

22 February 2002

The Registrar
Business Acquisitions and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON

Submission from Meridian Energy on an application by the Electricity Governance Board Limited for authorisation of a restrictive trade practice

I enclose two papers that together with this letter comprise Meridian Energy's submission on an application by the Electricity Governance Board Limited for authorisation of a restricted trade practice:

- A paper prepared by Frontier Economics: Anti-competitive effects of Transpower's pricing for the HVDC link; and
- A paper prepared with assistance from Chapman Tripp.

Meridian Energy is of the view that industry self-governance arrangements are more likely to succeed when there are mutual incentives for cooperation and we fully support the use of such initiatives whenever and where ever possible as the preferred approach. A good illustration of this is the current industry governance arrangements (NZEM, MARIA and MACQS) in terms of customer switching, common quality standards and dispatch rules.

In the current case, we have considerable reservations about the ability of either the proposed industry or Crown entity EGB to act effectively when it has been given conflicting objectives between industry and Government. As our economic advisors emphasise it is vitally important to put in place appropriate governance arrangements if efficient outcomes are to occur.

Meridian Energy reluctantly concludes that a regulatory function for transmission pricing is necessary, and is urgent for New Zealand's economic wellbeing, and that this is not a function that can be effectively undertaken by the EGB. The Commerce Commission already has the expertise to undertake the pricing role envisaged by Part F - if the EGB undertakes this role there will be an unnecessary duplication of resources.

It is for these reasons that while on balance we support the bulk of the proposed rulebook, we strongly recommend that the Commission require the applicant to re-submit the application without the transmission pricing processes in Part F.

If you would like to discuss any of the matters raised in our submission please contact James Hay, our General Counsel on 381 1230, or Gillian Blythe, Regulatory Strategy Manager on 381 1222.

Yours sincerely

Keith Turner
Chief Executive