Waikato Affordable Energy Webinar Series

June-November 2026

Wellbeing Waikato
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Research.
Knowledge.
Storytelling.

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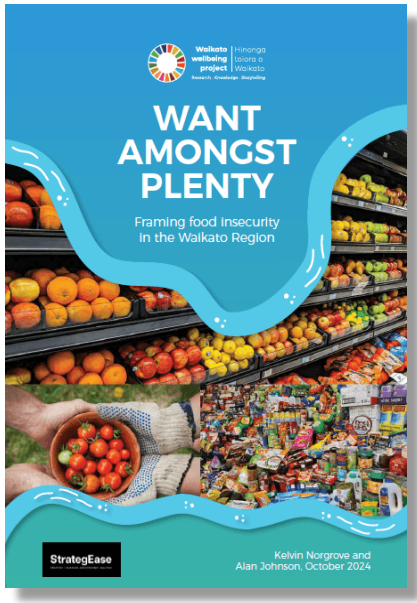
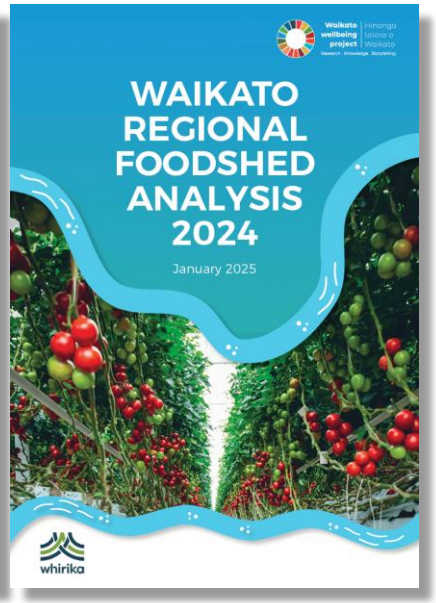
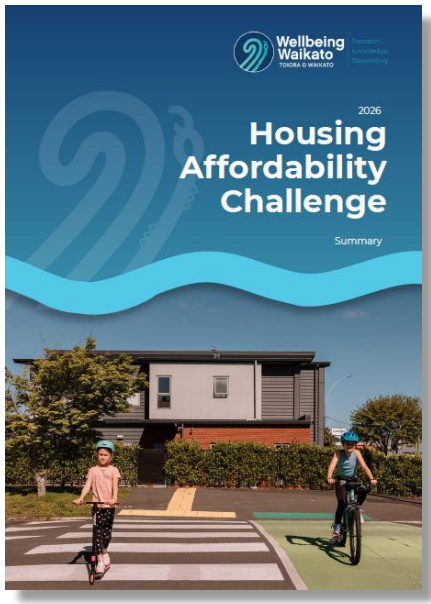
Independent Charitable Trust focused on:

- Regional intelligence about what's most important to households and whanau
- Identifying emerging opportunuities and risks early
- Surfacing underlying drivers, not just symptoms
- Convening government, iwi, councils, community organisations and the private sector around decision-useful insights.

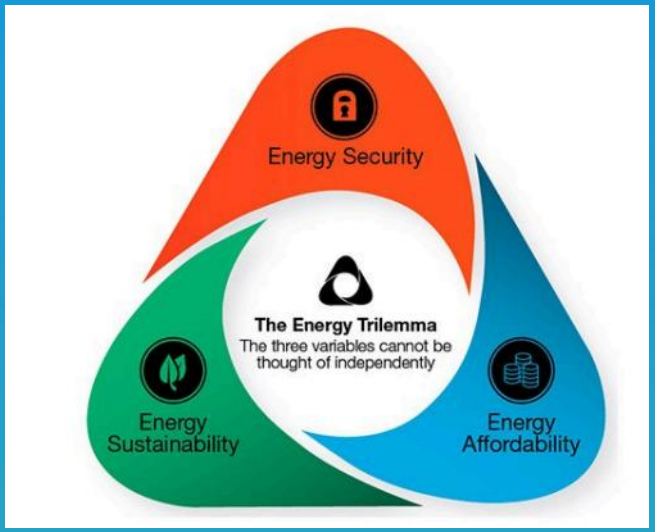






Energy systems need to be:

- Affordable
- Reliable
- Sustainable



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4 Big Questions

1. How does the electricity system actually work—and why is it designed this way?
2. What drives power prices, and how could they be made more affordable?
3. How does energy affordability affect household and community wellbeing?
4. What would a better system look like—and how do we get there?

