

The Treasury

Solid Energy Information Release

May 2013

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
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- [8] Information is out of scope or not relevant.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: [4]
Sent: Tuesday, 19 April 2011 9:35 a.m.
To: Juston Anderson
Subject: FW: Email from COMU - [4]

[4] | Analyst | **The Treasury**
Tel: [1] | [4]

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From: John Crawford
Sent: Tuesday, 19 April 2011 8:55 a.m.
To: [4] ; James Cunningham
Cc: Andrew Blazey
Subject: FW: Email from COMU - [4]

[4] James

To discuss Wed before I talk to Don on Wed

A good result that we can build on to get a more productive interaction with Solid

Cheers

John Crawford | General Manager, Crown Ownership & State Sector Performance | **The Treasury**
Tel: +64 4 917 6251 Mob: [1] John.Crawford@treasury.govt.nz

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From: J L Palmer Ltd [1]
Sent: Tuesday, 19 April 2011 7:18 a.m.
To: John Crawford
Cc: ^SOLID: Don ELDER
Subject: RE: Email from COMU - [4]

Dear John

Further to our discussion on Thursday, I have reflected on the issues and discussed this with the Solid Energy executive team.

I have asked Don to ensure he takes active and visible ownership of the interaction, particularly as we go through the next important phase of determining options for the current ownership model. This will be helped by your undertaking to lead the opening interaction to ensure that the rationale and process are clearly understood.

Don and his team will co-operate fully with you to ensure that there is good understanding of the current business and component parts, so that Treasury can interact with the board on a fully informed basis.

From both sides there is advantage in making a start as quickly as possible and Don and the team will ensure that the company gives priority within the limits of the business issues we are currently dealing with.

Our discussion clarified the issues you are grappling with and I hope this response clears the way for a constructive relationship.

Regards

From: John Crawford [mailto:John.Crawford@treasury.govt.nz]
Sent: Monday, 11 April 2011 6:02 p.m.
To: ^SOLID: John PALMER
Subject: Email from COMU - [4]

Dear John

Apologies for not being able to respond to you on Friday but I was hampered by the fact that I did not have a copy of the email to hand, and that[4] I was away from the office on Friday.

The background to the email is

- a. We seem to be having difficulty arranging a meeting with your senior executives to gain relevant information relating to both SEL's dividend policy and its business plan for next year
- b. Both issues are highly relevant given the Crown's fiscal position and the prospect of an extension to the Mixed ownership Model to SEL, where this year's business plan and its forecast performance and capex establish a forward position
- c. We need this information to be able to have an informed discussion with the Board

Having reviewed the email, I do not share your concern that it is unprofessional or that it is inappropriately seeking information.

I would like to discuss this with you in some depth and provide the points below as a basis for such a discussion.

- **Expectations of COMU** -COMU as the advisor for shareholding Ministers needs to meet their expectations for high quality advice, and as such, it is important that sufficient information is provided by SEL so that we can form a view on its business plan for the next 3 years, which inter alia includes a view on proposed investments.
- **New monitoring arrangements** -What we are doing is consistent COMU having its principal relationship with the board. However, we are seeking information from management so that we can have a meaningful conversation and engagement with the Board.
- **The information requested follows on from the letter we sent on 21 March 2011 (copied to Don Elder) setting out that:**
“...shareholding Ministers have asked COMU to work with you to determine an appropriate dividend policy, which in our view should be related to an agreed proportion of a cash flow measure rather than net profit after tax (NPAT). COMU would like to meet with Solid Energy's management in the near future to improve our understanding of Solid Energy's projects including their implications for value, profits and dividends. Once we have gained a greater understanding of the Solid Energy projects requiring funding, we would like to engage with you and your Board to convey our views on dividend policy.”
- **Information required from SEL should not be confused with a publicly listed company** - SEL is not a listed company but rather analogous with a private equity held company with the shareholding Ministers being the private equity holders. We do not consider that the type of information requested is different from that which a company like Infratil or Direct Capital would seek from its investee companies.
- **We do not consider the request to be onerous** -While it may appear that a lot of information is being requested, given that SEL already has a 30 year DCF model for each project (as SEL comments in its Business Plan) we do not consider the request should be onerous on management. Moreover, we consider that this information request is light compared to what might be requested during a scoping study exercise. In addition, the approach we are taking is no different from that we would take with any other SOE contemplating large scale capital investments.

- **COMU wants to meet with management soon** - COMU remains open to refining the request either before or after meeting with management and we would welcome the support of the chair to meet with SEL management soon. We appreciate the difficulties SEL faces with recent events in Christchurch but are also cognisant of the requirements on SOEs to provide information that is acceptable to Ministers by the end of June.
- **Existing consultation threshold preference** (as detailed in a letter from Hon Trevor Mallard to John Palmer, October 2008) is >\$30 million for items within core business and >\$10 million for items of non-core business. Ultimately information will need to be provided for consultation and all of the information requested is consistent with these existing thresholds.

I would welcome your reply and would ask that you give me a couple of 30 minutes slots that you would have free where we can discuss the above in more detail.

Kind regards,

John Crawford | General Manager, Crown Ownership & State Sector Performance | **The Treasury**

Tel: +64 4 917 6251 [1]

| | John.Crawford@treasury.govt.nz

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