



28 March 2008

Tim Street
Electricity Commission
PO Box 10041
WELLINGTON

Dear Tim

Update report of disclosure of risk management information proposal

Meridian welcomes the opportunity to provide comments on the proposed changes to the part K Hedge Market Rules.

Information Requirements

While Meridian supports moves to promote liquidity in the forward markets, in our view, the Commission has proposed a blunt instrument for achieving liquidity. Meridian considers that the information requirements of the proposed rule change are too onerous. Meridian is also concerned that the proposed disclosure levels will contravene contract law by revealing significant amounts of confidential information.

It is unclear to Meridian whether or not all contracts need to be disclosed with the exception of 'standard term' domestic contracts. Meridian understands that the intent of the rules is to not include fixed price fixed volume contracts, however, it appears to Meridian that the rules have been written as though these contracts are intended to be covered. Meridian would like the Commission to make this clear in its final drafting. Meridian notes that if these contracts are included, Meridian will need to allocate significant resources in order to comply.

Load Threshold

Meridian notes that the current definition could be interpreted to read that if the customers total load exceeded 2.61 GWh in the last 12 months any hedge contract relating to that load (which could mean contracts for less than 2.61 GWh) have to be disclosed. Meridian submits that this anomaly must be addressed.

Meridian would also like the Commission to make a distinction between the size of the load and multiple location contracts. Meridian submits that this rule should only apply to contracts that are greater than 2.61 GWh and should not apply to smaller subsets of those contracts.

Meridian notes at the current disclosure requirement of 2.61 GWh, Meridian estimates that around 25% of Major customer contracts will be caught by the rule change. This equates to approximately 1000 sites as around half of these customers have more than one site. Assuming one third re-contract each year, the number of contracts we would need to load each month would be around 8, for at most 30 sites. These numbers will be significantly higher if fixed volume, fixed price contracts are also included.

EnergyHedge

Meridian notes that much of the information the Commission wants from this rule change is already available via the M-co contract index and EnergyHedge. Meridian therefore submits that it is not necessary for this information to be repeated and disclosed in another format. Meridian considers that any party that wants this information can obtain it directly from EnergyHedge.

Given that EnergyHedge is a fully public source in terms of a forward price path, Meridian queries why it needs to be included under these rules? Meridian is concerned that if Energy Hedge is included it would be possible to identify individual contracts and breach contract confidentiality.

Further, Meridian considers that when Energy Hedge is fully developed and functional, this new rule will not be required at all. Meridian therefore submits that this rule should include a sunset clause.

Time Frames

Meridian submits that the proposed time frames (rule 9) are too tight. At present, market information required by M-Co relating to retail corporate fixed offerings allows for twice the proposed time frames (that is, within 10 working days of the end of the month).

Meridian also queries the timing of the introduction of this rule change. At present it is unclear when this rule change will take effect. Meridian submits that it is imperative that the Commission discusses the introduction date with industry and then gives a clear date for implementation well in advance of the rule change taking effect. This is especially pertinent as we may have to change our systems in order to comply.

Translation

The rules require the parties to the contract to agree to a price resulting from the definition in the rules that will be different to the price on the contract. The electricity purchaser is likely to be confused by this and it will necessitate additional time and resources to be committed to ensuring understanding and agreeing to this 'translated price'.

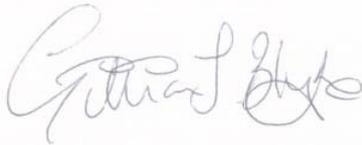
Meridian considers that any translation of actual contract prices from the actual reference point of the contract as envisaged in rule 4 should be carried out by the Commission and not by the submitting parties. This would also remove the need for third party verification, which Meridian considers will be problematic in the event that the actual prices have been translated. Meridian therefore requests that the requirement in the rule 10.2.2.2 should either be removed or made voluntary.

Meridian is concerned about how escalator contracts are to be treated under the proposed rules. Meridian's concerns arise from the requirement that future pricing must be submitted when it is unknown (rule 3). While Meridian does not have many escalator contracts at present, this could change and be an issue in the future. Meridian seeks to clarify that the only information to be disclosed is the starting price and the fact that there is an escalation clause.

Finally, Meridian is disappointed that the opportunity to provide comments on this new part of the rules was contained within the *'Update report on the disclosure of risk management contract information proposal'* document and not formally signalled for comment by the Commission, particularly as the proposal has been amended following consultation. Meridian appreciates the extension provided by the Commission.

Please contact Andrew Pallesen on 3811 362 if you would like to discuss this submission further.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Gillian Blythe". The signature is written in a cursive style and is positioned above a light blue horizontal line.

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