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Affordable, Reliable, Abundant Electricity

Stew Hamilton
Chief Executive
Mercury

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Affordable, reliable, abundant electricity

How the sector works, what drives prices, and how we build our way to affordability

Stew Hamilton | Chief Executive | Mercury NZ

Wellbeing Waikato Affordable Energy Webinar Series | 21 October 2026

Key questions:

HOW IT WORKS?

Mercury NZ, the value chain and the electricity “market”

WHAT DRIVES PRICE?

Price drivers, firming and the energy trilemma

WHAT ABUNDANCE MEANS?

A definition, and how to build supply and demand together

WHERE WE GO NEXT?

The possible sector in 2050 and what it takes to get there

Who are Mercury NZ

100%

renewable generation: hydro, geothermal and wind

941k

connections across power, gas, broadband and mobile (FY26)

1,300

employees from Southland to Northland

63%

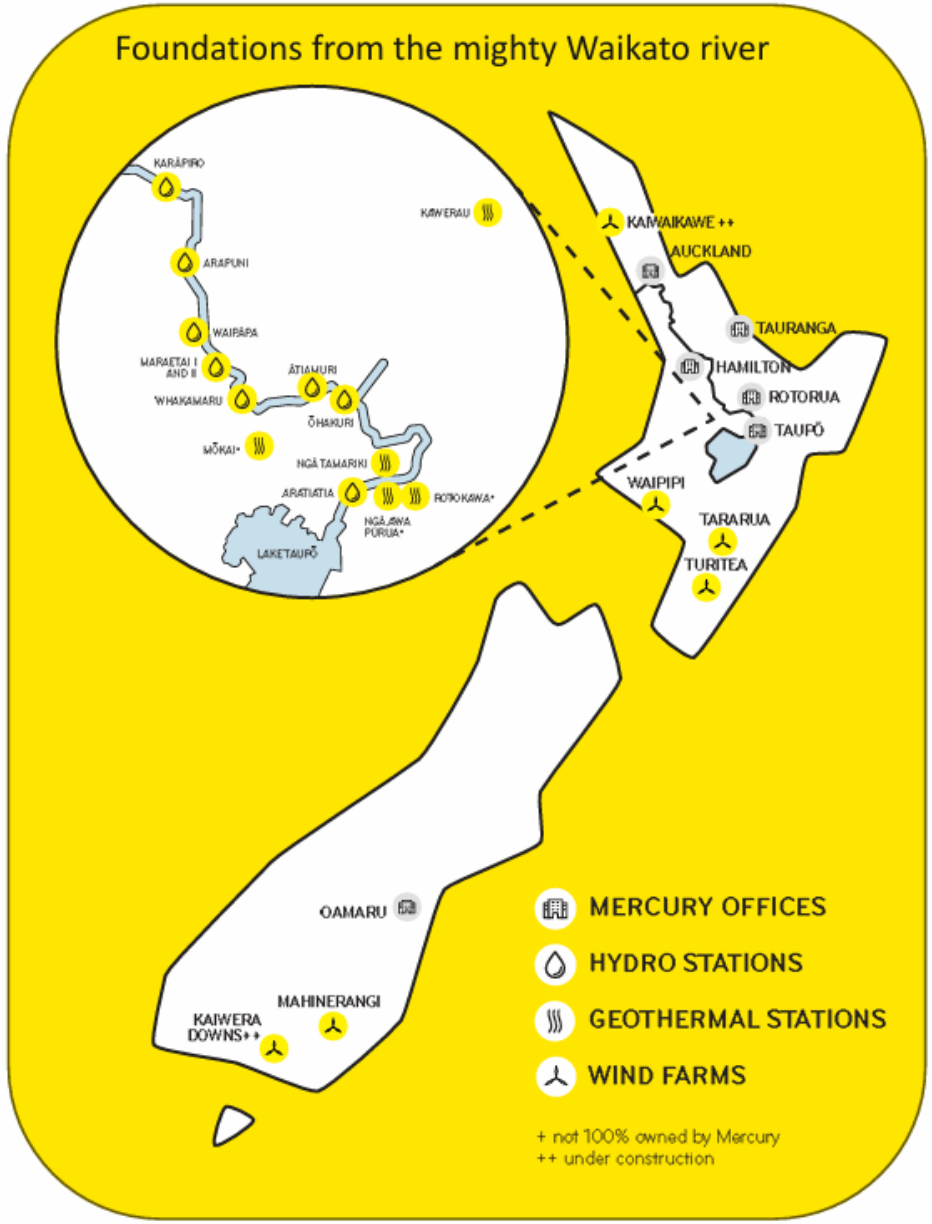
of FY26 $1,068m EBITDAF reinvested in new + existing assets

