

26. 8. 98

**REPORT BY THE CHAIRMAN OF THE
STRATEGY AND RESOURCES COMMITTEE**

**1. SOUTHPower LIMITED – PROPOSED DIVESTMENT
OF ENERGY TRADING OPERATIONS**

RR 8369

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| Officer responsible Chairman CCHL, City Manager | Author Richard Simmonds, Mike Richardson |
| Corporate Plan Output: Trading Activities | |

The purpose of this report is to bring together recommendations from Christchurch City Holdings Limited to the Council, and advice separately prepared by the City Manager to the Council, to provide a basis for it to respond to Southpower's recent proposal to divest their electricity retailing business.

The Chairman of Christchurch City Holdings Ltd reports as follows:

The purpose of this report is to provide information for Councillors to assist them in responding to a recent request from the Chairman of Southpower for the following shareholder's resolutions to be passed:

"Pursuant to the Electricity Industry Reform Act 1998, Christchurch City Holdings Limited as a shareholder of Southpower Limited resolves that in its view, Southpower's electricity retailing business should be divested and its network business retained.

That it is understood that the Southpower board will conduct a contestable divestment process, take appropriate independent advice and then select the divestment option which realises the best value for its shareholders.

That the Southpower board is authorised to enter into a contract provided shareholders are briefed before the board finalises the contract".

This report covers the following areas:

- An outline of the key applicable features of the Electricity Industry Reform Act;
- the implications of the Act for Southpower and the Council;
- the main characteristics of lines versus retailing businesses;
- the rationale behind Southpower's strategy; and
- the Council's position with regard to Southpower's recommendations.

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THE ELECTRICITY INDUSTRY REFORM ACT ("THE ACT")

The Act was passed on 3 July (the ownership separation rules in Part 2 of the Act are deemed to have come into force on 23 June 1998), and has significant implications for Southpower and the Council. A useful summary is provided in the chairman's review accompanying the 1997/98 Southpower annual report. Some of the key provisions applicable to Southpower are as follows:

Separation of the Lines Business

The Act draws a distinction between the lines, trading and generation components of an electricity supply company, and prohibits any company from owning both lines (network) and electricity trading (retailing), or both lines and generation assets. A company therefore may either be a lines business, or a trading and/or generating company.

A lines business is considered to be a natural monopoly, and the Government is concerned that there has been little incentive over recent years for companies to pass on lower prices to small businesses and domestic consumers. Additionally, the Government believes that, without separation, it is too easy for companies to use their ownership of the lines to discourage other retailers from coming in and offering a competing service – they can make line access difficult or use their profits from the lines business to subsidise their trading activities.

Existing electricity businesses have until 1 January 2004 to comply with the ownership separation requirements. In other words, either the lines business, or the trading and generation businesses, must have been sold by that date.

However, prior to this, companies must achieve corporate separation of the lines and trading businesses. The deadline for this is 1 April 1999. This separation is subject to rigorous "arms length" rules to ensure that the separation is genuine. For example:

- any transactions between the businesses cannot differ from those which independent parties would each find acceptable;
- there must be no discrimination by one business in favour of the customers or shareholders of the other;
- information which is not also available to a competitor may not be exchanged between the businesses; and
- a manager of one business may not be a manager of the other, nor have any regard to the interests of that other business or its stakeholders.

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The Act provides a lead-in time for full application of the arm's length rules. Section 26 provides that it will be a defence to any proceedings based on a contravention of the arm's length rules during the period from 1 April 1999 to 31 March 2000 that all reasonable steps are being taken to comply with the requirements of the arm's length rules.

Another transitional rule is contained in Section 35 of the Act, which permits a company to increase its level of involvement in the industry provided that, by 1 July 1999, it has achieved ownership separation or reverted back to the level of involvement it had on 23 June 1998. If ownership separation is opted for, any transfer contract must be completed by 1 April 2000. This section was particularly relevant to Southpower's initial strategy (outlined below) of forming a joint venture retail company ("Newco") in conjunction with Enerco and United Electricity.

No compensation will be payable by the Crown for any loss of value or damage arising from the enactment of the Act.

Other Measures Included in the Reform Package

ECNZ will be split into three separate competing SOEs, each owning and operating separate group of power stations. SOE3 will own Manapouri and the Waitaki hydro system, and will be based in Christchurch. It is likely to compete vigorously in the retailing sector.

The Act makes provision for the future potential imposition of price controls on line companies.

Regulations will be made requiring supply businesses to put in place systems that will enable customers to switch between competing retailers.

The electricity information disclosure regime is to be tightened, and the Government will fund analysis of the information in "user friendly" form.

