

Question and Answer

Unknown Analyst

Could you give us an idea of the amount that you're looking to raise from shareholders in the rights issue?

Dennis Barnes

Chief Executive Officer

We haven't come to landing on the size of that position. Maybe it's fair to say that it's going to be reflective of what is an appropriate capital structure, given the size of that additional capital expenditure. We haven't come to a position, but we will in the next wee while.

Unknown Analyst

You said to me that [indiscernible] for the Te Mihi project, can you say whether it's going to be a bond offering or how are you going to finance the debt side of it?

Dennis Barnes

Chief Executive Officer

Look, I think, we haven't come to a final landing on that right now. It feels to me like it's unlikely to be a retail bond offering. We got one of those already, but it's -- we're probably looking at alternative sources of debt outside of there, including the U.S., yes.

Unknown Analyst

So I mean just to clarify that though, I mean you say it's -- is it likely to be in the range of 1/2 each, debt and equity or...

Dennis Barnes

Chief Executive Officer

So there's nothing really to clarify, James. It's -- it will be appropriate, and we'll talk about it when we get there. We haven't made a call as to the size of that yet. So \$623 million, and it's not a project finance or nonrecourse project funding, it's a project that we're building, and we're looking at the balance sheet and the capital structure and we'll support that appropriately. So we, of course, we're raising the capital primarily to fund that project. We otherwise wouldn't do it, but as to the specifics, we haven't got that yet.

Unknown Analyst

So the project would not go ahead without the rights issue?

Dennis Barnes

Chief Executive Officer

I think it would. It's just what would be the appropriate timing and would we do it now and the like. Those are the sorts of questions we might reflect on, but we've made the decision to go ahead now. And as a consequence, we'll be looking to source the equity markets to partially fund it.

Unknown Analyst

And is this setting the template for future projects that you're likely go back to shareholders for more cash?

Dennis Barnes

Chief Executive Officer

No, I don't think so, James. I think the -- any significant investment like Te Mihi or, and the next one might be Tauhara 2, for example, you'd always look at the position of the balance sheet and the forward

view and decide at that point how you'd fund it. But my instinct would tell me that if Tauhara 2 was 2 or 3 years away, for example, then we're more than likely to debt finance that project.

Unknown Analyst

How much longer do you think it will be before you have a firmer idea of timelines on that and when there might be a rights issue? Is it weeks or months?

Dennis Barnes

Chief Executive Officer

It's in the near term. It will be a near-term position that we'll take.

Unknown Analyst

What makes you confident that you'll be able to debt finance Tauhara? Are you expecting a greater level of free cash flows by then?

Dennis Barnes

Chief Executive Officer

Well, that's the thing, I guess you look at, because by that point, you'd be thinking about that Te Mihi will be cash generating. And once these projects are built, given that their operating costs are relatively low, compared to a gas-fired station, for example, they do generate good quantities of cash. And so by that stage, you think about the metrics that you'd need to continue to keep a comfortable position on the credit rating and the like, and you'd say, "Well, chances are you can debt finance that." That may not be the case. We may decide to do something else, for example, at the same time, which means we may be looking at alternative structure, but that's what we look at, as we currently see forward.

Unknown Analyst

[indiscernible] rising is because you're worried about your credit rating, if you did [indiscernible]?

Dennis Barnes

Chief Executive Officer

We're not worried about the credit rating, no. We're looking to, as any company does, to look to support the credit rating, keep it comfortable. These are large projects. Think about power projects, there are a lot of money going in at one wad of time and ensuring that you have the appropriate capital structure for those sorts of investments is what anybody would do. So I'm not worried about our credit rating.

Unknown Analyst

[indiscernible] the gearing on the balance sheet, about where it is now or something like that?

Dennis Barnes

Chief Executive Officer

Gearing is not so much of an issue for us. I think we've got capacity for increasing gearing if we so chose. But it's not really the metric that guides debt analysts, if I can lump them into one category. That's more of the cash flow coverage metrics that we look at mostly.

