

**Trust**  
power™

Quarterly Operating Report | Q2-21 September 2020



# Quarterly Insights

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## **Customers continue to value the bundle, Mobile and Fibre uptake looking strong**

More than half our customers are now taking two or more products (up 5.3% year-on-year), with 86% of all new acquisitions in Q2-21 taking 2+ products. Mobile is resonating well in market as we continue to trial and refine our early propositions. We remain optimistic about mobile growth and our relationship with Spark. 76% of our broadband customers are now on Fibre connections, with 97% of these on medium and fast speed plans.

## **C&I volumes decline**

As previously signalled, the loss of a small number of high-volume, low-margin customers is the driver of our lower C&I electricity volumes. Mass Market volumes remain strong, with Q2-21 average units per day 1.5% higher than the pcp, while YTD Mass Market volume per day is up 2.5%.

## **Customer engagement remains strong**

Q2-21 saw higher levels of customer contacts (up 8% compared to the pcp), and continued uptake of digital service channels (82% of contacts handled digitally). Customer satisfaction and first contact resolution remain strong. Focussed acquisition, a quality customer base, and proactive customer care has meant we are seeing positive customer action and sentiment as we navigate new challenges around COVID-19.

## **Low inflows and storage levels keeping prices elevated**

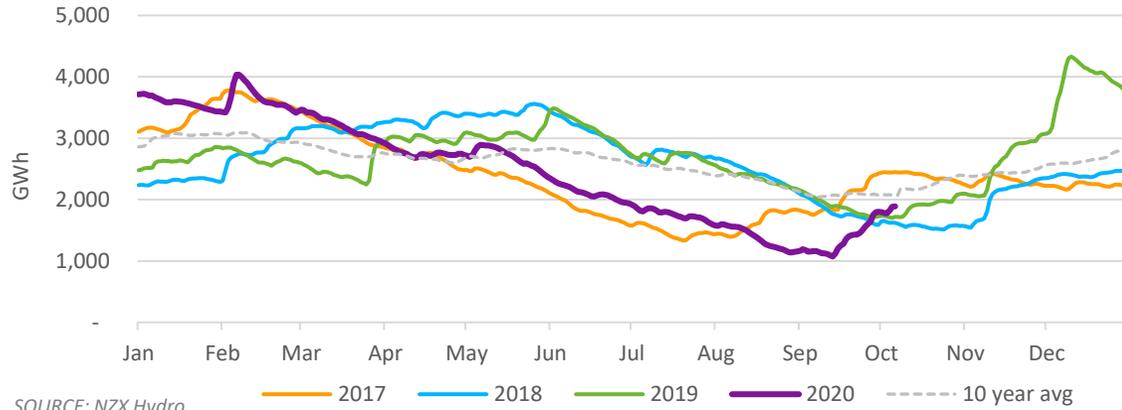
Wholesale electricity prices have remained elevated across Q2, driven by the return of strong customer demand post-lockdown, low national hydro storage levels, and record-low inflows. Forward pricing has rebounded since initial Tiwai announcement on 9<sup>th</sup> July 2020. National storage has also increased on recent weather events, to currently be sitting at 91% of the 10-year average.

## **Generation production hampered by low inflows**

Q2-21 North Island hydro generation was 17% lower than the pcp, driven by continued record-low inflows. H1-21 North Island generation was down 14% on the pcp. Q2-21 South Island generation was in line with the pcp, supported by strong running at our Waipori scheme.

