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# 2018 Annual Review



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# Chairman and CEO Report

## Overview

The diversification strategy continues to ensure earning stability for the business. The group EBITDA results for Pioneer ended up three percent under budget in a year when three quarters of high spot prices predominantly impacted our retail operations.

## Partnerships

Although the loss of Avoided Cost of Transmission (ACOT) payments for renewable generation assets on the Clyde Grid Exit Point (GXP) had an impact on the 2018 result, and even more so on the results going forward in this division, good production across the portfolio including the Southern Generation Limited Partnership, supported by excellent results from continuous improvement initiatives, have and will mitigate the loss into the future. The new generation investments made within the Southern Generation LP continue to deliver above the business case assumptions. The Partnership remains committed to growing the renewable generation portfolio by agreeing to the development of two new hydro generation schemes to be developed by Pioneer and sold into the Partnership after commissioning. Adding the two schemes to the Partnership will see the SGLP production increase to more than 230 GW hrs per year.

Tough competition and margins at or below ASX levels in the commercial and industrial retail space resulted in Pioneer cutting back on our long retail exposure in this sector. The Pulse and Ecotricity subsidiaries however continue to show very strong continued growth and combined are at the top end of customer growth compared to the rest of the market.

## Industrial Energy

The industrial energy business continues to deliver consistent returns with the Washdyke Energy Centre specifically showing positive improvement due to load growth from one of our key customers connected to the district energy scheme. The closure of Cadbury's in Dunedin will impact the financial performance of our operations at the Dunedin District Energy Scheme site. At the portfolio level though, the industrial energy business is finding good efficiency improvement opportunities that, over time, will materially offset the loss of Cadbury as a customer. Securing a three year contract to supply the University of Otago with renewable thermal energy through the direct supply of wood fuel into their own boilers, and more importantly supplying them with renewable energy from our Dunedin District Energy Scheme, is underpinning our Dunedin wood fuel hub and operations. Growth in this part of our business, supported by growth in our core industrial energy business remains a key strategic focus.

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# Chairman and CEO Report *continued*

## Waste to Energy

Our Waste to Energy business units continue to perform to expectation with increased production from our landfill gas operations supported by a solid performance from the Central North Island's pulp waste to energy facility at Winstone Pulp International.

## Strategy

Pioneer is strategically very well positioned as a horizontally-diversified renewable energy asset investment and service company, supported by channels to market our expertise, to grow our business and support customers to manage the reduction of their overall carbon foot print, under a structured and phased transition plan.

## Summary

I would like to thank our shareholder (the Central Lakes Trust), our various investment partners and above all the Pioneer staff, for their continued support and commitment in helping Pioneer to deliver our operational and strategic growth aspirations. The last financial year was particularly hard on our people, given the retail market environment and the loss of ACOT, resulting in several departmental changes over the last two years. We saw many individuals, and teams, step up to take on new and wider responsibilities, providing the support required to ensure Pioneer can stay on track with our growth, asset management (ISO 55000), health and safety (ISO45000), corporate compliance and operational efficient improvement initiatives.

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Fraser Jonker  
Chief Executive

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Stuart Heal  
Chairman

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# Asset Management

Closely aligned with Pioneer's strategy to "improve overall business performance and prepare the business for planned future growth", a project was initiated in 2016 to establish a state of the art asset management system. Pioneer set to work to implement a comprehensive ISO 55000 Asset Management System and has a target date for attaining compliance by 2019. As part of this process, Pioneer has undergone three audits by an external consultant, with the final one scheduled for December 2018.

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

- People
- Data
- Customers/Relationships
- Physical Plant
- Brand

As Pioneer nears the completion of this project, improvements and benefits associated with new system implementation and processes, developed as part of the Asset Management System, are coming to fruition. The benefits, going through this certification process has brought to Pioneer, are across the financial, strategic, operations and maintenance, and planning areas. The whole of Pioneer now has a better understanding of the range of its assets and the reporting, documentation and forward thinking needed to continually improve.

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Yvonne Malcolm  
Asset Management Project Manager

# CFO Report

## Financial Summary

Pioneer's EBITDAF (including the share of the Partnership EBITDA), which reflects the operating performance of the Group, increased by 4% (\$0.9 million) compared to the previous year.

Pioneer declared a dividend for the year ending 31 March 2018 of \$7.2M (31 March 2017 – \$5.8M). The total dividend paid to the Central Lakes Trust now exceeds \$72.5M.

The increase in EBITDA was primarily a result of the operating divisions of Generation and Industrial Heat performing above the previous year by 16.7% (\$2.1M) and 9.3% (\$0.6M), respectively. The Southern Generation Limited Partnership EBITDA was 9.7% (\$0.7M) up on the previous year, benefiting from a full 12 months of operation from the Aniwhenua Hydro-electric Scheme compared to 11 months the year before (Aniwhenua was acquired in April 2016).

Negative year-on-year operating performance was experienced in the retail businesses of both Pioneer and Pioneer-owned Pulse Energy. The retail businesses were effected negatively by a combination of two periods of high wholesale electricity costs and increasing customer demand in periods of high prices, where customer sell rates are fixed.