63,000

Shareholders – one of the most widely owned businesses in NZ

$1billion

Currently investing in 1.1TWh of projects (150,000 homes)



How the electricity system works

COMPETITIVE

Generation

Hydro, geothermal, wind and thermal generators sell into the market.
Mercury is here.

39%

REGULATED

Transmission

Transpower moves bulk power across the national grid.

8%

REGULATED

Distribution

Local lines companies carry power to homes and businesses.

25%

COMPETITIVE

Retail + C&I

Retailers buy power, bill customers and manage the relationship.
Mercury is here too.

11%

DEMAND

Customers

Households, businesses and industry, using about 40.3 TWh a year.

GST/Metering/levies
17%

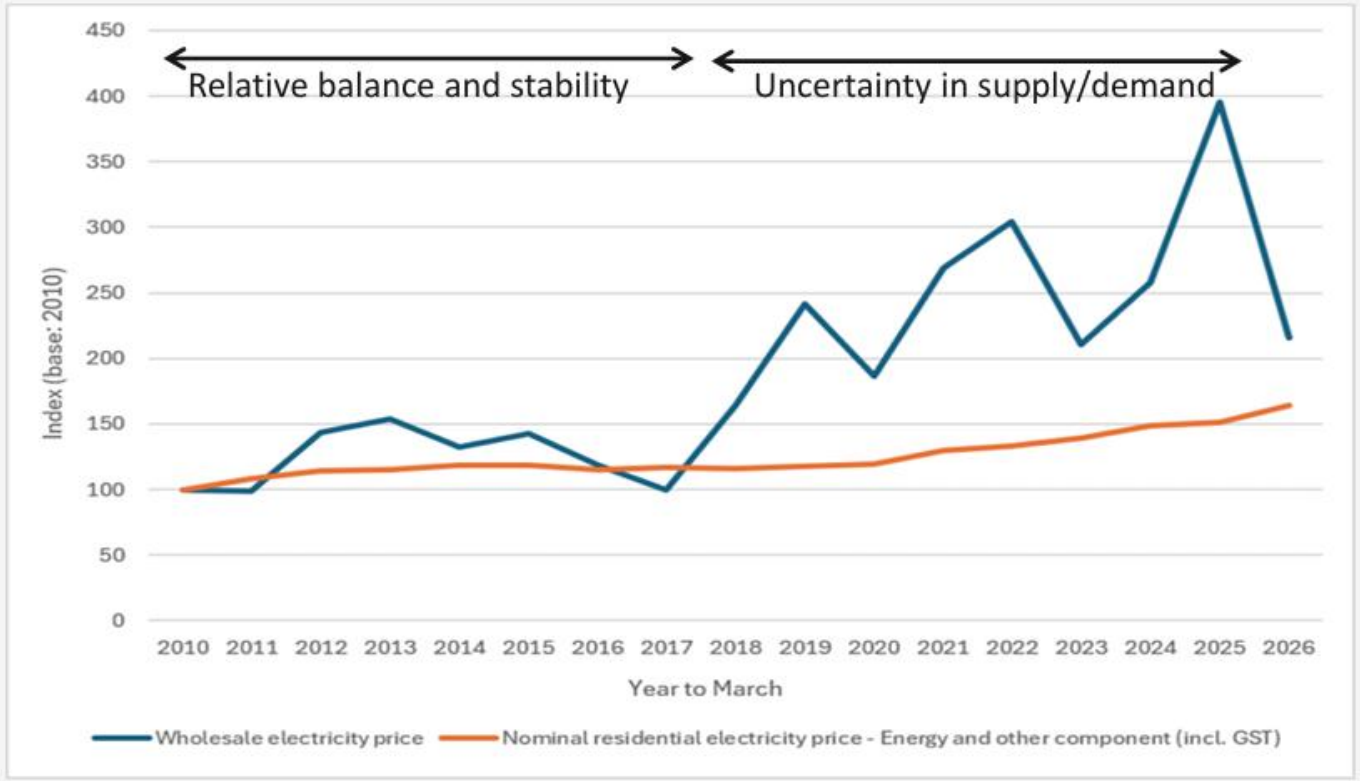
Impact on price: Each part of the system has a different price signal and a different lever for affordability.