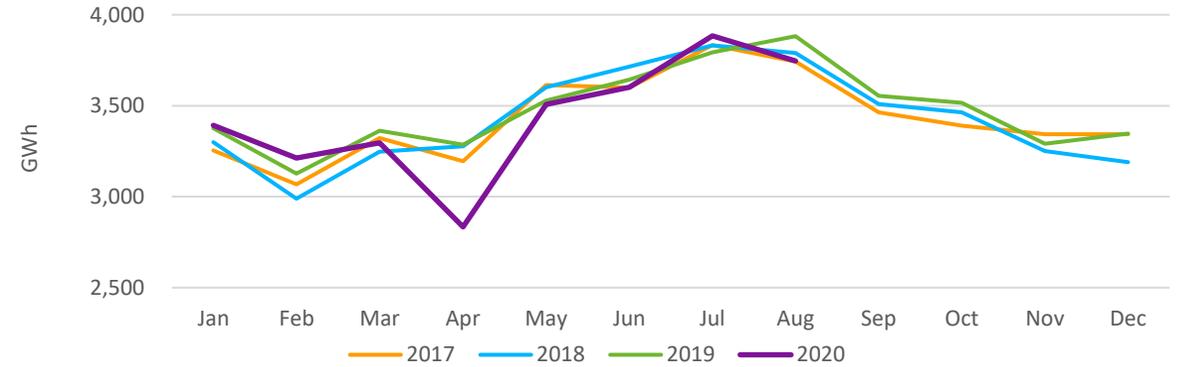
# Wholesale electricity market

National Controlled Storage



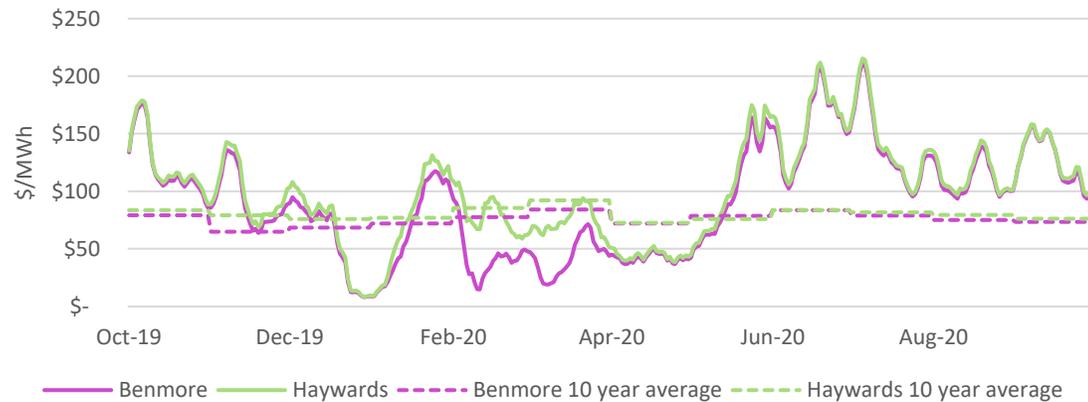
SOURCE: NZX Hydro

National Demand

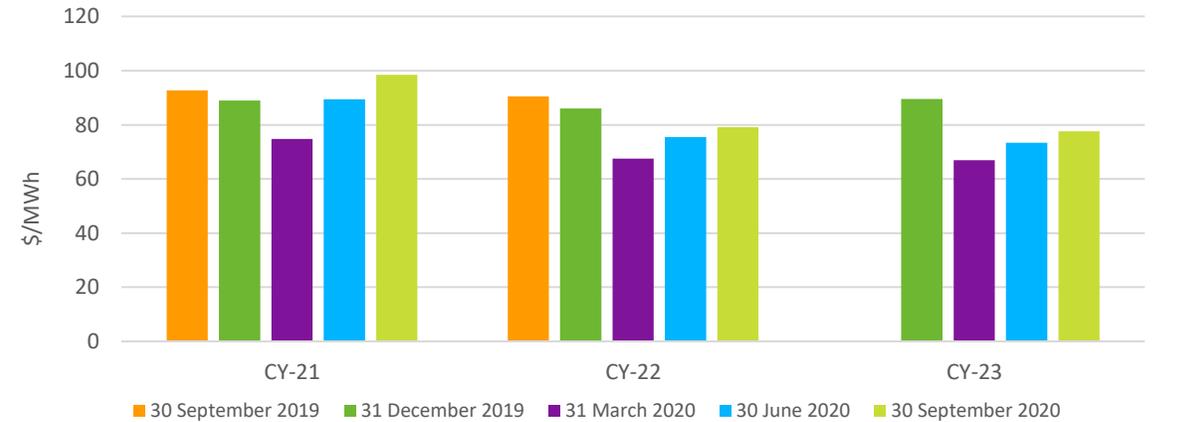


SOURCE: Electricity Authority. Reconciled demand not available for September at time of release.