## Partnership Services

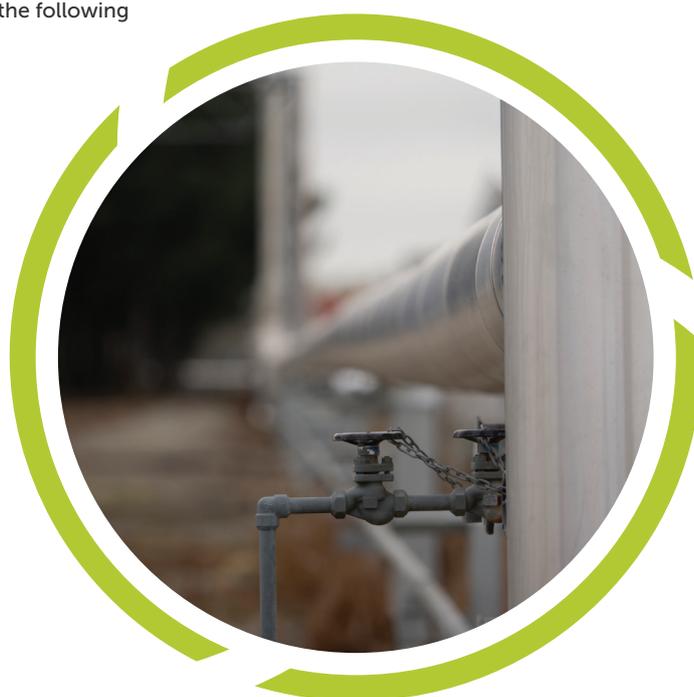
The year to 31 March 2018 saw a continuation of the effort in enhancing our services provided to our partnership businesses. Pioneer offers the following services to our partnership businesses:

- **Asset Management**
- **Contracting**
- **Professional Engineering**
- **Project Management**
- **Strategic Financial Leadership**
- **Regulatory, Consent and Stakeholder Management**
- **Health and Safety**
- **Financial Accounting (accounts payable, accounts receivable, financial reporting, and market risk management).**

Please see the Financial Statements for the full financial information for the year ended 31 March 2018.

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Andrew Williamson  
Chief Financial Officer



# Energy Solutions

Bringing our market experience with generation to our customers with innovative and fit for purpose energy supply and complementary energy efficiency services.

The Pioneer Retail Team had a very busy year in an increasingly competitive market.

With increased competition and volatility in the market the retail team undertook a review of the strategy and the resulting effects on margin and return on effort. This led to a move away from growth towards a “long retail” business, towards a more boutique, higher return, “generator with some retail” model. This will be achieved by the continuing emphasis on account managed relationships and delivering high levels of customer service, specifically in those areas of importance to customers. This approach will continue to help 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.

Ongoing efforts at efficient provision of retail solutions will be at the forefront of the work in the coming years to ensure service is maintained along with return. A very successful project came to fruition in the last year with the Customer Service / Billing Team switching from an outsourced billing platform to an internally managed solution. While this had its challenges, overall it is running very well with minimal disruption, if any, to customers. A representative of the regulatory authority has advised that, “Pioneer has had the best start for a new entrant participant of any they have seen to date.” which was a huge credit to those involved.

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 for the Government, the commercial, industrial and institutional sectors will come under increased pressure to deliver sustainability measures. Our product assortment and roadmap is more suited than our competitors to delivering this capability in the short and long term.

Pioneer also 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. This highlights Pioneer’s competitive advantage against the larger commercial energy suppliers, where we are able to be nimble and creative in offering alternative and varied responses to customer opportunities.

Internally, we continue to work closely with Asset Management and Contracting Services, improving the cross function alignments, in order to continue to supply this trusted service at, or better than, industry best practices.

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 valued customers.

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Jonathan West  
Chief Operating Officer

# Human Resources

During the year, along with remuneration surveys and a benchmark update, Pioneer received workforce marketplace trend reports to assess and respond to the changes within the NZ job market. Positions at Pioneer have been job-sized using the SP10 system and matched to benchmark information.

At year end Pioneer had reduced its total staff numbers by four. During the year the Project Development and Delivery (PDD) team was amalgamated into the Contracting team and the GM of PDD team became GM of the Contracting arm of Pioneer.

Pioneer currently has two apprentices in the electrical and mechanical field who have made great progress in their respective programmes, both nearing the completion of their formal training.

## Asset Management Focus

In addition to business as usual a major focus has been the development and implementation of the principles and processes that ensure Pioneer Energy's workforce is prepared and equipped to achieve the company's asset management objectives and to achieve ISO 55000 Asset Management accreditation in 2019.

Among the initiatives for workforce development has been the writing and implementation of a number of additional policies to confirm the company's commitment to "the way we will do things here". Growing our asset management culture and practices has included the development of:

- policies for workers learning, development and training;
- a roles and responsibilities matrix focussing on assignment of responsibilities, specifically those associated with the asset management system (principally communicated through job descriptions);
- competence profiles for each position, gap assessment and training plan formulation.

