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**Input methodologies review: Draft decision on  
related party transactions provisions**

Meridian welcomes this opportunity to submit on the Commerce Commission's draft decision on the related party transactions provisions.

Meridian is very supportive of the proposals in the Commission's draft decision document. Related party transactions are increasing and therefore the risk of harm to consumers is also increasing. We agree with the Commission's assessment of the problems and with the statement that "transactions between related parties have the potential to impact the achievement of the Part 4 purpose".

Monopoly providers of regulated services have both the ability and incentives to use related party transactions to increase their overall profits by charging greater than arm's-length prices to the regulated supplier. There is a lack of information available on what equivalent arm's-length terms would have been for any given transaction. This can make it hard to tell whether the transaction is efficient and whether consumers benefit or just the related party.

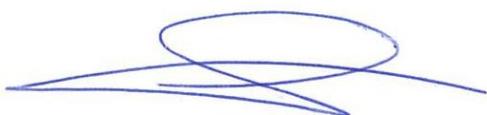
Meridian supports the new, principles-based disclosure requirements proposed by the Commission to require regulated suppliers to demonstrate that each related party transaction is valued as if it had the terms of an arm's-length transaction, based on an objective and independent measure. Meridian is pleased by the Commission's proposal that

regulated suppliers will need to reveal a methodology that looks to the testing of markets for competitive price signals or benchmarking where competitive price signals are not apparent.

We have also read and support the submission of the Electricity Retailers' Association of New Zealand (ERANZ).

Please contact me if you have any questions regarding this submission.

Yours sincerely



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