Weekly average prices - 12 months to end of Sep 2020

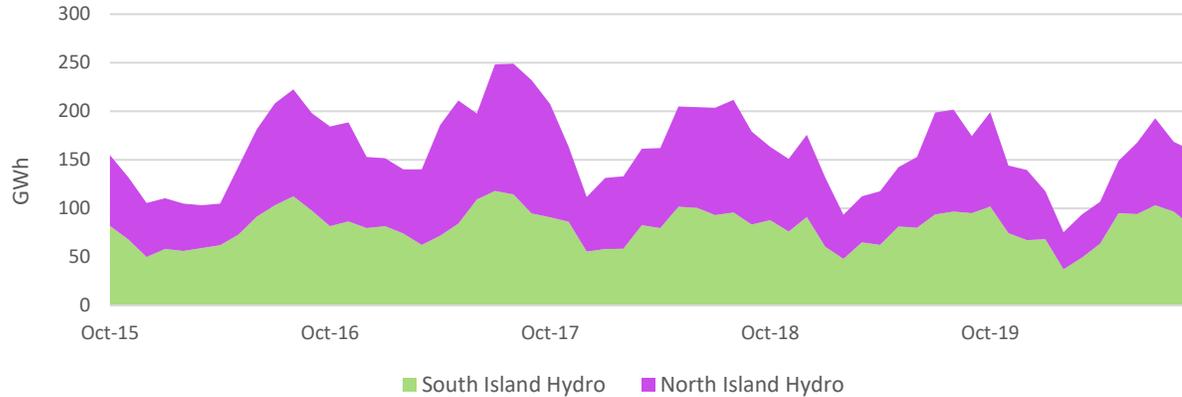


Benmore ASX Futures Settlement Prices

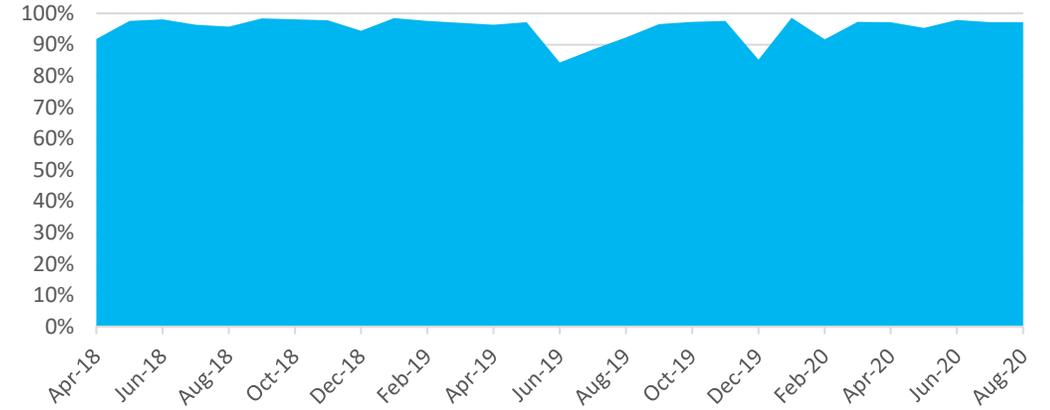


# Generation

Monthly Generation Volumes



Percentage of Potential Revenue Achieved



**Q2-21  
NI Generation**

