



From: S9(2)(a)
Sent: Monday, 23 August 2021 4:57 PM
To: James Stevenson-Wallace S9(2)(a)
Cc: Nicki Crauford S9(2)(a); Mark Verbiest S9(2)(a); S9(2)(a)
S9(2)(a); S9(2)(a); S9(2)(a)
Subject: Letter from Meridian Energy re Review of competition in the wholesale spot and forward markets

Dear James

Please find attached letter from Neal Barclay.

Kind regards

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Monday, August 23, 2021

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James Stevenson-Wallace
Chief Executive
The Electricity Authority
WELLINGTON

By email: James Stevenson-Wallace

Copy: Nicki Crauford : S9(2)(a)

Mark Verbiest: S9(2)(a)

Dear James

Review of competition in the wholesale spot and forward markets

As I understand, the Electricity Authority ("**Authority**") is preparing a report in connection with its review of competition in the wholesale spot and forward markets which it intends to finalise and publish in the near future. The intended scope of the report is referred to the Authority's Ministerial Briefing Note, *Dry Year Risk Update: Spot market review and other related Authority initiatives*, dated June 2021 (proactively released by the Authority last month) and has been referred to in recent discussions.

My understanding is that some of the findings and conclusions in the report may relate to Meridian and to the contract Meridian has with New Zealand Aluminium Smelter ("**NZAS**").

The Authority created a clear expectation via comments from Authority staff that Meridian would be provided with an opportunity to consider and comment on any information or findings that were based on information provided by Meridian under section 46 requests before any report was published. The same process to fact check extracts was used by the Authority prior to its preliminary decision on the December 2019 UTS. Further, in order for the Authority to act consistently with natural justice, Meridian must be afforded an opportunity to be heard on findings within the Authority's review potentially bearing on Meridian's commercial reputation. In particular Meridian should be given an opportunity to counter those findings particularly if they are based on information that is inaccurate or incomplete.

More broadly, and as mentioned in our discussion this afternoon, providing an opportunity to test and comment on findings in areas where Meridian and other wholesale market participants have specific background and knowledge (including the NZAS contract), best ensures the final report is, and is viewed as, robust and accurate, factors the Authority acknowledges are important for supporting confidence in its processes and in the market.

In any event, providing an opportunity to comment is consistent with good practice and supports high quality findings and reports. I note that the Authority, in the Ministerial Briefing note, explicitly recognises the importance of publishing an accurate and soundly based report, emphasising the importance of publishing "robust, relevant, and high value information" in order to convey confidence in the market.

We consider that such good practice should necessarily extend to other affected industry participants. Given the subject matter and issues covered, it is difficult to understand how a report could be presented as robust and high value without input from the industry participants who are best placed to comment on whether the information they

have provided has been correctly used and / or who could be significantly adversely impacted by a misunderstanding or incorrect assessment of that information. As discussed, one practical means to secure such input may be to put to the industry for comment a series of questions relating to the Authority's proposed findings or conclusions.

In light of the above, I ask that the Authority confirm that it will, at the least, provide Meridian with an opportunity to comment on aspects of the report that are based on information provided by Meridian, including findings or conclusions that concern Meridian and / or the NZAS contract, as the Authority indicated it would. This would ensure that Meridian has an opportunity to identify any inaccuracies or incomplete information that could undermine the value of the report. As noted above, principles of fairness also require that Meridian is provided with an opportunity to comment on any findings that could be detrimental to Meridian's commercial reputation or interests. It is most likely that other electricity generators and market participants would expect to be afforded the same opportunity.

Meridian could provide comments on the relevant material relatively quickly – I expect we would need no more than two weeks to provide our feedback.

Finally, there does not appear to be any urgency or other circumstances that would warrant going back on the expectation given or denying an opportunity to comment on any potentially adverse findings and / or denying that same opportunity to other industry participants to review for accuracy / comment on adverse findings. To the contrary, as noted above, following this process avoids the risk that the information published will be viewed as unreliable or the result of a poor process and / or otherwise as providing inaccurate information to the market.

I look forward to hearing from you. I am happy to discuss processes and timeframes to ensure our feedback can be efficiently provided.

Yours sincerely



Neal Barclay
Chief Executive