Unknown Analyst

Why are you intending to back out part of Waireiki?

Dennis Barnes

Chief Executive Officer

Well, the question is how do we minimize the degree of Waireiki that we back out. Now it's 52 years old, that plant. It does cost a fair bit to retain parts of it, not all of it, but parts of it are getting fairly antiquated. And so, just thinking about the best use of what is the resource limit that we have, we have a resource extraction or withdrawal limit on our resource consent for our geothermal fluid. How do we

best utilize that? So Te Mihi improves the efficiency dramatically. It lowers the operating cost of Waireiki, in general. It lowers the emissions or discharges into the river, which is really important, not just for the environment, but just in terms of [indiscernible] think about that is quite important to them. That's quite an important feature. So it's an efficiency project in many respects. It's an efficiency upgrade of what is, how do we use that resource in the best possible way.

Unknown Analyst

So how much is it likely to lower your cost of geothermal production then?

Dennis Barnes

Chief Executive Officer

So look, I think we haven't given specifics on that. We don't go into the diagnostics on our individual operating costs, but it's a material reduction and now an in cost for us, and mostly driven by the fact that we don't have to invest so stay-in-business CapEx to maintain the operability of the 52-year-old plant. If you think about that, it costs a lot more to maintain a 52-year-old car than it does to maintain a new car. So it's the same issue, really. But it's material. So that's part of the economics that we have in that project.

Unknown Analyst

Is the commissioning and value of the rights issue tied to finishing -- I'm sorry, the beginning in the value of the rights issue tied at all to the commissioning of the peakers?

Dennis Barnes

Chief Executive Officer

Not at all, unrelated, yes.

Unknown Analyst

For the core of the spending in the next few years is to increase generation market share, is there an implication on that about how you're thinking about the retail side of business now? Is there a change in -- a shift in emphasis there?

Dennis Barnes

Chief Executive Officer

No, not at all. I think I made the point that not at the expense of the retail side of the equation. Our perspective is that retailers and generators will keep -- have some form of balance between their generation and load positions. In my view, it's more difficult to take a long retail position relative to generation than it is to increase your generation market share and then fill it out with decisions around how you maintain a balanced position, because you can also choose, for example, to hold back capacity and send it into the wholesale market. You could choose, like we've done in the last 6 months, to increase our position in the time-of-use market. That's been very successful and a good call, particularly in the wet sequence, to increase our exposure there. So it provides choices, I think, as to how we monetize generation, if you think about it that way, whether it's through their wholesale market, through the commercial industrial market or through what will continue to be the highly competitive mass market segment. The question is where is the enduring value proposition for -- to justify the investment of things like Te Mihi. And we'd rather have choices than be narrowly defined on, say, one retail segment, as to how we manage that risk.

Unknown Analyst

Is Contact Energy at all interested in any of the sites if the government does go ahead with their [indiscernible]?

Dennis Barnes

Chief Executive Officer

I suspect it might be quite tricky, if Contact was to take a position in of one of the other generator-retailers. From a commission perspective, I suspect that would be difficult. I know we're focused on our business. We've got plenty to do. We're not short of things to do. So I doubt it.

Unknown Analyst

[indiscernible] Taranaki?

Dennis Barnes

Chief Executive Officer

I don't think we've talked about that openly, but when you think about the role of Taranaki, it's at that flexible end of the market, again, highly flexible if it's on diesel. But the question about the best signer for Taranaki really depends on how it's fueled. And arguably, it's a Contact with its Ahuroa storage facility has a source of very flexible gas, which could be a nice complement to another flexible generating facility like Taranaki. It would have to be moved, but that's doable. I think it'll have to be moved, in any case, but I think our interest is not a secret here.

Unknown Analyst

Where would you move it to, if you did buy it?