↓ **17%**  
vs pcp

**Q2-21  
SI Generation**

↓ **1%**  
vs pcp

**Q2-21 GWAP/TWAP**

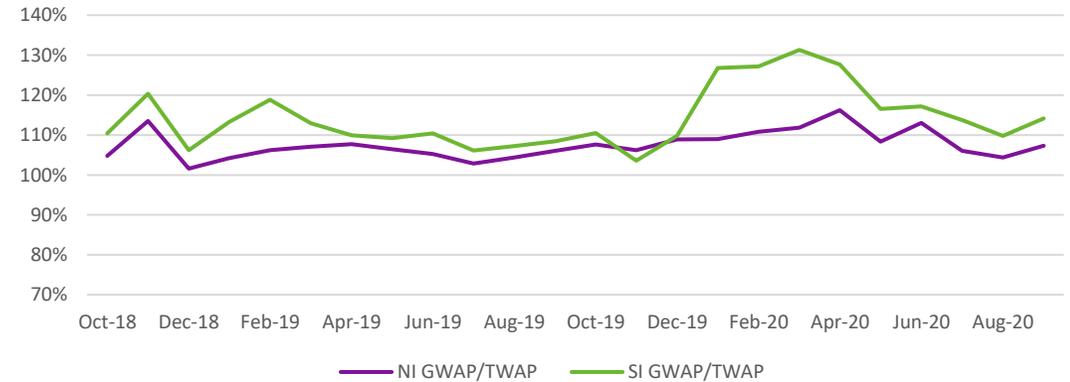
NI **1.07**  
SI **1.13**

**\$140/MWh** New Zealand Load Weighted Average Price (LWAP)

**\$139/MWh** New Zealand Generation Weighted Average Price (GWAP)

NOTE: Q2 Prices

