

Stored Water and Reliability – Further Information

Scheme run-of-river water entitlement from the Rakaia River

Central Plains Water Limited (the "**Company**") has engaged consultants to model the availability of run-of-river water in the Rakaia River over the past 49 years, and using this analysis has calculated that the Consents to take water from the Rakaia River secure an average Irrigation Season water entitlement of 296 million m³ for our shareholders. Assuming a run-of-river supply without storage, the long term average reliability of supply across the Scheme is estimated at approximately 63% on the basis of an irrigation-season average supply-demand ratio, based on a Stage 2 Scheme area of 25,000ha. However, the Company has entered into an arrangement for stored water (as outlined below), which increases this reliability.

The Company also has various consents to take water from the Waimakariri River, which it does not currently intend to utilise for the purposes of Stage 2, however the Company may revisit this option in due course if it considers this necessary or desirable.

Storage Reliability

The Company has improved the available reliability of its Scheme water supply by entering into a stored water release agreement ("**Stored Water Release Agreement**") with Trustpower Limited ("**Trustpower**") which gives the Company access to up to 225,000,000m³ of water from Lake Coleridge ("**Stored Water**"), subject to certain terms and conditions. Please see the summary of the Stored Water Release Agreement below.

The target reliability for the Scheme, once fully operational, is 98% on the basis of an irrigation-season average supply-demand ratio and assuming that a Shareholder has contracted an appropriate level of Stored Water. Based on analysis of over 40 years of river flows and weather patterns, a reliability of 98% means there would be a maximum of no more than 14 consecutive days without water in a 1-in-10 year drought event.

Trustpower has assured the supply of Stored Water to the Company up to the maximum volumes of CTOP Stored Water and Stored Water Refill (being a total of 100,000,000m³ per Irrigation Season), which will increase the Scheme's reliability to 95% on the basis of an irrigation-season average supply-demand ratio, assuming a Stage 2 Scheme area of 25,000ha. With the availability of Additional Stored Water, the Scheme's reliability increases to 98%.

Shareholders should be aware that the Stored Water available to the Scheme is an asset of the whole Scheme. Consequently, the level of reliability available from storage to Shareholders who have committed to storage arrangements could vary from time to time.

Classes of Stored Water

There are three classes of Stored Water available to the Company between 1 October and 30 April (the "**Release Season**") each year, as follows:

1. Contracted Take or Pay Water ("**CTOP Stored Water**")

The Company has currently contracted 10,000,000m³ of CTOP Stored Water based on orders from its Stage 1 shareholders, and the Company has the right to increase the amount of CTOP Stored Water under contract to up to 75,000,000m³ by 1 October 2024. The volume of CTOP Stored Water under contract as at 1 October 2024 will then remain in place for the remainder of the contract term unless Trustpower and the Company agree to change it.

Once the Company has contracted a certain volume of CTOP Stored Water in any year, the Company is committed to this volume for the remainder of the contract term and may not reduce this volume in any subsequent years, and the Company is required to pay Trustpower for that water every year thereafter during the term of the Stored Water Release Agreement.

2. Stored Water Refill ("SWR")

The Company also has access to a further volume of Stored Water equal to one third (1/3) of the amount of CTOP Stored Water on order during each respective Release Season (up to a further 25,000,000m³).

3. Additional Stored Water ("Additional Stored Water")

The Company may also request Trustpower to reserve an additional volume of Stored Water ("Additional Stored Water") The maximum total volume of Additional Stored Water for a Release Season is one and two-thirds (1 & 2/3) of the volume of CTOP contracted for that Release Season (up to a further 125,000,000m³). The availability of Additional Stored Water is subject to the volume of Stored Water available in Lake Coleridge, however Trustpower is required to first offer any additional available Stored Water pro-rata to the first participants (of which the Company is one).

Ordering water from Trustpower

The Company is required to notify Trustpower by 1 July each year if it wishes to increase its contracted volume of CTOP Stored Water for the following Release Season (and all subsequent seasons). The Company will then place orders on a daily basis for the requisite volume of Stored Water as required during the Release Season.

If the Company wants to reserve Additional Stored Water, the Company may notify Trustpower by 1 September each year, at which point the Company is liable to pay the a booking fee for this reserved Stored Water of \$0.01 per m³. The Company may also make a later reservation request for Additional Stored Water by 15 January in a Release Season, at which point the Company is liable to pay the a booking fee for this reserved Stored Water of \$0.02 per m³. This booking fee is payable in addition to the Stored Water charges.

The Company will need to liaise closely with Shareholders to forecast the volume of CTOP Stored Water which will be required by Shareholders for the forthcoming Release Period as well as on a daily basis regarding daily orders of Stored Water.

Each Shareholder must notify the Company of its nominated CTOP Stored Water for a Release Season by 15 June. If the Shareholder does not nominate increased CTOP Stored Water for a subsequent Release Season by the preceding 15 June, its nomination for that subsequent Release Season will be deemed to be the same as the last nomination given by the Shareholder. Once it has nominated a volume of CTOP Stored Water, it may not reduce its commitment to pay for that volume of CTOP Stored Water in that Release Season or any subsequent Release Season, irrespective of whether the Shareholder actually orders that water during the relevant Release Season.

