- Fuel supply agreements
- Upstream fuel assets

Mandate

- Provide risk management to the market
- Operate to fill risk management contracts
- Find synergies and return on assets

Process

1. Create high level design principles for new thermal structure
2. Agree high level design principles with existing holders of thermal assets
3. Engage 3rd party to undertake and structure detailed ThermalCo structure through engagement with thermal holders and wider industry
4. Structure agreed by owners and regulators
5. Spin assets off into ThermalCo and buy back PPAs to manage risk