GWAP / TWAP

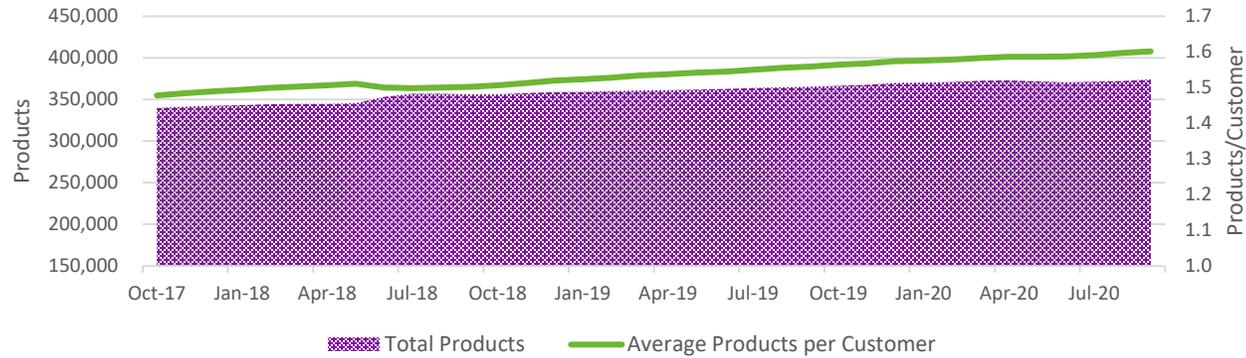


\* See glossary for definitions

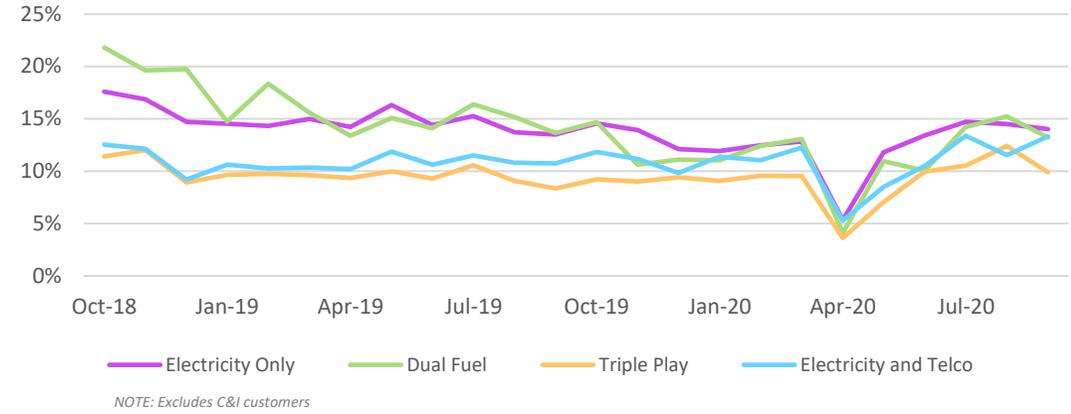


# Retail

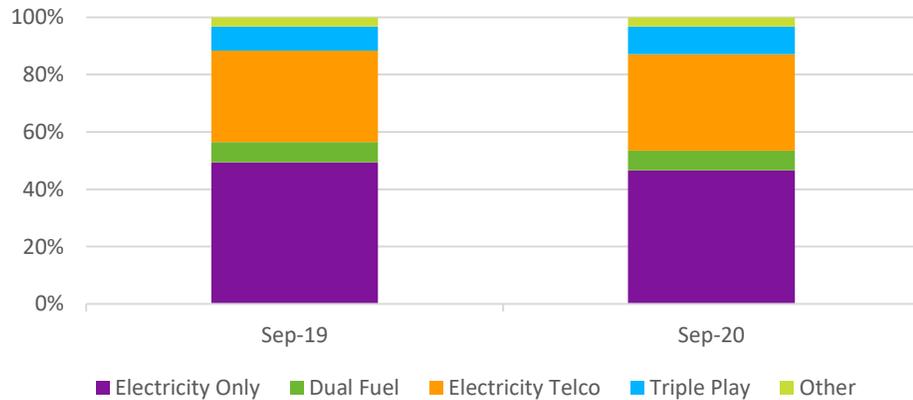
Average Products per Customer



Electricity Only vs Multi-Product Churn



Customer Mix