Multiple markets with different purpose and prices

Same electricity, different price signals: spot is the price right now, contracts and futures lock in the future, and retail is what customers pay.

MARKET	WHAT IT IS	WHO TRADES	HORIZON
Wholesale/Spot	Sends signals to generators to adjust supply to meet demand. Price set every half hour. FY26 averaged $79/MWh at Ōtāhuhu, against $196 a year earlier.	Generators and retailers	Half-hourly
Wholesale contracts (C&I)	Create certainty for suppliers and large consumers for investment. Bilateral deals and PPAs between generators, retailers and large users. Our C&I contracts average about 5 years.	Generators, retailers, large users	Multi-year (1-20)
ASX futures	Provides indication of prices from 1 month to 5 years. Used to hedge and manage risk (like the dry-year risk premium). Ōtāhuhu 2028 prices: $175/MWh in Oct 2025 to $131/MWh now.	Generators, retailers, traders	Quarters out to 5 years
Retail	What households and small businesses pay: hedged energy cost plus lines, metering and retail margin. Changes in wholesale prices are smoothed with a lag.	Retailers and customers	Set in advance, reviewed regularly

Spot price isn't what you pay at home



August 2024 event

Average spot price $820/MWh.
Over 99% of consumers did not face that price

Implications

ASX prices then increased in response to the imbalance of supply demand and dry year risk

Retailers buy ahead, so bills follow wholesale with a lag. That protects customers in a spike, and delays the benefit when prices fall.

Spot reflects this month's hydrology. **Contracts** and **ASX futures** reflect expectations for the years ahead.

What is driving prices?

Wholesale prices have nearly doubled in last ten years. Retail prices have risen broadly in line with inflation in last ten years.

1 Hydro and Gas risk

Dry periods come every 2 to 5 years.
Winter demand runs about 10% higher.
Domestic gas supply fell 50% in five years.
Gas was the dry year support.

2 Network and Transmission

We are a long country with a small population to support the network.
Over half of our January 2026 price rise of 6.8% (total $14/month) was lines and transmission related.

3 Cost to build

New generation costs more to build globally than before COVID.
Hydro and wind are low cost fuels but capital intensive to build and maintain.
Mercury spends $150m/year on Sustaining capex.

