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\$600 million invested to add portfolio flexibility - Contact

Contact Energy today said that three critical energy projects valued at \$600 million would be in operation by mid 2010, restoring the company's operational flexibility and improving the country's energy security.

Speaking at Contact's annual meeting in Wellington today, Managing Director David Baldwin discussed how electricity transmission constraints and rigid gas supply contracts had impacted Contact in the 2009 financial year, and outlined how this was being addressed.

"Traditionally Contact has been able to move thermal generation from the North Island to the South Island when the southern hydro lakes are low, and move hydro to the North Island when it is a cheaper source of energy.

"Transmission constraints combined with a severe winter drought in 2008 removed this flexibility and led to a disappointing result for the 2009 financial year. However, we have three projects now in advanced stages of development that will restore some of this flexibility, to the benefit of Contact and the country," he said.

These projects are the \$250 million Stratford gas-fired fast-start peaking power station, the \$250 million underground natural gas storage facility at Ahuroa and the \$100 million Tauhara phase one geothermal power station at Taupo. All three will be in operation in mid 2010.

Mr Baldwin said the Ahuroa gas storage facility would restore gas supply flexibility to Contact's thermal power stations, enabling them to be used when market conditions supported them and allowing for gas to be stored in the reservoir for later use when thermal generation was not required.

Contact has been successfully injecting 40 terajoules of gas per day into the reservoir and today a new drilling rig arrives at the site to start drilling three new injection wells.

The \$250 million Stratford peaking power station will provide 200 megawatts of flexible, fast-start generation to meet increasing demand peaks and to support greater levels of weather dependent renewables.

The \$100 million Tauhara geothermal power station represents the first stage of development of the Tauhara steam field near Taupo, and is the first of a number of geothermal developments that Contact is advancing in the area.

Mr Baldwin said Contact was also working to assist Transpower in ensuring the required transmission upgrades were executed as quickly as possible.

"While operational inflexibility made 2009 a difficult year, over the course of that year we invested heavily in three key projects to address this challenge. These three projects represent major investment in the New Zealand economy at a particularly important time for the country," he said.

"The commissioning of these projects in mid 2010 will strengthen Contact's position for future years and deliver long term value to shareholders."

Resolutions put to the AGM included the appointment of David Baldwin to the Contact Board as Managing Director, the appointment of Sue Sheldon to the Board as an independent director and the re-election of Grant King and Bruce Beerem.

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