Dennis Barnes

Chief Executive Officer

I haven't decided yet, but logically, it's connected to somewhere along the pipeline system, either at the Taranaki end or at the Auckland end. The Auckland end has challenges, given the capacity limitations on the northern pipe, but if they were resolved in, ideally, more flexible capacity in the Auckland area is what's required. But it is -- the key challenge is how to resolve the gas transmission constraints when you because need that plant on, that's when every other plant needs to be on as well. So Otahuhu will be there and Taranaki will be there and so on. So that's where the pipe becomes constrained.

Unknown Analyst

In terms of your pipeline of projects then, is it likely Tauhara and Taheke are next rather than any of the wind projects, that they could be further down the track? And if so, why?

Dennis Barnes

Chief Executive Officer

Well, I think it's fair to say that Tauhara is ahead of the wind projects, just on the basic economics of geothermal versus wind. You'd always look to -- seek to build the next cheapest before the more expensive ones. And wind is, certainly, even the better wind sites right now are more expensive than any of the big geothermal projects. Taheke is, it may or may not, it depends on the size of Taheke, because not all geothermals are the same, in terms of economics. The smaller economic -- the smaller projects are more expensive. It depends on the resource, primarily, how many wells you need to drill, and how easy is it to reinject the fluid, those sorts of things.

Unknown Analyst

Do you have sense for how big Taheke might be?

Dennis Barnes

Chief Executive Officer

We do. We haven't talked about that yet.

Unknown Analyst

So what you're saying...

Dennis Barnes

Chief Executive Officer

We're optimistic, but we haven't given a sense of size.

Unknown Analyst

Okay, but from what you're saying, it's likely to be smaller than Te Mihi and Tauhara.

Dennis Barnes

Chief Executive Officer

Well, we've drilled 3 wells or, in effect, 2.5 wells. So we think about the number of wells that are scattered across Tauhara and Wairekei, it's a whole different ballgame. And typically -- or not typically, what you hope to find in geothermal is that when you explore an area, such as Taheke, then you continue to step out and that area gets bigger. Tauhara was a good example. Tauhara is long way away physically from Wairekei. And the wells were drilled -- in a geothermal sense it was a long way away. Wells were drilled, and they've turned out well. We want more drill, more wells, let's have another go. And it turns out to be a phenomenally successful resource that's able to support, at least the 250 megawatts of Tauhara 2, potentially more. So you start somewhere and you grow, and I think the key thing about geothermal in New Zealand, in my perspective, is the access to the resource would be how we engage with stakeholders, particularly TangataWhenua. And we've partnered with TangataWhenua in Taheke in an incredibly successful way. I think that's to me, that's the big breakthrough that we had in the last year. That's how we partnered with Iwi.

Unknown Analyst

Is there any [indiscernible] in offshore accounts or offshore [indiscernible] are you going to the [indiscernible] rather than onshore?

Dennis Barnes

Chief Executive Officer

Well, there is from some. We have currently focused our attention on this list, and we know others are thinking about the Cook Strait and subsea and Kaipara Harbour and the like, and that's all good. It's fantastic. People are developing options in those areas.

Unknown Analyst

[indiscernible]

Dennis Barnes

Chief Executive Officer

Well, primarily because we're just -- we can't do everything. We're so focused on the core assets we have in geothermal and then wind and hydro, that we haven't really dedicated a great deal of time to the next level. Solar, I think, will become more attractive over time.

Unknown Analyst

On carbon costs, can you just give us an indication of where they're going to hit over the next year or 2?

Dennis Barnes

Chief Executive Officer

Well, you've probably got as much access to the foreign markets and carbon as I have. That's dependent on so many things, Adrian [ph]. It's anyone's guess as to what happened. I was quite encouraged by the -- where Australia appears to be heading, to a -- some form of a carbon price, albeit fixed and albeit maybe in the form of a tax, it doesn't particularly phase me. I think the fact that they've started to institutionalize the idea of price, as New Zealand is doing currently is, to me, is positive. Europe, the Rest of the World, that's all a function of how they perform. I couldn't ask a question as to where prices will go. I don't think they'll go down. I think the trend for carbon pricing will go up.

Unknown Analyst

In terms of cost to you though, are they going to be relatively steady over the next few halves?

