

Contact plans to increase size of gas-fired peaking station to 300MW

19 February 2008 - Contact Energy intends to boost the size of its planned gas-fired peaking plant at Stratford in Taranaki to up to 300 MW compared with the 100 MW size which the company announced in November last year

Contact says in a presentation to Asian investors published on the company's website in late January that, the first phase (100-200 MW) is expected to be commissioned early in 2010.

The new Stratford "peaker" plant would be developed alongside the company's Taranaki Combined Cycle plant.

Contact believes that there will be a need for a fast start peaker plant to provide support to the market due to the expected increase in wind development and the intermittency of wind.

Medium to long term gas supply contracts are increasingly less flexible as the end of Maui 367 gas approaches in June 2009. This is likely to result in excess gas at times of high hydro and low demand.

Contact's average gas cost including transmission has risen from \$3.70/GJ in 2003 to around \$5.02/GJ in 2007 (an average increase of 9% p.a.).

The company forecasts that the price it pays for gas per GJ will increase by about 20% per annum over the next couple of years — over twice the rate of recent years.

Contact's recently announced intention to develop a gas storage project will assist in managing this issue as well as the increasing volatility which will arise from increased wind generation.

Source: Contact Energy