IMPLICATIONS OF THE ACT FOR THE COUNCIL AND SOUTHPOWER

The main consequence of the Act for the Council and Southpower is that:

- A. Southpower must achieve corporate separation of its lines and trading businesses by 1 April 1999; and
- B. Full ownership separation by 1 January 2004.

Southpower has no significant generation assets, and therefore the choice is simply between the lines and trading businesses.

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It is essential to understand that the Act will bring irrevocable changes to the electricity industry, and that the nature of the Council's investment will be very different from what has previously existed. The trading or retail side of the business, in particular, will be exposed to full competition, and Southpower's existing customer portfolio will be aggressively targeted by new competitors.

CHARACTERISTICS OF THE LINES AND RETAIL BUSINESSES

It is perhaps useful at this stage to outline the characteristics (both current and expected) of each of these aspects of Southpower's business:

The Lines Business:

- Entrenched business – uneconomic for other companies to build competing infrastructure;
- By far the most significant component of Southpower's business;
- Returns held artificially low by agreement of Council shareholders – working towards 7% ARP by the year ending 31 March 2001;
- Relatively low risk business because of assured demand and little competition;
- Security of supply is the main concern – Southpower has detailed asset management plans, and a thorough review of the network is being performed by EA Technologies (a UK specialist company);
- Valued on ODV basis – unlikely to be any major increases in value in short to medium term;
- Likely to be some form of pricing control (eg. CPI-x%) imposed by the Government, and greater public scrutiny;
- Pricing likely to be simplified and more cost-reflective;
- Will have to make the network available to all electricity retailers.

Retail Business:

- Competition will become fierce, particularly with new entrants to the market and the generators (eg. the "baby ECNZs") keen to pick up early market share;
- Overseas companies are likely to be in the market;
- Merger deals on the national scene already under way;
- Economies of scale are critical to success – likely to be only three or four significant companies (smaller companies will be unable to compete with the low unit costs the main players can achieve);
- Financial size and strength will be vital to trade successfully on the wholesale market;
- High risk business – fluctuations in wholesale prices and inappropriate forward hedging can lose a company millions of dollars in a very short period of time;

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- Some existing companies will suffer major losses from the long term hedge positions they have adopted, given the expected decrease in wholesale prices;
- Commercial acumen is vital – in particular retail and risk management skills;
- National branding will replace current marketing (eg. the Southpower name will almost certainly disappear from consumers' power bills);
- Wholesale prices will vary significantly between winter and summer, making cost-reflective pricing inevitable;
- To some extent, generators will be well placed, since generation can act as a natural hedge to the retail operations of the business.

To date, Southpower has of course been involved in both aspects of the business. To an extent, the lines or network business has provided a form of security, giving Southpower the financial strength to participate in electricity retailing without exposing its shareholders to undue risk. After separation, this will no longer be the case.

SOUTHPOWER'S STRATEGY IN RELATION TO THE ACT

Southpower management recognise that size is a critical ingredient for a successful retail company. While Southpower is currently the New Zealand's third largest electricity company, by itself it would be unable to compete effectively with the conglomerates likely to emerge after the Act takes effect.

Initial Proposed Strategy

To preserve value for its shareholders, and without committing to retention of either the lines or retail side of the business, Southpower had planned to establish a new retail company ("Newco") from a merger of the retailing arms of Southpower and Enerco, and United Electricity of Dunedin, already a specialist energy trader. This would have resulted in a customer base of some 400,000, the minimum size considered necessary to be nationally competitive. These plans are outlined in the chairman's review attached to Southpower's annual report.

Southpower believed that the creation of Newco (and its possible sale next year, should the shareholders decide that retention of the lines business was preferable) was the best way of preserving and enhancing shareholder value. To do nothing would result in a fairly rapid erosion of value, as competitors rationalised into large low cost operations and began taking market share off Southpower. It was believed that the sale of a proportionate share of Newco next year would be worth more to the shareholders than the expected value of the stand-alone Southpower trading operations.

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Under Section 35 of the Act, Southpower would have to achieve separation of ownership by 1 July 1999 or revert back to the position as at 23 June 1998.

Change in Strategy

While the above strategy is still considered to be valid in many respects, circumstances have changed in the last few days. Two key factors have resulted in Southpower management proposing a new strategy:

1. It has transpired that United Electricity, because of its connections with other electricity companies owned by Dunedin City Council, is subject to public consultation procedures regarding Newco. The time required for this makes the proposed venture unviable.
2. Southpower has received an attractive written offer for the sale of its retail operations. While attractive, Southpower regard this is as a minimum price, and would undertake comprehensive and robust divestment procedures before accepting any offer. They believe a significant premium can be obtained by being the first major customer portfolio to be sold (referred to as "first mover" advantage).

