

## Appendix B Format for submissions

<b>Submitter</b>	<b>MainPower New Zealand Limited</b>
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<b>Questions</b>	<b>Comments</b>
Q1. Is there any other related work that you think is relevant to our consideration of PPA issues?	No
Q2. Do you have any suggested additions or modifications for PPA terms and concepts?	No
Q3. Do you agree with our definition of PPAs?	Yes
Q4. Have we correctly identified buyer and seller motivations for PPAs?	<p>Yes – For sellers attempting to develop generation who are reliant on financing, rather than developing off a balance sheet, points (d) and (e) in paragraph 3.12 are particularly important. Enabling development of generation through project finance is an important factor in diversifying the generation base.</p> <p>For independent retailers or entrant gentailers PPAs are important for supplementing generation or assisting the retailer/ gentailer to match customer demand.</p>
Q5. Have we correctly identified how PPAs may fit with other contracts?	Yes – see question 4.
Q6. Do you agree with our characterisation of how PPAs may impact system evolution?	
Q7. Have we correctly identified and understood PPA headwinds?	<p>While the discussion of headwinds does address market structure at paragraphs 4.12 and 4.22, it does not explicitly make the point that the incumbent gentailers to varying degrees have the benefit of well-established hydrogeneration infrastructure. Entrant generators are not able to compete because those assets cannot be easily replicated in part because they were built by the state which could mobilise significant resources and because significant new hydrogeneration would be difficult to develop partly due to changed consenting requirements, the finite number of suitable sites for development and likely opposition.</p>
Q8. Do you agree with the potential benefits we have identified?	Yes

Q9. Do you agree with the potential risks we have identified?	Yes
Q10. Do you agree with the potential options we have identified?	<p>The key feature of an efficient market is that all participants have the same information at the same time, trade on a platform where they have equal bargaining power and where there is the opportunity for arbitrage.</p> <p>As per our answer to question 7, the Gentailers' generation portfolios are dominated by generation assets that were privatised having been developed by the state and are not able to be replicated by new private investment.</p> <p>Generation from these assets (monopoly assets) should arguably have to be traded through an open market. The Gentailer's retail arms could then (as a participant) buy generation from that market like any other participant.</p> <p>Generation from assets that have been, or are developed in addition to these monopoly assets could potentially be treated differently as this could encourage greater investment by the Gentailer's in new generation and the barriers to entry for independent developers while still significant are not insurmountable.</p> <p>Our remaining comments are more relevant to option 1B but they are included for completeness.</p> <p>Gentailers bilateral trades between themselves can effectively be considered Swap transactions, which in New Zealand in other duopoly markets (such as the cement industry) are prohibited or terms of which are expressly approved by the Commerce Commission. Again, arguably these trades should be prohibited and instead have to trade through the open market where other participants can bid including ability to arbitrage.</p> <p>Equal bargaining power of participants is a little more difficult however financial markets (for example Interest Rate Swap market) presents examples where participants have approved credit line facilities with their banks so the market sees the banks credit rating not that of the participant.</p> <p>In the absence of an open and efficient market Gentailer's generation from monopoly assets should at least have to be offered to other participants on the same terms and conditions (price and tenor) as they offered to other "customers" (i.e between Gentailer's and to their retail arms). Again the NZ cement industry is a good example of this. This includes offers on the generation "buy side" for long term PPA's to provide independent generation developers to renewable generation.</p>

Q11. Do you agree with our comments on potential options?	N/A
Q12. Do you have a view on the most promising options?	N/A