
2017 ANNUAL REVIEW



KEEPING THE POWER IN OUR COMMUNITY.

- ✓ Local electricity
- ✓ Better prices
- ✓ No long term contracts



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CHAIRMAN AND CEO REPORT

Overall performance

A very warm winter and overall very wet year resulted in sustained periods of low demand and low spot prices negatively impacting Pioneer's earnings from core generation as well as our core retail business. Our thermal business continued to produce earnings in line with expectations. Earnings from our partnered investments, and, in particular Southern Generation LP and the Pulse Energy Alliance LP, were very strong partially offsetting the Pioneer core performance and proving the importance of our diversification strategy. Overall the Pioneer group performance ended up below forecast.

Strategy

The impact of the Electricity Authority's decision to remove ACOT payments, resulted in Pioneer refocussing our strategy into three key areas:

- continued energy sales growth,
- realising development margins from core investment projects, and
- a strong focus on core and partnered business, cost saving initiatives and continued business efficiency improvement.

The strategy resulted in Pioneer reducing overheads by \$1.7m on an annualised basis that will impact Pioneer's ability in the medium term to continue our investment in new growth initiatives.

With a strong focus on our core and partnered asset performance, the board approved a project to achieve ISO 55000 asset management accreditation by 2019.

Compliance

On the safety and compliance side, Pioneer achieved ACC WSMP Tertiary Accreditation, retained our Public Safety Management accreditation and had no breaches of resource consents. An internal audit and risk management programme has been established to ensure compliance to safety, ISO, contractual and general corporate compliance is maintained.

Partnerships

Southern Generation LP – We successfully completed the purchase of the Aniwhenua hydro generation scheme on the North Island. This was a major step forward in the growth of the partnership and the asset delivered above expectations during its first year of operations. The two wind farms owned by the partnership continued to deliver good results.

CHAIRMAN AND CEO REPORT **CONTINUED**

Pulse Energy Alliance LP – The relationship with our new partner, Buller Electricity, was successfully embedded with good strategic alignment and focus to ensure the success of the Pulse business. Several growth strategies implemented during the year ensured that Pulse remain on target in terms of growth and earnings. Electra was brought in as a third partner in the alliance with the amalgamation of their existing retail business into Pulse.

Ecotricity LP – The business setup phase was completed and the business delivered to the expected growth expectations.

Christchurch District Energy Scheme LP - The first stage of a district energy scheme has been secured and built around the Ngāi Tahu owned King Edward Barracks new office building and connecting to the council office buildings. Roger Sutton has been recruited as general manager to progress the further development of the energy scheme in Christchurch.

Core Asset Performance

With good hydrology we achieved above average production from our hydro portfolio and all assets continued to perform to expectations with no significant issues. The thermal asset portfolio also continued to perform to expectation but issues around landfill gas management and general LFG asset performance resulted in below average performance of this part of the portfolio.

Consent for the development of the Upper Fraser hydro scheme has been obtained and a renewal application has been lodged for the Roaring Meg consent which is expiring in 2021.

Energy Solutions (Retail)

Revenue in the Pioneer core retail book grew by 112% during the year. Pioneer is differentiating our offer to the market and through focussed account management relationships we are able to re-sign customers with low levels of churn.

People

The impacts of ACOT and the TPM uncertainties have significantly impacted the people in our business through several redundancies, uncertainty into the future and the need to run a very lean business. Significant effort has gone into the development of our people to improve skills, multiskilling through merging roles and an absolute focus to become a more process driven organisation. We awarded two new management scholarships and appointed two new mechanical and electrical apprentices.

ISO 55000

Closely aligned with Pioneer's strategy to "improve overall business performance and prepare the business for planned future growth", a project was initiated to establish a state of the art asset management system. Pioneer will implement a compliant ISO 55000 Asset Management System and has set a target date for attaining compliance by 2019.

The ISO 55000 project's objective is to develop the systems, processes and documents required to enable Pioneer to have best in asset management practices associated with the following Asset Categories:

- People
- Data
- Customers/Relationships
- Physical Plant

As Pioneer continues to transition into an energy services business, having an asset management system is becoming critical to the future of the business servicing internal Pioneer business, our key partnership businesses and those of other customers. To ensure a company-wide asset management culture, the asset management system will incorporate all of Pioneer's activities. This will ensure asset management becomes a core competency and point of difference as Pioneer plans for continual improvement and growth of service capabilities.

Matthew Spooner,
ISO 55000 Project Manager

CFO OFFICE

Financial Summary

The EBITDAF, including Pioneer's share of the Partnership, for the 2017 financial year, increased by \$3.4million (17%) compared to the previous year. Excluding the impact of a non-recurring benefit of \$2.8m in FY16 the Group EBITDA increased by \$6.2m (37%).

