The Treasury
Solid Energy Information Release
May 2013
Release Document
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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[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

[6] 9(2)(j) - to protect the commercial position of the person who supplied the information, or who is the subject of the information; to enable the Crown to carry out commercial activities without disadvantage or prejudice; and to enable the Crown to negotiate without disadvantage or prejudice

[7] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[8] Information is out of scope or not relevant.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.
21 March 2011

Mr John Palmer
Chair
Solid Energy New Zealand Ltd
PO Box 1303
CHRISTCHURCH 8140

Dear Mr Palmer

SOLID ENERGY’S RESPONSE TO COMU’S NEW MONITORING APPROACH

Thank you for your letter of 12 January 2011 supporting the new COMU monitoring approach and I apologise for the delay in responding to you. Thank you for the specific comments and suggestions which you provided. I wish to provide the following comments in response to some of the points raised in your letter.

Board Meetings

COMU would be happy to attend Solid Energy Board meetings as an observer on an occasional basis.

Planning Timetable

While it appears that we hold similar views on how best to engage during the planning process, we face some legislative requirements that translate into timetable constraints.

The SOE Act 1986 requires the board of each SOE to deliver its draft SCI to shareholding Ministers at least one month before the start of each financial year (ie the end of May). Shareholding Ministers are then required to provide to the Board comments on the draft SCI no later than 14 days before the commencement of the financial year, for consideration by the Board.

Shareholding Ministers’ preference, as detailed in the shareholder expectations letter of 15 November 2010, is that SOEs provide their draft SCIs and business plans at the start of May to allow time for a meaningful discussion and review of the documents.

While I am mindful of the Solid Energy business needs, we would expect that SOEs design their planning process to be consistent with legislative requirements and allow the opportunity for meaningful engagement with Ministers and officials. Therefore providing the draft SCI on 15 June, as proposed, would be unworkable and inconsistent with legislative requirements.
In my letter of 29 September 2010, I indicated that COMU will look to have far less involvement at the end of the strategic planning process (late April/May). Whether a SCI is considered appropriate for the Minister of SOEs to table will depend on the extent to which the SCI meets legislative and information requirements and meets the expectations of shareholding Ministers.

Given the disruption that the Christchurch earthquake has had on staff and operations, I would be happy to receive the Solid Energy draft business plan (including full financial forecasts) and SCI on 15 May 2011. I have been comfortable to extend the time for the response to the shareholders expectations letter until 18 March 2011 (as recently requested by Solid Energy’s Project Manager, Finance).

Expectations about Dividend Policy

As you will be aware from Ministers expectations, shareholding Ministers expect that dividends show a degree of consistency across years, and that an appropriate balance between dividends and re-investment in the business is maintained.

In addition, 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.

Thank again for your support of the COMU monitoring arrangements. If you have any further questions, please contact me on 04 917 6251.

Yours sincerely

John Crawford
General Manager

cc Dr Don Elder, CEO, Solid Energy New Zealand Ltd