Dennis Barnes

Chief Executive Officer

I think a lot depends on what Australia does, as to whether or not the current for like concessionary price for carbon, put it that way, sort of this 50% trend deal sustains or not. So I think we'll be looking closely at Australia, is my sense.

Unknown Analyst

My next question is, are they going to stay around [indiscernible]...

Dennis Barnes

Chief Executive Officer

Emissions for us are a function, to some extent, of weather, really drive our emissions to go up, because we have more gas fired on. If it's really wet, they go down. But if you levelize for hydrology, then our emissions should go down over time, as we push more thermal generation out and substitute it with more renewables. So directionally, we're hitting in with geothermal and then wind and then hydro into pushing our thermal generation to balance as opposed to provide base to balance for the lack of wind, the lack of water.

Unknown Analyst

That 5.9 PJs of gas, which is either distressed sales or not taken, presumably if Ahuroa had been another time, you would have been able to inject all of that?

Dennis Barnes

Chief Executive Officer

Unlikely, I think, Patrick [ph], because the Ahuroa is pumping flat out into the ground. If we -- Ahuroa is currently configured for injecting 32 TJs a day, that's what we've been roughly doing. So the gas position that we have last year was -- we injected 3.3 petajoules thereabouts of gas through that 6-month period. We couldn't have done more, unless we had, had a larger facility, a larger topside facility. Not the reservoir, because the space in the reservoir, we would have had more compression. And so, what we're contemplating for the next stage of Ahuroa's development is, do we increase the rate at which we can push gas in the ground, and the rate at which we can pull it out of the ground from, say, around 40 TJs a day on average to say, 100 TJs to 150 TJs a day. So that's the growth that we can see, the storage project progressing into, and if we had...

Unknown Analyst

It's not a matter of needing a bigger reservoir, it's a matter of needing a -- more kT?

Dennis Barnes

Chief Executive Officer

Correct. So if you layer on the kT on top, more wells, more kT, and they're able to inject and extract at a higher rate.

Unknown Analyst

And do you see any problem over the horizon, depending on the shape of your gas, which would say that maybe the reservoir starts to reach its full capacity, and maybe you need to think another one?

Dennis Barnes

Chief Executive Officer

Not at this stage. I mean, it seems to be growing as opposed to shrinking. It will never completely replace our gas book. It's going to be a complement to -- there will be a certain amount of base gas that we'll always need, and it's a complement to that, that we'll be seeking, not a replacement thereof.

Unknown Analyst

If you've got 17 PJs of working volume and an annual demand of 40 PJ, I think you can see that probably the working volume is more than you would need to be able to move from one part of the year to the other. So in fact, the constraint is more likely to hurt you on volume in and out on a day than it is on the total working volume. And you have other uses or increase the size of the portfolio? So -- and assuming that you move it on a regular basis?

Dennis Barnes

Chief Executive Officer

So I'm conscious also that we have some people on the phone. I want to make sure we don't miss them, if they have questions that they'd like to ask before we come back to the table. We will come back to the table.

Operator

[Operator Instructions].

Dennis Barnes

Chief Executive Officer

Nothing on the phone, all right. The table has the floor.

Unknown Analyst

So just to clarify on the tariff increases, just to be clear, the retail tariffs went up 4% in the half year?

Dennis Barnes

Chief Executive Officer

Retail price went up 4% during -- on average, during the half year. Mass market retail prices went up, we were at 6% to 8% thereabouts.

Unknown Analyst

So household customers, 6% to 8%?

Dennis Barnes

Chief Executive Officer

That's -- so when you think about that, that wasn't all on July 1, and that may be why you're not seeing the full impact of those price increases on the average sales price, because they have phased through the year. I think we put some through in October and then some through in, just, February this year and the like. So we spread it through the year. But on average, people will see somewhere in the order of 6% increase in this in their residential prices.

Unknown Analyst

And just to be clear, the ETS is a part of that increase.

Dennis Barnes

Chief Executive Officer

Correct.