Stored Water Costs

Trustpower charges the Company a specified range of rates for the various classes of Stored Water, plus any applicable booking fees (as discussed above). All charges under the Stored Water Release Agreement will be reviewed and adjusted annually for CPI.

Charges for any Stored Water provided by Trustpower above the maximum contracted volumes applicable to each type of Stored Water, will be negotiated.

The charges for CTOP Stored Water apply on a take or pay basis (i.e. the charges are payable for all CTOP Stored Water contracted by the Company, regardless of whether that water is used (unless Trustpower is unable to provide the water ordered)).

Charges Passed on to Shareholders

The Company will set a flat rate Stored Water charge per m³ of Stored Water each year in advance of the Irrigation Season commencing. The Stored Water Charge for the 2015/2016 Release Season was \$0.082 per m³. Stored Water charges for a Shareholders contracted volume of Stored Water are payable monthly together with Water Use Charges. Additional Stored Water Charges are payable monthly for Stored Water ordered during that month.

The costs of Stored Water will only be passed on to those Shareholders who have elected to take Stored Water, through an additional water storage component of the Water Use Charges.

Because the Company is contractually committed to pay for the volume of CTOP Stored Water under contract, once a Shareholder commits to a certain volume of Stored Water, the Shareholder will also be required to commit to and pay for that volume (as a minimum) every Release Season during the term of the Stored Water Release Agreement. Shareholders will only become liable to pay for any Additional Stored Water once the Shareholder orders and receives that water.

Summary of the key terms of Stored Water Release Agreement ("SWRA")	
Parties	Central Plains Water Limited Trustpower Limited
Date	31 March 2016 The Stored Water Release Agreement replaces and supersedes the previous stored water release agreement between the parties dated 31 May 2013.
Expiry	The SWRA expires on 19 December 2031 and the parties intend to renew the agreement on substantially the same terms and have agreed to negotiate its renewal in good faith.
Supply of Stored Water	<p>There are three classes of Stored Water available to the Company between 1 October and 30 April (the "Release Season") each year, as follows:</p> <p>1. Contracted Take or Pay Water ("CTOP Stored Water")</p> <p>The Company has currently contracted 10,000,000m³ of CTOP Stored Water based on orders from its Stage 1 shareholders, and the Company has the right to increase the amount of CTOP Stored Water under contract to up to 75,000,000m³ by 1 October 2024. The volume of CTOP under contract as at 1 October 2024 will then remain in place for the remainder of the contract term unless Trustpower and the Company agree to change it.</p> <p>Once the Company has contracted a certain volume of CTOP Stored Water in any year, the Company is committed to this volume for the remainder of the contract term and may not reduce this volume in any subsequent years, and the Company is required to pay Trustpower for that water every year thereafter during the term of the Stored Water Release Agreement.</p> <p>CTOP Stored Water is "take or pay", meaning that it must be paid for, whether or not it is used. Except for Interruptions (discussed below), the supply of CTOP Stored Water is assured.</p> <p>2. Stored Water Refill ("SWR")</p> <p>The Company also has access to a further volume of Stored Water equal to one third (1/3) of the amount of CTOP on order during each respective Release Season (up to a further 25,000,000m³).</p> <p>3. Additional Stored Water ("Additional Stored Water")</p> <p>The Company may also request Trustpower to reserve an additional volume of Stored Water ("Additional Stored Water") The maximum total volume of Additional Stored Water for a Release Season is one and two-thirds (1²/3) of the volume of CTOP contracted for that Release Season (up to a further 125,000,000m³). The availability of Additional Stored Water is subject to the volume of Stored Water available in Lake Coleridge, however Trustpower is</p>

	required to first offer any additional available Stored Water pro-rata to the first participants of which the Company is one.
Reservation of Additional Stored Water	If the Company wants to reserve Additional Stored Water, the Company may notify Trustpower by 1 September each year, at which point the Company is liable to pay the a booking fee for this reserved Stored Water of \$0.01 per m3. The Company may also make a later request for Additional Stored Water by 15 January in a Release Season, at which point the Company is liable to pay the a booking fee for this reserved Stored Water of \$0.02 per m3. This booking fee is payable in addition to the Stored Water charges.
Water Shortage Event	Where the full Contracted Take or Pay Water or Reserved Additional Stored Water is not able to be provided due to a Force Majeure Event then, priority access to the first 125 million cubic metres of Stored Water in a Release Season will be reserved for the First Participants (including the Company), and likewise on a pro-rata basis if less than 125 million cubic meters is available.
Interruptions	<p>Trustpower may suspend or interrupt or cease the Release of Stored Water where Trustpower has given a notice of termination of the SWRA due to the default of the Company.</p> <p>Trustpower may suspend or interrupt the Release of water:</p> <ul style="list-style-type: none"> (i) when, in Trustpower's reasonable opinion, anything in the SWRA would have the effect of requiring Trustpower to seek any additional Consent or any variation to a Consent or may have the effect of any existing Consent being reviewed; (ii) to enable Trustpower to inspect or effect alterations, maintenance, repairs or additions to any method by which Trustpower makes the Release; (iii) to avoid danger to persons or property; (iv) upon instructions from any Authority; (v) due to any Force Majeure Event; (vi) to comply with any Law, including to avoid a breach or likely breach of a Consent; or (vii) when, in Trustpower's reasonable opinion, a failure by the Company to comply with a provision of the SWRA materially adversely affects Trustpower's ability to perform the SWRA or any water supply agreement it has with any other person, or to comply or ensure compliance with the Water Conservation Order or to comply or ensure compliance with any Resource Consent, regional plan, or any Laws. <p>Trustpower will exercise Good Industry Practice to time outages resulting from any action under point (ii) above, where possible, so that they occur outside of the Release Season.</p>
Force Majeure	<p>"Force Majeure Event" means any event or circumstance, or combination of events and circumstances:</p> <ul style="list-style-type: none"> (a) that causes or results in preventing or delaying a party from performing any of its obligations in the SWRA; and

