

Contact Energy ITP methodology 2021/22

Introduction

Contact Energy's Internal Transfer Price (ITP) for Financial Year 2022 (FY22) was **\$107.55**. This is made up of a base ASX component, which then has uplifts applied for location and shape/timing, against our actual reconciled load for the 12-month period. How each component is calculated is explored in further detail below.

Base ASX

We calculate our ITP on a quarterly basis using the Otahuhu and Benmore 'Base Quarter' ASX contracts. The FY22 ITP is the load-weighted average of each quarter

The ASX price for each quarter is based on three years of daily trades ending three months prior to the start of the quarter, as per the table below. Finishing trading three months prior to the quarter in question avoids undue volatility from short term changes in hydrology.

Quarter	ASX Start Date	ASX End Date
Quarter Three, Jul 21 – Sep 21	1/4/2018	31/03/2021
Quarter Four, Oct 21 – Dec 21	1/7/2018	30/06/2021
Quarter One, Jan 22 – Mar 22	1/10/2018	30/09/2021
Quarter Two, Apr 22 – Jun 22	1/1/2019	31/12/2021

The weighting between the Otahuhu and Benmore nodes is based on actual Contact Energy residential demand in each Island for the quarter. For FY22 this split was 62.8% North Island, and 37.2% South Island.

The calculated Base ASX ITP was **\$101.60**.

Month Uplift "Seasonality"

Because demand is not stable across each month of a quarter, we have added a factor to represent the value of a given month relative to the quarter. This factor is based on historic prices. This is particularly important in quarter two and three, where there is a ramp up and down in both spot prices and the level of demand as winter temperatures arrive and leave.

The Monthly Adjusted ITP was **\$102.29**. With an uplift of \$0.69 directly attributable to the month values.

Day Uplift

Demand is also not perfectly spread across each day of the month. To account for this we have added a factor so that demand on business days is given a higher value than non-business days (weekend or public holiday). This factor is based on actual historic data.

The Day Adjusted ITP was **\$102.36**. With an uplift of \$0.07 directly attributable to the day type values.

Trading Period Uplift "Intra-day"

Demand and price are also not flat across a day. We have applied a trading period factor to account for the differing values of each trading period based on actual historic data. This accounts for demand being weighted towards the morning and evening peaks.

The calculated Trading Period Adjusted ITP was **\$106.26**. With an uplift of **\$3.89** directly attributable to the trading period factors.

Location Uplift

The final adjustment we make is to account for the difference between the ASX price at Otahuhu and Benmore, and the actual nodes where we have demand. This is also based on actual historic data. FTR's are not accounted for in any shape or form.

The calculated Trading Period Adjusted & Location Adjusted ITP was **\$107.55**. With an uplift of **\$1.30** directly attributable to the location factors.

Subsequent Use & Changes

There are no further adjustments made to the ITP, including for administrative costs, nor is there allowance for manual interventions. The ITP is used to calculate the earnings of Contact Generation and Contact Retail as standalone entities and for general reporting purposes. Retail prices cannot be directly derived from the ITP.