Global Cost Driver[1]: Competition and Reliability

- Liberalised markets have higher prices (1.9x more). 80% of global renewable projects in development from 2024-2030 require state subsidies.
- Reliable grids cost 1.5x more. NZ has <2hrs of outage per customer per year. A cheaper retail price often masks the cost of back up generator requirement.

Source:1. NZ Electricity Price per kWh vs the World (2026).

How are we doing on the energy trilemma?

3 to 4 TWh gap

worst-case dry-year deficit needing to be managed (10% of NZ normal supply)

9th lowest

household prices in the OECD, and 5th lowest for industry (IEA, 2025)

+95% renewable

and heading higher, even as the peak demand in NZ grows

Security: dry year without gas

- Dry year and gas decline are the risks
- Firming is the key: geothermal, distributed wind, batteries, thermal?
- Even in a dry year, supply is expected to remain over 90% renewable

Affordability: under pressure

- Wholesale prices have nearly doubled in ten years
- Retail prices have risen in line with CPI in last ten years
- Network investment is required
- Customer distributed generation is an option for those that can afford it

Sustainability: leading

- Mercury generates from 100% renewable sources
- The transition is messy, but we are ahead of most countries
- Next step is building for affordability and prosperity

Few countries balance all three: NZ ranks in the top 10 of all countries (top 10 reliable, top 20 renewable, top half affordable)

Source: World Energy Trilemma 2024: Evolving with resilience and justice.

Word on the street….

Impact on Kiwi households and businesses: increase in electricity price is a key contributor to the cost of living in NZ.

1 Gentailer profits

- $1.07b EBITDAF on a $9.6b market cap
- 63% invested back in assets (new and old)
- 23% returned to govt (tax and dividend)
- Dividend return ~5%

2 Prices above cost to generate

- The long run marginal cost of new plant being installed is $120-$130/MWh
- The December 2026 ASX price is $47/MWh
- The price in 2028 ASX price is $131/MWh

3 Household costs

- Average household bill $50/week = $2,600/year
- Cost mainly paid after the usage
- 39% of the bill is from the electron generation

4 Financial pressure on customers

- Transparency on increases important
- Flexibility to control and move load
- Support those most vulnerable – Mercury has zero disconnections for non-payment in last 2 years

5 Gentailers keep prices high

- 87% of our power is contracted to 2030
- Volume is the main driver of value for us – hence the rate of build
- When price spiked in 2024, Gentailers were heavily impacted

6 August 2024 = market broken

- Most customers didn't face that price
- Market sent the signal to supply
- Market sent the signal to build
- Build inertia takes a couple of years

What could abundance mean?

NZ Advantages
High proportion of “abundant” renewable sources (rain, wind, sun, geothermal).
>95% sovereign independence of fuel for electricity.

NZ Challenges
Scale to attract large suppliers of technology at competitive prices
Scale of demand to manage fixed costs (e.g. transmission).

Does abundant electricity mean….

More electricity than anyone needs, at prices below the cost to produce it.

…needing significant subsidisation without private finance.

Investors would stop building. Scarcity would return and prices rise.

Or could abundant electricity mean….

Enough electricity that supply never constrains growth.

….at a long-run price low enough to be a national advantage, while still giving investors an adequate return.

Three outcomes we need together

1. **Low cost to consumers**
2. **Investable returns for generators**
3. **Enough supply to support growth**

How abundance could deliver for NZ

The old loop: boom and bust

Demand rises → Electricity becomes scarce → Prices spike → Generators build, prices fall