Pioneer paid a dividend for the year to 31 March 2017 of \$5.8m (2016 – \$8.6m). The total dividend paid to Central Lakes Trust now exceeds \$62.5m.

The increase in the EBITDA to 31 March 2017 was due to a combination of the incremental EBITDA from the partnership business, partially offset by the performance of the Generation and Energy Solutions divisions.

The 2017 financial year included a full year of operations of Pulse (Pioneer acquired 51% on 31 March 2016) and 11 months trading of the Aniwhenua Hydro-Electric Scheme (acquired by the Southern Generation Limited Partnership in April 2016).

The financial results of Pioneer's Retail and Generation divisions were negatively impacted from electricity spot prices that were significantly lower than the prior corresponding period. The low spot prices were a direct outcome of a particularly wet and warm nine months to 31 March 2017 that lead to strong national storage and lower consumption from existing customers.

Partnerships

Aniwhenua

Pioneer, in conjunction with our Southern Generation Partners acquired the Aniwhenua hydro-electric power station in the Bay of Plenty in April 2016. The station comprises two 12.5 MW generation units and produces on average 127 GWh per annum.

This acquisition complements Southern Generation's two existing southern windfarms at Mt Stuart and Flat Hill, significantly lifting annual generation to more than 170 GWh.

The combined annual generation of Pioneer and the Southern Generation portfolio is in excess of 370 GWh. The partnership's portfolio is now geographically diversified in both the North and South Islands, through a combination of hydro and wind.

Partnership Services

The year ended 31 March 2017 saw a significant amount of effort in enhancing the services provided to our Partnership businesses. Pioneer now offers the following services to our Partnership businesses:

- **Asset Management**
- **Contracting**
- **Professional Engineering**
- **Project Management**
- **Chief Financial Officer**
- **Regulatory, Consent and Stakeholder Management**
- **Health and Safety**
- **Financial Accounting**
 - » **Accounts payable, accounts receivable, financial reporting**
- **Market Risk Management**

Please see the Financial Report for the full financial information for the year ended 31 March 2017.

Andrew Williamson,
Chief Financial Officer

ENERGY SOLUTIONS

Pioneer's Energy Solutions team once again had a strong year of growth and continued to add to its capacity to provide value added services to its new and existing valued customer base.

In the core energy supply business, revenue grew 112% from the previous year. This was achieved by the continuing emphasis on account managed relationships and delivering high levels of customer service. This approach has helped differentiate Pioneer in its desired market segments of institutional, industrial, commercial and rural customers and is complemented by our alignment with the Pioneer core values of Service, Trust, Community and Guardianship.

The combination of energy supply and energy efficiency continues to offer a point of difference for Pioneer in a competitively priced energy supply market. Furthermore, with carbon reduction becoming an increasing focus from the Government, the commercial, industrial and institutional sectors will come under increasing pressure to deliver sustainability measures. Pioneer's product assortment and roadmap is highly suited to deliver this capability in the short and long term.

Pioneer continues to achieve mutual benefit from its partnering approach offering bundled commercial solutions to meet varied strategic challenges around energy and sustainability. These solutions include heat, wood supply, solar photovoltaics, electricity supply, electric vehicle charging-point advisory and assistance, and consulting around energy management needs. This highlights the Pioneer competitive advantage against the larger commercial energy suppliers where we are able to be more nimble and creative in offering alternative and varied responses to customer opportunities.

We are positive about the coming year and look forward to growing our knowledge, capability and capacity to transform the way our customers purchase and use energy to deliver operational cost savings and where possible deliver sustainability objectives for not only Pioneer but its community and customers.

Jonathan West
Chief Operating Officer

HUMAN RESOURCES

During 2016/17, along with remuneration surveys, Pioneer received workforce marketplace trend reports to assess and keep relevant with NZ developments. During the year a restructure was undertaken to assist an aggressive push into internal development and improvement, and the development of an asset management culture as part of Pioneer's commitment to future ISO 55000 Asset Management compliance.

Pioneer encourages the professional development of all employees and continues its support of industry apprenticeships with two trainees in the electrical and mechanical field making an important contribution to the business.

Ongoing support and assessment of Pioneer's employees is an important aspect of success and programmes initiated internally, such as the Health and Wellbeing initiative, work alongside recognised HR software support programmes.

Performance management and remuneration software provides the opportunity to develop, build and store coaching notes to enable managers to have constructive conversations with staff at review times. Our business leaders are able to review performance vs potential, review the whole business at a glance, identify key people in critical roles, see a more accurate picture of company strengths and weaknesses, and deliver a robust set of performance criteria for all. Additionally, data necessary for employee management, knowledge development, career growth and equitable treatment is

facilitated. Finally, managers may access the information they need to legally, ethically, and effectively support the success of their reporting employees.

