

**Confidential**

## MEMO

**TO:** Phil Taylor, Glenn Shewan, Penny Pasley and Emma Harris, Bell Gully  
**DATE:** 27 January 2015  
**FROM:** James Mellsop and Will Taylor  
**SUBJECT:** CWH/WSI - review of Neil Quigley's comments – resource consent issues

In a memo dated 24 December 2014, we set out our review of notes on the proposed CWH/WSI merger prepared by Professor Neil Quigley (dated 3 December 2014). In section 3 of that memo, we noted the following:

*At paragraph 2, Professor Quigley argues that our entry model should consider the impact of resource consenting issues, particularly delay and cash costs. Professor Quigley states it “is unlikely that production could commence until the beginning of the third year ...”*

*As noted in section A1 of our 22 October 2014 report, our entry model is the same one that was adopted by the Commission in Decision 725. The model assumes that production would commence with a delay and then ramp up in year 1, i.e., the same year as the initial capital expenditure, including that on land. The implication of Professor Quigley’s critique is that there would be a greater delay between some of that initial capital expenditure (particularly on land) and production, due to the need to obtain a resource consent.*

*The most appropriate assumption to use in respect of timing should be informed by resource consent expertise. We will report back on this issue once we receive further advice on it.*

We have since reviewed two letters to CWH prepared by resource consent experts:

- A letter addressed to Tony Cunningham of CWH from Murray Tonks of Environmental Management Services, dated 22 December 2014; and
- A letter addressed to Tony Cunningham of CWH from Kathryn Hooper of Landpro, dated 23 December 2014.

The Tonks letter states that (page 3):

*Overall, therefore, unless there was something unusual about the proposed wool scouring plant, the only real consent requirement would be for the obtaining of air discharge permits. That process I estimate would take a total of 2 – 4 months (allowing 1 – 2 months for preparation of the consent application and another 1 – 2 months for processing and granting of the consent).*

The Hooper letter states that (page 1):

*For a greenfields site, it would be our expectation that an appropriately designed and located facility, established with the best possible equipment and operated under effective management systems,*

*procedures and controls, would be able to be consented in a straightforward manner in less than 6 months. A facility which is purely gas fired (such as yours in Awatoto) or able to tap into a commercial, area wide heating facility (such as the facility in Washdyke) would be even more straightforward to consent (feasibly 3-4 months), as it is the air emissions which have the greatest potential for effects and emissions from a coal-fired boiler are greater.*

Therefore our entry model appears to be broadly in line with this expert evidence, whereas Professor Quigley's suggested approach is not. Our NPV model is built on top of the CWH new entrant template, which assumes no production for the first four months while the plant is installed and commissioned.