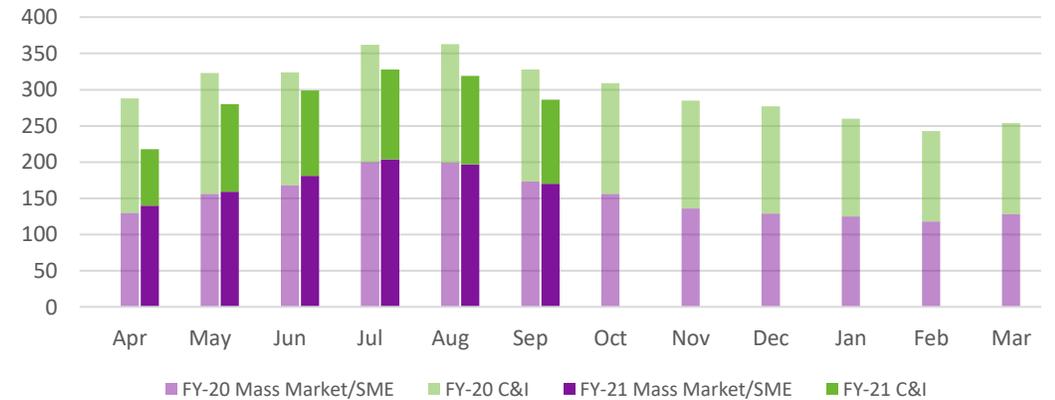
Q2-21 acquisitions  
- 2+ products

86%

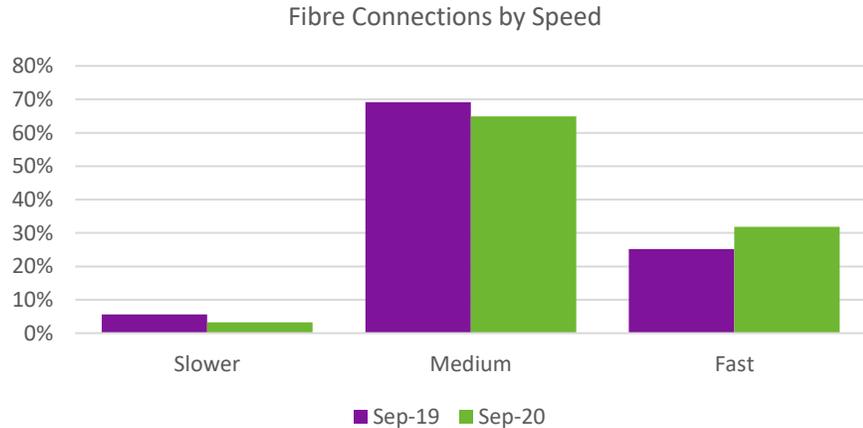
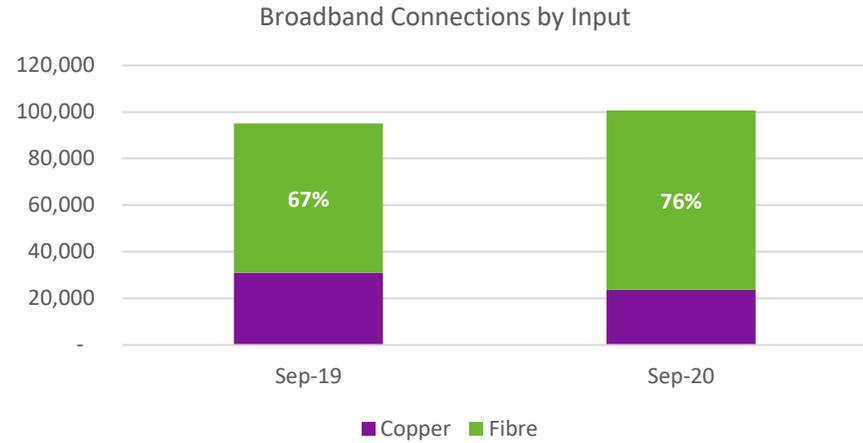
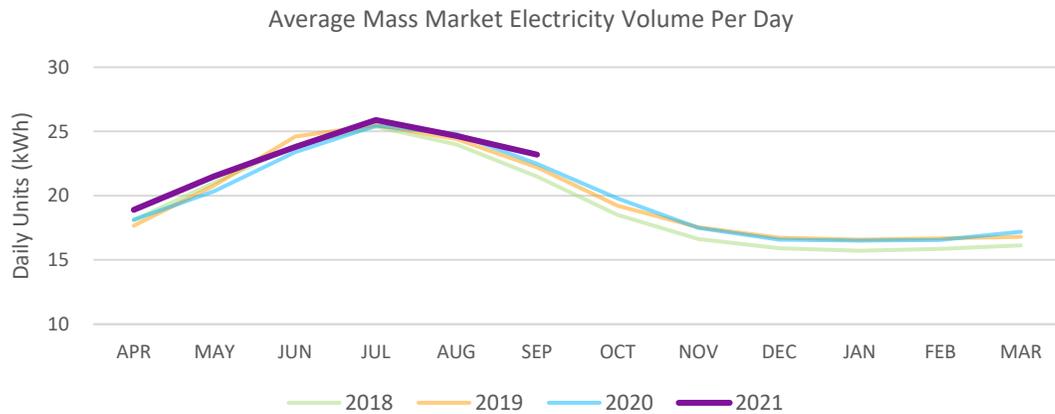
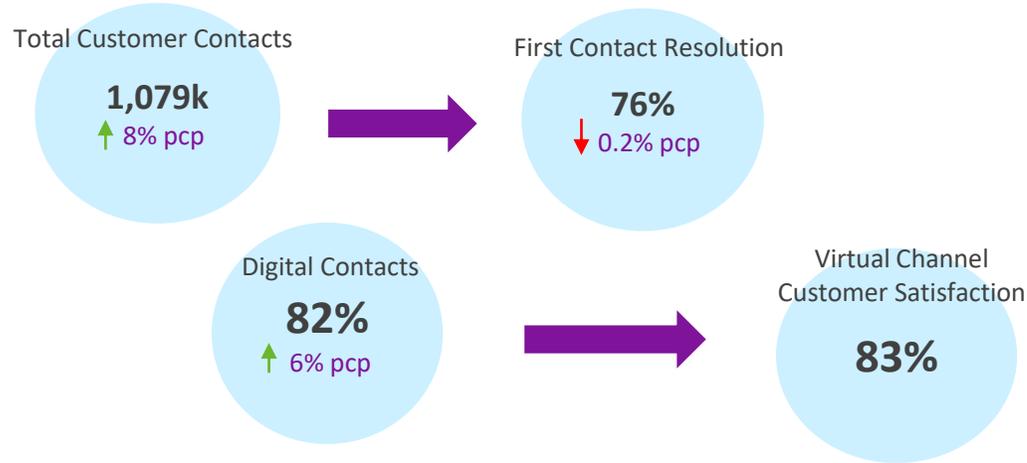
YoY customers  
taking 2+  
products