## IT Systems and Platforms

Further development was made to the performance review software used by the company, improving flexibility and use. Our HRIS provides a reliable and confidential personnel database for retrieval and storage of information.

# 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's partnerships.

Capital works projects during the year included the completion, with partner Engie, of the Pita Te Hori energy facility at the former site of the King Edward Barracks in Christchurch, project management and delivery of the Dairy Creek Irrigation Scheme, control optimisation of the Teviot cascade system of hydro-electric stations, and a number of other smaller existing asset improvement projects.

Renewal of the existing resource consents for the Roaring Meg Power Station was completed along with Air Discharge Consents for the Dunedin Energy Centre. As part of Pioneer's agreements with the Fraser Power Scheme and Teviot Irrigation Company, work on replacement of deemed permits for the Fraser Storage Dam and some of the Teviot Scheme Intake Works, has commenced.

As part of a strategy to improve overall business performance and prepare the business for planned future growth, good progress has been made on the ISO55000 project to create a state-of-the-art asset management system. Pioneer will seek accreditation early in the 2019 calendar year.

During April 2017, Edgumbe suffered significant flooding when the Rangitaiki River, where the Aniwhenua Hydro-electric Scheme is located, breached a stop bank. Damage the hydro station sustained during this flooding is still undergoing repair work. Pioneer Energy manages this asset on behalf of the Southern Generation Limited Partnership (SGLP).

During the year Pioneer committed to starting the construction of a 7MW hydro-electric scheme in the Upper Fraser River basin near Alexandra and the 4.7MW hydro-electric scheme on the Matiri River basin near Murchison. Pioneer is the Project Manager.

Investigation work continued into a number of potential hydro and wind opportunities for both Pioneer and its partners.

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Peter Mulvihill  
GM – Project Development and Delivery

# Contracting

The Contracting business unit is focused on becoming the service provider of choice for Pioneer Energy and our partners. We are striving to make client trust and service excellence our points of difference, supported by process driven quality and good safety practices.

Inherent in this objective is ensuring that all health and safety risks are managed by identifying and controlling hazards at our work sites. With ongoing training of staff we strive to create a culture where staff work safely and minimise risk to themselves, their work mates and the public.

This year contracting services have contributed to the construction of the Dairy Creek Irrigation Scheme and since commissioning has taken on the operation and maintenance of the scheme. Planned maintenance and capital improvement projects on Pioneer and Joint Venture assets, has kept the team busy while also planning the construction of the Upper Fraser and Martiri Power Schemes in the coming year.

Contracting Services have contributed significantly to Pioneer's progress towards asset management ISO55000 accreditation. Implementation of systems and processes as a requirement of ISO55000 has taken a reasonable amount of staff resources, however, efficiencies are starting to be seen. Sites under our management have started to benefit from the continual improvement focus ISO55000 creates.

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Peter Mulvihill  
GM – Contracting



# Safety and Compliance

## Safety Management

### Key Achievements:

- Launch of the new online Compliance Management System, ecoPortal. This system now includes online templates for auditing, change management, dam safety, public safety and contractor management. The system also incorporates Asset Management and Contractual Compliance;
- Integration of the Public, and Health, Safety and Wellness (HSW) systems, into one;
- Creation of a comprehensive HSW training module for all Pioneer staff. This is now a key part of staff induction;
- Undertook a GAP analysis against the draft ISO 45000 standard. Pioneer is aiming for accreditation to this international standard by December 2018.

## Public Safety Management System

Pioneer is required by law to have an accredited Public Safety System. This year Pioneer underwent a full audit by TELARC (an independent external auditor that specialise in Public Safety Management) and renewed our certification for our Public Safety Management System, which is now valid until December 2020. The audit result was pleasing with the auditor recommending minor improvements, showing a maturing of the system. Senior Management or the Pioneer Board visited all sites last year to ensure that all sites are safe to members of the public.

## Lost Time Injuries

For the year ending March 31 2018 Pioneer had one lost time injury. All knowledge that could be extracted from all incidents and near misses has 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 2017 these meetings included; a formal debate, mental health discussions, training quizzes, safety and teambuilding, and communication exercises. The two days provide an excellent opportunity for staff who work in remote parts of the country to engage with colleagues, thereby improving their overall wellbeing, and their understanding of all aspects of Pioneer.

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Yvonne Malcom,  
Safety and Compliance Manager



# Pioneer Energy Asset Map

## Offices

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

## North Island

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

## Upper South Island

- 9. York Valley Landfill Gas Plant  
- Nelson Marlborough DHB
- 10. Pita Te Hori Energy Facility  
- Christchurch
- 11. Christchurch Hub - Christchurch
- 12. Bio Solids Energy Centre  
- Christchurch

## Lower South Island

- 13. Oxburn 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. Dunstan Hospital Energy Centre
- 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 Energy Centre - Geraldine
- 29. Flat Hill Wind Farm\*



\* Southern Generation Partnership Assets