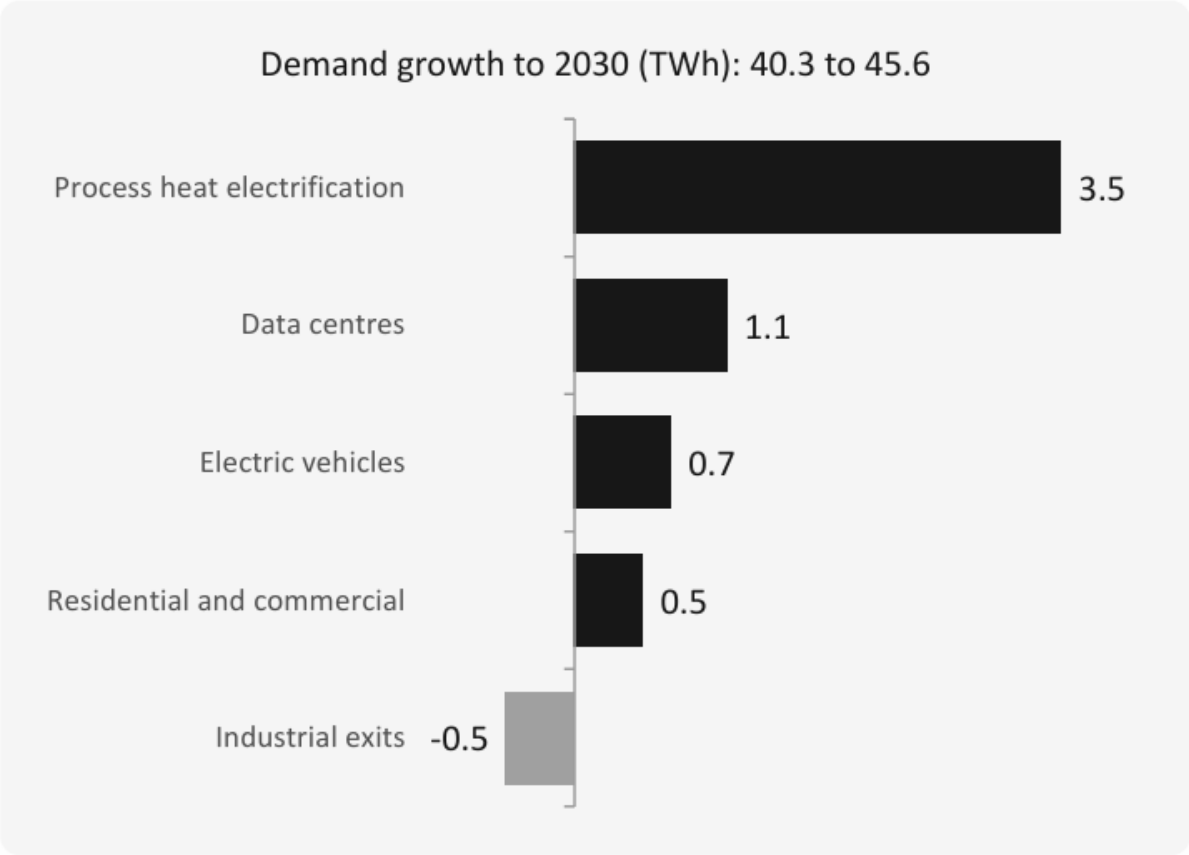
The new loop: build together

New demand identified → Long-term contract signed → New generation financed → Increased supply & demand reduce overall system cost

Kaiwera Downs 2

155MW windfarm, built off the back of the 20 year PPA signed with the Tiwai Point aluminium smelter

Record build pace, needs to stay ahead of demand…



8.7 TWh

of renewables built or under construction since 2023

25%

faster build rate than the Think Big era

+10%

NZ generation in five years: ~$4b invested by industry without government money required in this infrastructure.