Unknown Analyst

Can you say how much?

Dennis Barnes

Chief Executive Officer

That was about 3% by memory, to reflect that.

Unknown Analyst

And price increases are ongoing, what's the actual you see?

Dennis Barnes

Chief Executive Officer

Look, I think the 2 things we'll continue to see every year, one is network costs continue to rise, somewhere in the order of 6% to 10% each year. The other thing we continue to see is gas costs continuing to rise. And when you think about why is gas important in a context we were seeing more and more renewables and Te Mihi's underway and so on, is because when the rain stops falling and the wind stops blowing, gas plants are absolutely critical to secure the supply. And so the market needs to reflect the fact that those plants need to be available, irrespective of whether or not they're actually used on the day, even on the year. They need to be available for those times when they're needed. Because what we know is that the country, rightly, in my view, shouldn't tolerate the absence of generation capacity at times when they need it. So they should always have sufficient to make their lives happen, their businesses happen. So that's the key thing. We continue to see cost pressure. As you saw this year, we raised revenue quite materially, but it all got absorbed by effectively those 3 things: network costs, gas costs and carbon costs. And I don't think those 3 things will slow down on their rate of increase; they'll continue over time.

Unknown Analyst

Have you been losing customers in this?

Dennis Barnes

Chief Executive Officer

To some extent, I mean competition in the marketplace has been, in the last 6 months at an all-time high in the retail marketplace, the mass market marketplace. And it's aided to some extent the fact that during a wet sequence, wholesale prices are relatively low. And so offers to customers that our competitors make, based on those wholesale prices look quite attractive into the retail margin. The trick is, given the fact that they don't reflect the cost of security of supply, winning the wholesale does reflect their cost of security of supply. The thermal generation is a bit of wholesale price. The offers that those people have made, those retailers have made to the customers, are negative margin, and they have to be adjusted. So that is driving churn, in many respects, those low-priced offers into the heavily discounted offers into the marketplace, ostensibly, on the back of low wholesale prices. So Retail margins look okay, but they're not. They're actually negative by the time you factor in what the market needs to see in relation to, and I think will continue to see in relation to wholesale prices reflecting their cost of security.

Unknown Analyst

So those discounted offers from some companies could what, jump 10%, 20% if there's a dry year?

Dennis Barnes

Chief Executive Officer

Well, some them have put in prices of sort of \$50 or \$60 a megawatt hour. Whereas the reality of the security of supply, the wholesale price should be north of \$95 or \$100 a megawatt hour, to make sure those gas plants are maintained, are kept available for when they're needed. So that might give you some sense of the -- and energy is about 40% of the composition of a tariff.

Unknown Analyst

So it seems that that's a reputational risk to the sector if one of the smaller players, which is pricing off those kinds of levels falls out?

Dennis Barnes*Chief Executive Officer*

I think that key thing to, perhaps, that will Well, I think key thing too -- perhaps, that will come -- look, I think it's a fair question. The key thing, in my perspective, is that not all retailers are therefore the same. So we saw, for example, a small gas retailer go under late last year; 7,000 or 8,000 customers, and that would have been quite difficult for those customers, quite confusing, I suspect. Then it got resolved, fortunately, someone stepped in and bought the customers. And to the extent that, that isn't resolved then it is sort of leaving a position where customers are, at least, confused, if not sort of wondering what happens next. So I think the key thing for me is that there needs to be a support network put in place to ensure that customers aren't left in the lurch, should a small retailer find themselves in trouble, the first instance and customer's supported, which I think can be done. Because we need to reflect back as an industry on that, for example, that gas retailer, last year, and say, "What needs to happen in the regulatory space to make sure that the consumers are supported?" Secondly, to make sure that the market knows, the retailers understand or their customers understand that not all retailers are the same. So do they have the financial strength to sustain what are increasingly volatile conditions? We've seen a couple of times where one retailer's had difficulty meeting its prudential payments. [indiscernible] when prices were very high, they weren't very high; they were relatively high, but they weren't very high. And it could get much worse, what would happen then? So there are conditions, which I think would cause us to reflect and say, "How do we make sure that prudential requirements are met, that companies are properly capitalized and those sorts of things?"