↑ 5.3%

Total Retail Sales Volumes



# Retail



**NZ UFB Market Share**

**7.2%**

NOTE: At Jul-20

**Total Data Usage (vs pcp)**

**↑ 58%**

**Total Data Usage per customer (vs pcp)**

**↑ 49%**



# Operating stats

	Q1 FY-19	Q1 FY-20	Q1 FY-21	Q2 FY-19	Q2 FY-20	Q2 FY-21	Q3 FY-19	Q3 FY-20	Q3 FY-21	Q4 FY-19	Q4 FY-20	Q4 FY-21
<b>Customers, Sales and Service</b>												
Electricity connections (000s)	270	266	264	270	266	<b>263</b>	269	266		267	266	
Telecommunication connections (000s)	89	98	104	91	100	<b>106</b>	94	101		96	104	
Gas connections (000s)	38	39	41	38	40	<b>42</b>	38	40		39	41	
Total utility accounts (000s)	397	403	409	399	406	<b>411</b>	401	406		402	411	
Customers with two or more services (000s)	101	109	115	102	111	<b>117</b>	105	114		107	116	
Mass market sales - Fixed Price (GWh)	488	453	480	579	572	<b>571</b>	414	421		364	371	
Time of use sales - Fixed Price (GWh)	216	210	113	218	208	<b>137</b>	227	223		219	185	
Time of use sales - Spot (GWh)	272	271	204	263	275	<b>224</b>	240	224		246	202	
<b>Total customer sales (GWh)</b>	<b>976</b>	<b>934</b>	<b>797</b>	<b>1,060</b>	<b>1,055</b>	<b>932</b>	<b>881</b>	<b>868</b>		<b>829</b>	<b>758</b>	
Average spot price of electricity purchased (\$/MWh)	80	115	128	88	126	<b>140</b>	207	105		164	80	
Gas Sales (TJ)	303	266	301	384	370	<b>408</b>	194	196		125	154	
Annualised electricity ICP churn rate*	20%	18%	13%	20%	18%	<b>20%</b>	19%	17%		17%	17%	
Annualised electricity ICP churn rate - total market*	22%	20%	15%	22%	22%	<b>22%</b>	21%	19%		19%	19%	
<b>Generation Production and Procurement</b>												
North Island generation production (GWh)	289	189	171	322	289	<b>240</b>	235	238		164	132	
South Island generation production (GWh)***	282	224	253	272	286	<b>282</b>	256	244		174	155	
<b>Total New Zealand generation production (GWh)</b>	<b>571</b>	<b>413</b>	<b>424</b>	<b>595</b>	<b>575</b>	<b>521</b>	<b>490</b>	<b>483</b>		<b>338</b>	<b>287</b>	
Average spot price of electricity generated (\$/MWh)	78	110	130	87	122	<b>139</b>	200	103		163	79	
Net third party fixed price volume purchased (GWh)***	423	393	244	348	387	<b>243</b>	319	346		373	386	
<b>Other Information</b>												
Resource consent non-compliance events**	4	6	1	2	3	<b>1</b>	2	6		2	6	
Recordable Injuries	4	0	0	3	2	<b>2</b>	2	1		4	0	
Staff numbers (full time equivalents)	805	779	806	798	812	<b>813</b>	801	814		818	809	

- \* Churn statistics are calculated using market data available up to August 2020
- \*\* Events are recorded only when they have been confirmed as non-compliance events by the relevant regulatory authority. The number of historically reported non-compliant events are subject to change given timings in confirmation of non-compliance.
- \*\*\* Minor changes made to some historical figures due to calculation errors or rounding

# Operating stats

	YTD FY-19	YTD FY-20	YTD FY-21	Full Year FY-19	Full Year FY-20	Full Year FY-21
<b>Customers, Sales and Service</b>						
Electricity connections (000s)	270	266	<b>263</b>	267	266	
Telecommunication connections (000s)	91	100	<b>106</b>	96	104	
Gas connections (000s)	38	40	<b>42</b>	39	41	
Total utility accounts	399	406	<b>411</b>	402	411	
Customers with two or more services (000s)	102	111	<b>117</b>	107	116	
Mass market sales - Fixed Price (GWh)	1,067	1,025	<b>1,051</b>	1,845	1,817	
Time of use sales - Fixed Price (GWh)	434	418	<b>250</b>	880	826	
Time of use sales - Spot (GWh)	535	546	<b>428</b>	1,021	972	
<b>Total customer sales (GWh)</b>	<b>2,036</b>	<b>1,989</b>	<b>1,729</b>	<b>3,746</b>	<b>3,615</b>	
Average spot price of electricity purchased (\$/MWh)	84	120	<b>135</b>	131	109	
Gas Sales (TJ)	687	636	<b>709</b>	1,006	986	
Annualised electricity ICP churn rate*	20%	18%	<b>16%</b>	19%	17%	
Annualised electricity ICP churn rate - total market*	22%	21%	<b>18%</b>	21%	20%	
<b>Generation Production and Procurement</b>						
North Island generation production (GWh)	611	479	<b>410</b>	1,010	849	
South Island generation production (GWh)	554	510	<b>535</b>	984	910	
<b>Total New Zealand generation production (GWh)</b>	<b>1,166</b>	<b>989</b>	<b>945</b>	<b>1,994</b>	<b>1,759</b>	
Average spot price of electricity generated (\$/MWh)	83	117	<b>135</b>	125	107	
Net third party fixed price volume purchased (GWh)	771	780	<b>487</b>	1,463	1,512	
<b>Other Information</b>						
Resource consent non-compliance events**	6	9	<b>2</b>	10	21	
Recordable Injuries	7	2	<b>2</b>	13	3	
Staff numbers (full time equivalents)	798	812	<b>813</b>	818	809	