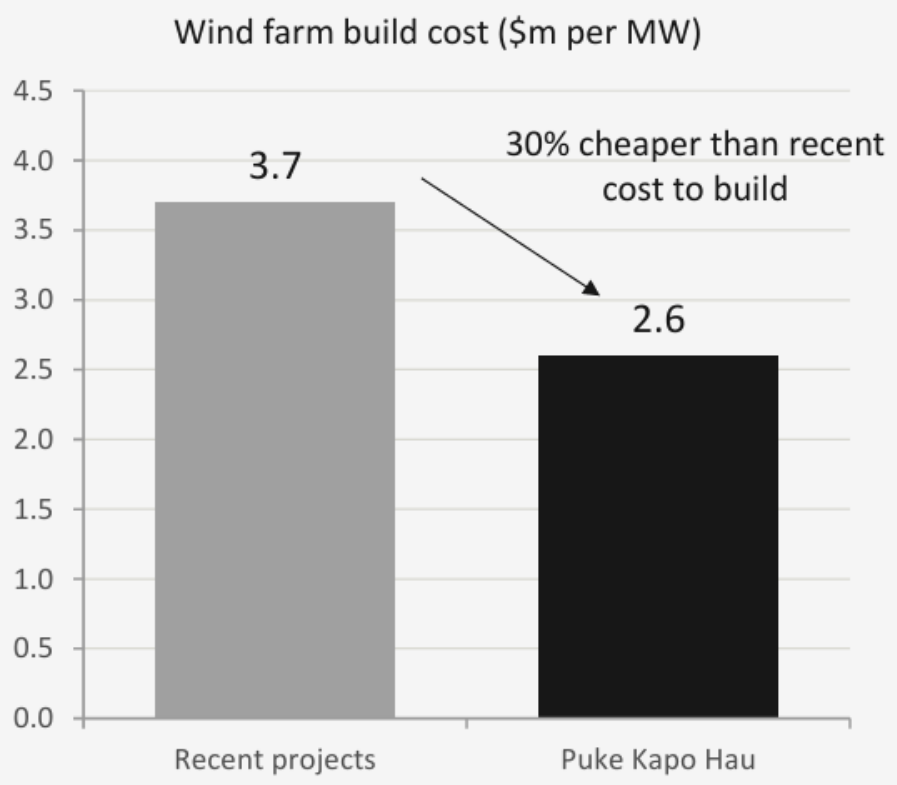
3.5 TWh

Mercury's target to 2030, with ~1.1 TWh being delivered on time and on budget

What can slow us: consenting, transmission connection queues, equipment supply and stop-start demand signals.

Sources: BCG analysis (September 2025) from MBIE, Transpower, Ministry of Transport and others; Mercury FY26 results. Process heat shown net of 7% network losses.

Making the next project cheaper



1 **A steady pipeline**

Match-fit teams and low mobilisation costs. Stop-start building costs more.

2 **A smarter system**

Flexibility and smart networks could save about $14b of network investment per decade (BCG).

3 **A clear path**

Consenting reform, faster transmission connection and policy certainty.

Flexibility is already working: our Flex Rates time-of-use plan had over 500 sign-ups in its first 10 days, and 46% were new to Mercury.

New Zealand demand in 2050

40.3 TWh

New Zealand's electricity use today

56 to 97 TWh

the system demand we might expect. Can we profitably build, at an internationally competitive price?

What needs to change by 2050:

Demand is part of the system

Industry that flexes with supply and adds resilience, not just a taker of power.

Deeper long-term markets

Contracting and futures markets that let supply and demand be financed together.

Lower-cost networks

Smart, flexible systems reduce the wires we need to build.

A transition done early

We get through the messy middle faster than most countries and attract growth first.

Sources: Transpower scenario used for 2050 demand – "Patchwork Nation" = 56TWh, "Made in Aotearoa" = 97TWh.

What it takes: policy and our commitments

What government and regulators can do

Clear the path. Consenting and RM reform, and faster transmission connection.

Provide certainty. Policy settings underpinned by bipartisan agreement.

Invest efficiently in networks. Balance the build against the risk of price shocks.

Deepen long-term markets. So demand and new supply can be contracted together.

What Mercury commits to

Keep building. Nearly two-thirds of FY26 EBITDAF reinvested in New Zealand's energy system.

Hold the line on price. Aim to keep energy and retail components at or below CPI.

Support those who need it. No disconnection as a credit tool, and no reconnection fees for customers who are struggling.

Open the market. Wholesale contracting options for social retailers and independent developers.