Unknown Analyst

Can you give us an idea of where gas prices are heading, as you move into the next phase of the Tauhara contracts?

Dennis Barnes*Chief Executive Officer*

Look, I think, New Zealand has been oppositional, sort of long gas in the short term and short gas in the long term. We've got maybe 10 years of good supply left in the tanks. So my view that we'll sustain continued pressure on, upward pressure on gas prices, that's my estimate, just based on supply and demand. But we'll always have a demand for gas, and supplies, depending on who you talk to, will either be -- but in general, they don't look as if they will meet demand beyond 2020 or thereabouts is my take, that demand will outstrip supply. So that should, in theory, keep upward pressure on gas prices.

Unknown Analyst

The \$10 million or \$20 million of EBITDAF that you dropped because the peakers weren't in place, if I read that correctly, that doesn't quite it, I think because it's saying that the lays up haven't materially impacted financial performance, or is \$20 million not material?

Dennis Barnes*Chief Executive Officer*

Right. So what we did then was go back across the whole 6 months and say what if we had the portfolio in place at the beginning of the financial year, what would it look like? And we said it was -- we could have effectively, more effectively hedged our price risk, instead of using the big, slow gas-fired plants that we have, but the more nimble flexible peakers to hedge the peak risk that we have. We wouldn't have run the gas turbines, the big plants nearly as much as we otherwise would have. We would have been penalized as a consequence of that, because we wouldn't have had as much as gas to deal with in relation to being -- either selling into the wholesale market or at a loss or just leaving it in the ground and paying for it. So that's the whole 6 months we looked at, Patrick. I think if you correlate it right back to -- the peakers would have been helpful for us in the latter part of December. There were some good prices, \$150, \$200 prices in the wholesale market then. Peakers would have really enjoyed that. So we -- it would have cost us that a little bit of money there, I suspect, if we -- by not having them available, but life's like that sometimes.

Unknown Analyst

I'm just wondering whether that, given that kind of identifiable value loss, whether there's any claim that you could make it on the contractors, given that these are now almost a year late, aren't they?

Dennis Barnes

Chief Executive Officer

I don't think it's that long. But look, I think it's pretty unusual to have a construction contract to take consequential risk on the whole. I've never seen it.

Unknown Analyst

No comeback at all on that delay?

Dennis Barnes

Chief Executive Officer

I've yet to see any construction project where a contractor will take the risk of a market consequence.

Unknown Analyst

The risk of market consequence, right, yes. What about clients, generally for the execution of the project?

Dennis Barnes

Chief Executive Officer

So that's something we'll -- again a project that size, and it's not huge \$0.25 billion, but there's usually a set down and sort of a similar process that goes on to see how we come to the right landing. From our perspective, we'll be within a few percent of what we targeted of the capital cost. It was \$250 million, \$255 million thereabouts; it'll be within a couple of percent of that, as a net outturn. So we'll be pretty close to on track, notwithstanding the delay.

Unknown Analyst

You said it's not a turbine issue; you're not aware of...

Dennis Barnes

Chief Executive Officer

No, it's -- in reality, it's a small bit of pipe that's an expansion bellows that runs like this to -- it heats up, the pipe expands and we need something to capture that. There was a small crack in one, which was traced back to the fact that these are layers of plate flax, welded together. And then, as the pipe expands or contracts then those plates fall apart. But the welding machine used to weld these plates together in Korea was water-cooled and a water droplet, droplets got inside the plates, so when you heat up that to 180 degrees Celsius, of course, that water needs to expand and vaporize and get out. And that caused the expansion bellows to deform, and the solution was quite simple. So it's not just our expansion bellows, it's the same expansion bellows in other similar units around the world. So these are pieces that sit in between the pipe, that are quite large.