Pioneer uses the cloud-based system, BambooHR; and an active template for on- and off-boarding employees was successfully implemented.

Donna Callaghan,
Human Resources Manager



PROJECT DEVELOPMENT AND DELIVERY

The Project Development and Delivery business unit plays a part in securing the reliability of the assets of Pioneer Energy and its partners as well as supporting the strategic plan objectives and growth targets. The role of the unit is to plan, manage and coordinate the environmental, technical, design and engineering activities for existing assets and deliver future development and capital projects. External roles include the technical and asset management support for Pioneer Energy partnerships.

Capital works projects the unit has been involved in during the year included an energy facility at King Edward Barracks in Christchurch with partner Engie, replacement of the economiser at Silver Fern Farms' site in Balclutha and a number of other smaller existing asset improvement projects.

As the existing resource consents for the Roaring Meg Power Station expire in 2021, work associated with preparing and submitting an application for renewal of these consents was completed. We expect a decision on this renewal in the coming year.

As part of a strategy to improve overall business performance and prepare the business for planned future growth a dedicated project was initiated using ISO 55000 to create a state-of-the-art asset management system.

During the year significant time was spent managing the ownership transition and assets of the Aniwhenua Hydroelectric Scheme in the Bay Of Plenty on behalf of the Southern Generation Partnership.

Investigation work continued into a number of potential hydro and wind opportunities for both Pioneer and its partners. Concessions from the Department of Conservation were granted for the construction and operation of 5 MW hydroelectric scheme in the Upper Fraser River basin near Alexandra.

The 2016/17 year was one of consolidation after the completion of larger capital projects in the previous year, and uncertainty around the impacts of the business of changes to transmission charging.

Peter Mulvihill
GM – Project Development and Delivery

SAFETY & COMPLIANCE

Key Achievements

- Pioneer Energy achieved ACC tertiary accreditation in April 2016.
- Pioneer's new Health, Safety and Wellness (HSW) Manual was successfully released to staff in April 2016.
- A business case and search was conducted for a new online Compliance Management system which could incorporate HSW, Asset Management and Contractual Compliance requirements. The new system was designed over this period and is set to launch 2017/2018.
- An internal risk management programme has been designed and rolled out to staff

Public Safety Management System

Pioneer is required by law to have an accredited Public Safety System. This year Pioneer underwent an interim audit by TELARC (an independent external auditor specialising in Public Safety Management) and retained certification for our Public Safety Management System, valid until December 2017. The audit result was pleasing with the auditor recommending minor improvements, showing a maturing of the system. Senior Management and the Pioneer Board visited all sites last year to ensure that all are safe to members of the public.

Lost Time Injuries

For the year ending March 31st 2017 Pioneer staff had one lost time injury. All learnings from all incidents and near misses have been used to safeguard against incidents and injuries recurring.

Information Days

Pioneer Energy held two Company Information meetings throughout the year to promote the importance of health, safety and wellness and to discuss company strategy. In 2016, these meetings included a summary of the HSW manual, incident investigation scenarios, fire extinguisher training, mental health discussions, team building, and communication exercises. The information days provide an excellent opportunity for staff working in remote parts of the country to engage with colleagues.

Yvonne Aarts,
Safety and Compliance Manager



PIONEER ENERGY ASSET MAP

Offices

- 1. Auckland
- 2. Wellington
- 3. Christchurch
- 4. Alexandra (Head Office)

North Island

- 5. Silverstream Landfill Gas Generation
- 6. Omarunui Landfill Gas Limited Partnership
- 7. Winstone Pulp International Heat Plant
- 8. Auckland District Health Board Cogen
- 9. Aniwhenua Hydro Power Station*

Upper South Island

- 10. Bio Solids Energy Centre - Christchurch
- 11. Christchurch Hub - Christchurch
- 12. Nelson Marlborough DHB - Nelson Hospital Boiler

Lower South Island

- 13. Glenorchy Hydro Station
- 14. Roaring Meg Hydro Station
- 15. Wye Creek Hydro Station
- 16. Fraser Hydro Station
- 17. Falls Hydro Station
- 18. Teviot Hydro Scheme
- 19. Mt Stuart Wind Farm*
- 20. Monowai Hydro Station
- 21. Clyde Hospital Boiler
- 22. Southland Energy Centre
- 23. Silver Fern Farms - Finegand
- 24. Dunedin Energy Centre
- 25. Dunedin Hub - Dunedin
- 26. Naseby Hub - Naseby
- 27. Washdyke Energy Cluster
- 28. Barkers - Geraldine
- 29. Flat Hill Wind Farm*



* Southern Generation Partnership Assets