	<p>(b) which is beyond the reasonable control of that party, or where the effects of that event or circumstance, or that combination of events or circumstances, could not have been prevented or delayed, overcome or remedied by the exercise by the party of a standard of care and diligence consistent with Good Industry Practice,</p> <p>which occurs after the date of the SWRA including:</p> <p>(c) an act of God;</p> <p>(d) strike or lockout, act of public enemy, war (whether declared or undeclared), blockade, revolution, riot, insurrection, malicious damage, civil commotion;</p> <p>(e) lightning, landslide, cyclone, storm, flood, drought, fire, earthquake, explosion, tidal wave, epidemic;</p> <p>(f) action, inaction, demand, restraint, restriction, requirement, prevention, frustration or hindrance by any governmental agency or other competent authority, including any review of any consent conditions by an Authority;</p> <p>(g) order of the Court;</p> <p>(h) embargo, unavailability or shortage of essential equipment, or other materials, goods, labour, water, electricity, or services, lack of transportation or communication;</p> <p>(i) any breakage or failure of any equipment, machinery, lines or pipes;</p> <p>(j) restraint on access to property;</p> <p>(k) lack of water arising from an event or circumstance, or events or circumstances, beyond the reasonable control of Trustpower, or where the effects of that event or circumstance, or that combination of events or circumstances, could not have been prevented or delayed, overcome or remedied by the exercise by Trustpower of a standard of care and diligence consistent with its obligations under the SWRA, thereby preventing Trustpower from accumulating or replenishing all the required volume of Contracted Take or Pay Water or Reserved Additional Stored Water for that Release Season; or</p> <p>(l) necessity for new consents or loss/review of consents.</p>
Liability	<p>Exclusion of Liability: Trustpower shall not be liable to the Company for any Loss which may be sustained by the Company in connection with a restriction on, or suspension of, the release of water in connection with a Water Shortage Event, Interruption, Force Majeure Event or if the Company fails to make prudential supervision arrangements acceptable to Trustpower upon request.</p> <p>Exclusion of consequential loss: Neither party nor any of their respective directors, officers, employees or agents shall in any circumstances whatsoever (whether or not the damage is reasonably foreseeable) be liable to the other party, in contract or tort, for any indirect loss, consequential loss, loss of profit, loss of revenue, loss of use, loss of contract or loss of goodwill; or any loss resulting from the liability of the other party to any other person.</p> <p>Limitation of Liability: Trustpower's maximum aggregate liability to the Company for all or any events or breaches of the terms and provisions of the</p>

	<p>SWRA during the Term is the aggregate of the Charges paid by the Company to Trustpower under the SWRA in the previous 12 months.</p> <p>Where a breach arises from a failure by Trustpower to release water in breach of Trustpower's obligations in the SWRA, the maximum liability of Trustpower shall be a sum equal to the charge which the Company would have paid for that water if it had been Released.</p> <p>The aggregate liability of the Company to Trustpower for all or any events or breaches of the terms and provisions of the SWRA is the aggregate of the payments made by the Company to Trustpower under the SWRA in the previous 12 months.</p>
Termination	<p>The SWRA may be terminated immediately by written notice given by either party for cause, in certain limited circumstances including where the other party has committed a material breach and does not remedy that breach within the time frames set out in the SWRA.</p> <p>Termination of any Resource Consent: If a Force Majeure Event is deemed to have occurred relating to the necessity for new consents or loss/review of consents and the party affected by such Force Majeure Event does not obtain the relevant Resource Consent or other Consent from the Authority on terms reasonably satisfactory to it (or amend the varied or reviewed Consent, on terms satisfactory to it) within a period of six months after the Force Majeure Event arose; or it is not lawful for Trustpower to perform its obligations under the SWRA, then, without prejudice to the rights and obligation of the parties in respect of such matter, unless the parties otherwise agree, either party may terminate the SWRA provided that each party will use its respective best endeavours to ensure that in respect of it, such circumstances do not arise.</p>