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# Contact Energy Fuels Update

11 May 2006



# Disclaimer

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This presentation may contain projections or forward looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

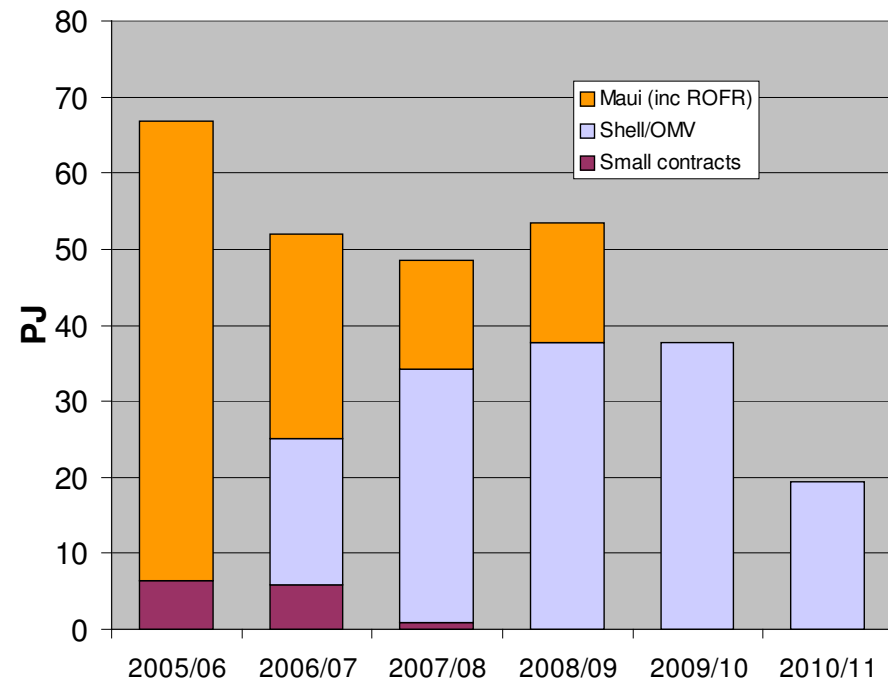
**The most important strategic issue facing Contact is the need to secure a reasonably priced, and flexible gas supply**

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## Future Gas Supply

- To support its existing generation and retail business Contact expects to purchase about 50PJ/a.
- The development of Otahuhu C would require an additional 10PJ/a to 20PJ/a gas
- Contact's gas supply as shown in the adjacent chart is based on current assumptions around external gas sales and internal generation requirements and is subject to change.
- The increased cost and decreasing flexibility in new gas contracts remains a challenge

**Contact Energy Gas Supply (@31 Dec 2005)**

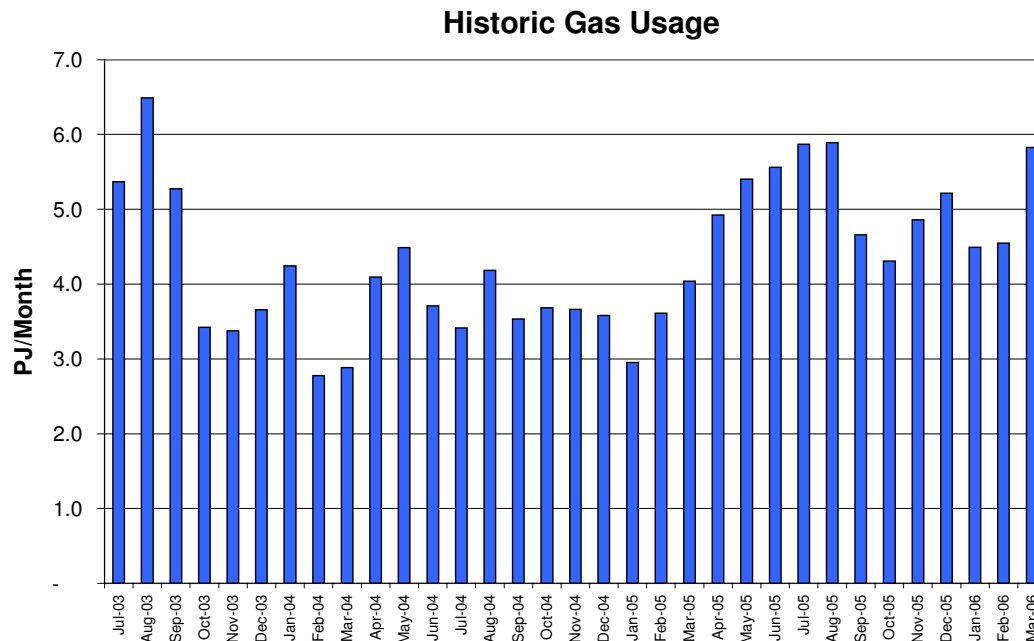


**Contact's Maui legacy entitlements have provided flexibility for no additional cost to the unit price of the gas. From June 2009 at the latest, this flexibility will require replacement.**

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## Flexibility

- Contact's Maui legacy entitlements expire in June 2009.
- While the fixed component of Contact's gas book is increasing prior to the end of Maui legacy gas, remaining Maui legacy entitlements provide enough flexibility to substantially mitigate any cost impact until this gas is fully utilised.
- Contact could adjust its operating and trading strategies to mitigate the cost of lost flexibility. For example, by operating its CCGT's at a higher capacity factor. However, this is only likely to partially mitigate the impact of lost flexibility, and possibly at some cost in lost revenue.



## The loss of Maui legacy gas flexibility is expected to increase the average cost of gas per unit utilised

### Impact on Average Gas Cost

- Over the last few years observed gas contracts have had either high fixed cost components or high take or pay requirements.
- Assuming that these trends continue and no external sources of flexibility are secured, flexibility would have the effect shown below. (This analysis does not allow for transmission pipeline costs.)
- Flexibility is key to Contact's ability to maintain and grow its thermal generation portfolio.
- The average capacity factor for both Contact's CCGT's, since the acquisition of TCC has been around 71%.

**Average Gas Cost**