Building our way to affordability

1

Price follows long-run cost, not spot.

Dry-year risk, networks and build costs set it, and hedging smooths it.

2

Abundance is built, not declared.

It means low cost, investable returns and enough supply, delivered by building supply and demand together on long term contracts, as at Kaiwera Downs 2.

3

Mercury keeps building and keeps customers in view.

We are 100% renewable and building at record pace, with nearly two thirds of earnings reinvested. We work hard to keep our pricing fair and reasonable, with no disconnection as a credit tool.

MERCURY NZ | 100% renewable | 941,000 connections | 1,300 people | 63,000 shareholders

Customers can access support from at https://www.mercury.co.nz/help-and-support/consumer-care-and-support

Mercury
Q&A

The Affordable Energy Webinar Series June-November 2026

David Wilson
MP, New Zealand First
28 October 11am

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Upcoming Speakers:

Blair Dickie, Principal Strategic Advisor: Waikato Regional Council	4 November
Martin Atkins, UoW Ahuora Centre for Smart Energy Systems	11 November

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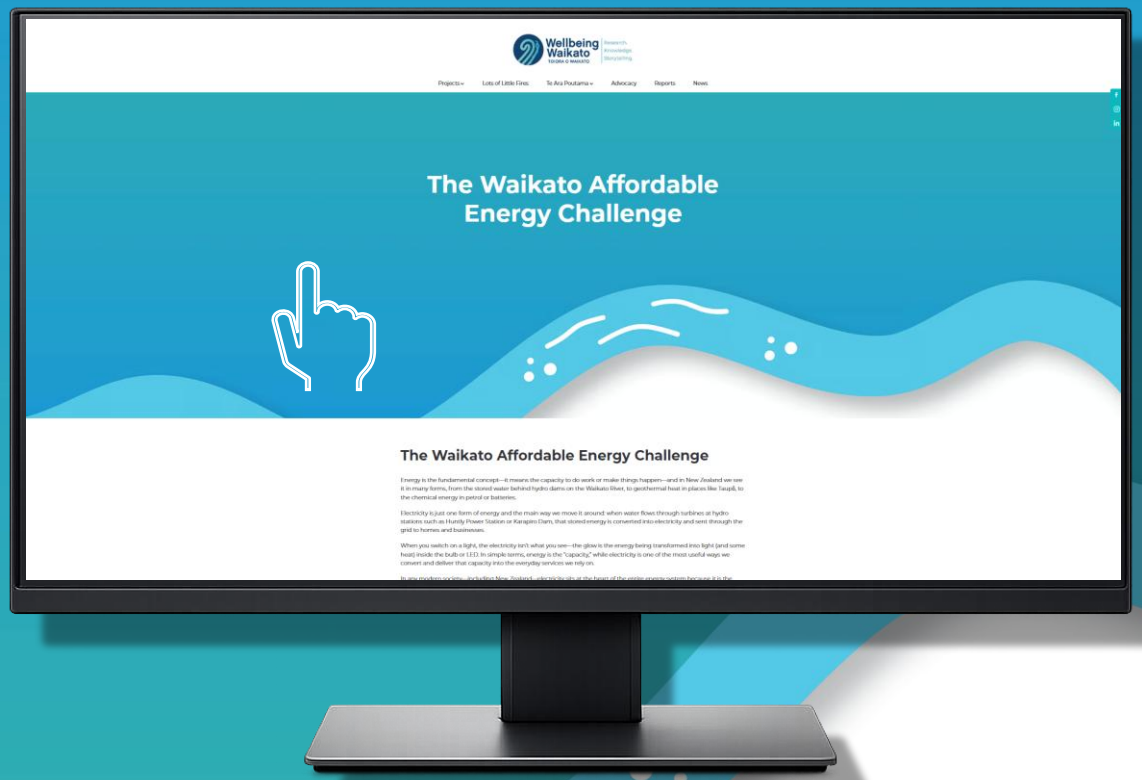

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Thank you!

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