Unknown Analyst

[indiscernible]

Dennis Barnes

Chief Executive Officer

Yes. So other units around the world have actually been now inspected and, well, we have the same little bulge. We saw it, and we thought, we don't like that bulge in the expansion bellows, please fix. And they have done that, and it turns out that others around the world need to be replaced as well. So the fact that they'll run another year or 2 in that condition illustrates that the structural integrity is not at risk in the

near term. But we did not want to take that risk. We would rather have it right at Day 1. So that's the cause of delay.

Unknown Analyst

Sorry to go back on a question you've talked about before, but just to be clear, did you lose customers in the 6 months and how many?

Dennis Barnes

Chief Executive Officer

Yes, I can't remember how many. It's 2,000 or 3,000.

Liz Kelly

Former General Manager of Development and Acquisitions

It's in the...

Dennis Barnes

Chief Executive Officer

Yes, we publish it every month, actually, in terms of our monthly results, but it's not a big percentage of our customer base, but it's not surprising that we did. We anticipated we would.

Unknown Analyst

The discount is offering prices and how much cheaper are they at the low point compared with your...

Liz Kelly

Former General Manager of Development and Acquisitions

They seem to be in different places.

Dennis Barnes

Chief Executive Officer

So the heart of it's we don't think they're reflecting the right wholesale price in that offer, to a retail customer. That's the key thing.

Liz Kelly

Former General Manager of Development and Acquisitions

So your question about, well, what do they do in wholesale prices, take out the effects water? That's the question, right.

Unknown Analyst

[indiscernible]

Dennis Barnes

Chief Executive Officer

In essence, the wholesale price needs to rise to make sure that the plants that provide security of supply, which are thermal plants are available when they're required. And those plants cost only \$5 or more a megawatt hour to run, irrespective whether they're on or off. That's what it costs us to hold them available. And so therefore, the price you'd assume, you need to price into retail tariffs. It needs to be in that order or approaching that point.

Unknown Analyst

Given the flat state of the economy though, what's the balance between supply and demand at the moment? Is there an urgent need to get more new generation on the new projects or what those be some years away?

Dennis Barnes*Chief Executive Officer*

Well, I think the question is, as you think about, Huntly, Huntly's made some noises around -- or Genesis have around decommissioning 1 or 2 more units of Huntly over the next 3 or 4 years. A single block of Huntly is 250 megawatts. The increment of Te Mihi is 114; Tauhara 2 is 250. That's 1 unit of Huntly. So if you think about no demand growth, all these geothermal plants do is replace capacity that's coming out of the market over the next couple of years, assuming no demand growth. What we can do even if you don't assume that, that Huntly remains is reduce the higher-cost gas, combined-cycle operations by 1,000 gigawatt hours, that's not much, and replace that with lower-cost geothermal. So within our portfolio only and no demand growth and no other changes in the marketplace, they're economic. So if you think about that in terms of will demand growth come back? It will, at some point. Will Huntly come off? It will at some point. And what is oil replaced by? It has to be at the baseload, and that's geothermal in the first instance.

Unknown Analyst

In that context then, when do you think your wind projects might actually go ahead?

Dennis Barnes*Chief Executive Officer*

Look, I think, as I said before, geothermal have -- the access to geothermal will be constrained by accessing the land above which or below which geothermal sits. And there isn't -- although geothermal is everywhere in the world, if you think about it that way, if you dig deep enough, you'll find hot magma, accessing productive resources will be quite limited. So after what's in the Wairekei-Tauhara field, there are few others in the neighborhood. There's the smaller ones like Taheke and the like. And my view goes to wind. That's the next most economic source. So you think about somewhere in the 5- to 10-year horizon, I'd say it's -- our wind projects become quite viable.

Unknown Analyst

With the experience of these turbines, 8C [ph], sort of had the similar problems you have, how confident are you of hitting that April date?

Dennis Barnes*Chief Executive Officer*

Look, everything else being equal, it should be fine. So these are not complicated plants, at the end of the day so.

Very good. Thank you for your time and have a good day.