

29 July 2013

Gillian Blythe  
Regulatory Manager  
Meridian Energy Ltd  
L3, 33 Customhouse Quay, PO Box 10840  
Wellington 6143

By Email

Dear Gillian

**Response to comments on market performance enquiry of increased electricity wholesale spot and hedge prices – February 13 to March 13**

Thank you for the comments on the Authority's draft market performance enquiry on increased electricity wholesale spot and hedge prices during February 2013 and March 2013.

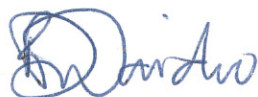
Attached is a response to your comments related to report. In regards to your comments about the criteria for initiating an enquiry, the Authority has on its website a description about its processes for identifying and dealing with anomalous events.

This identification process involves a combination of monitoring within the Authority, and also issues brought to the attention of the Authority by concerned parties. The nature of the anomalous events depends on the physical and market conditions at that time. These unusual circumstances generally reveal more information about the functioning of the wholesale markets which may then prompt improvements to the market design to rectify identified issues.

An example of this dependence on local conditions was the market performance review into the increased South Island reserve offer prices in May 2012. At that time, the hydrological and market conditions indicated an increased need for HVDC south flow and the sudden increase in South Island reserve prices actually restricting HVDC south flow during certain periods constituted an "anomalous event" at that time. It was only during the subsequent review that the cause of the increased reserve offer prices and the offer rights arrangements between Meridian Energy Limited (Meridian) and the interruptible load at the Tiwai aluminium smelter was discovered, which then prompted additional investigations.

The Authority will publish the final version of its report together with a copy of your comments and the Authority's response on its website. The release of the report will be announced in its Market Brief.

Yours sincerely



Ramu Naidoo  
p.p. Bruce Smith  
**General Manager Market Performance**

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Encl: Response to Meridian comments on market performance enquiry