\* Churn statistics are calculated using market data available up to August 2020

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# Glossary

Term	Definition
ACPU	Average Cost Per User. Direct costs (COS) only – does not include CTS
AMPU	Average Margin Per User – difference between ARPU and ACPU
ARPU	Average Revenue Per User. Includes acquisition capitalisation and amortisation
Asset Availability	Total hours asset(s) available or operating/Total hours in month. Excl planned outages.
Bundled Customer	Customer that has 2+ products with Trustpower
C&I	Commercial and Industrial customers
Customer Churn	The rate of attrition of customers expressed as an annualised percentage. Customer churn is only counted if we lose the customer (not individual products or moves).
Customer Contact	A channel-agnostic interaction with a customer
Digital Contact	% of customer interactions that are via digital channels. Note: prior to September 2019 Trustpower only reported digital contacts that it considered displaced a staffed contact. In line with industry practice we now report all digital contacts.
E-Bill	Receives their bill electronically rather than post

Term	Definition
EOM	End Of Month
First contact resolution (FCR)	Where the customers reason for contacting is resolved at first point of contact. Does not count if they contact again within 14 days.
FTE	Full Time Equivalent
Gross Margin	Gross Revenue – Direct Cost of Sales
GWAP	Generation Weighted Average Price – Average revenue per unit reference to Benmore for South Island and Whakamaru for North Island
GWh	Gigawatt hour(s) – unit of energy
Input	Broadband connections segmented by delivery type
ISP	Internet Service Provider
KCE	King Country Energy
LY	Last year

# Glossary

Term	Definition
LWAP	Load Weighted Average Price – Average cost of energy per unit for the retail business
Main lakes	Waipori, Cobb and Coleridge schemes.
Market Share	Total Trustpower fibre connections / total NZ fibre connections.
Mbps	Megabytes per second (measure of internet data transfer speed)
MM	Mass Market customers
MWh	Megawatt hour(s) – unit of energy
Netflix Ranking	Published monthly on <a href="https://www.speedindex.net/flex/com/country/new-zealand">ispspeedindex.net/flex/com/country/new-zealand</a>
NI	North Island
OPEX	Operating expenditure
Pcp	Prior corresponding period
Percentage of Potential Revenue Achieved	Total monthly Trustpower (excluding KCE) generation spot revenue less the value of lost market revenue due to outages, expressed as a percentage.
PoP	A physical location that houses telco equipment. (Point of Presence)

Term	Definition
Product	Electricity, Telco, Gas, or LPG. If one customer has multiple connections for a product, the product only counts once.
Recordable Injury	Lost Time and Medical Treatment Injuries
Rev	Revenue
SI	South Island
SME	Small-Medium Enterprise
Speed	Slower: <100 Mbps, Medium: 100 Mbps, Fast: >100 Mbps
TRIFR	Total Reportable Injury Frequency Rate. Measured per 200,000 hours.
TWAP	Time-Weighted Average Price
Var	Variance
Virtual Channel Customer Satisfaction	The satisfaction rating of digital channels that are non-staffed (including Bot, App and Virtual Agents)
YoY	Year-On-Year
YTD	Year-To-Date



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## Contact

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