Taking into account these factors, Southpower management are now of the opinion that their shareholders' interests would best be served by divestment of the retail side of the business. They stress that this would not be undertaken without express consent from the shareholders, and that there would be a robust and contestable sale process.

THE COUNCIL'S POSITION

The Council is now faced with the decision of whether to accept Southpower's recommendation. In making the decision, there are a number of factors to consider:

Is it preferable to retain the lines business or the retail business ? (there is no option to retain both)

CCHL would recommend the retention of the lines business for the following reasons:

- It forms by far the largest part of Southpower's business, and financial returns;
- It is considerably less risky than the retail side of the business;
- It is more compatible with the Council's own activities, in the sense that it involves the management of a major infrastructural asset;
- It enables the Council, as shareholder, to have some form of strategic input into the network;

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- It recognises the reality that the Council cannot interfere in management pricing decisions, except on a very global scale. Competition on the retail side should ensure prices are kept low;
- Southpower regard the management of the network as their core business;
- It would preserve the sense of community involvement and ownership which has always been a feature of the Council's relationship with Southpower and its predecessors.

A possible downside (from the shareholder value perspective) to retaining the lines business is that there is a strong likelihood of government price control being introduced, given that this is effectively a monopoly activity. However, while this will prevent "super profits" from being earned, Southpower believe there is still scope for making reasonable returns to its shareholders through continuing efficiencies. CCHL have no reason to question this assumption at this stage.

Should the decision be made now, or deferred?

Southpower are firmly of the opinion that maximum value will be achieved by acting quickly. This is consistent with CCHL's understanding of the current situation in the energy industry – an understanding which has developed both from external sources and frequent briefings from Southpower management over recent months.

There is major activity taking place in the energy industry as the major players strive to gain initial advantage and critical mass. This places a premium on the value of existing customer portfolios, since the quickest way to expand is to purchase existing retail businesses – the larger, the better.

Southpower believe that this "first mover advantage" will be of considerable value to the shareholders.

It has been suggested that, in view of the increased possibility of an early general election and a change of government, the Council should defer making a decision, on the grounds that a new government might reverse the energy reforms.

Presumably, this would only be an issue if the Council's preferred position is not to divest any part of Southpower, or if it believes greater value would accrue to the Council by acting later rather than sooner.

The starting point for discussion on the issue would therefore seem to be the desirability of retaining Southpower's retail operations.

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The following table summarises some factors for and against early divestment:

| Pros for early divestment | Cons |
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| Intense competition could make inroads into Southpower's customer portfolio, reducing the income streams to the Council and the value of its major investment. | There may be value in Southpower's customer portfolio that has not yet been recognised by the market (eg. a customer database that could be useful to non-energy industries such as banks, retailers etc). The true value of this data could emerge at a later date. |
| It appears that maximum value can be achieved from the sale of the retail operations now, while industry participants are competing for early strategic advantage. Once the main mergers are in place, the current "first mover advantage" may well have disappeared. | While the retail business is currently high risk and low margin, market forces and skilled management may eventually increase returns in this sector commensurate with the risk involved. This in turn would increase the value of such businesses – a value which may not be realised by selling early. |
| Divestment of the retail operations removes electricity pricing from the political arena, and people's (unrealistic) expectations that the Council can involve itself in setting prices. Many people would argue that true competition (and government price control of the lines business) will be far more effective in reducing prices than any attempted shareholder involvement. | Divestment could lead to job losses in Christchurch if the purchaser decided to centralise its operations elsewhere. Similarly protection for less well-off electricity consumers could be weakened (but please note recommendations c and d at the end of this report). |
| The retail business is a high risk and low margin business, with the potential for significant trading losses. Selling the business early to specialist retailers and risk managers removes the Christchurch ratepayers' exposure to this volatile business. | |
| Southpower have taken significant external advice on the issue, with the retention of two merchant banks, an independent valuer and a "Big 5" accounting firm. Early divestment is in accordance with their advice. | |
| Southpower regard their core expertise as being in network management. Early divestment of the retail business would facilitate a streamlined management structure clearly focused on operation of the lines. | |

In view of the above, it is considered that the arguments in favour of early divestment outweigh those against. While there may be some "upside" in delaying a decision, there is certainly no guarantee of this, and indeed there could be considerable loss of value instead. To a large extent, there have already been fundamental changes in the industry, and it is unlikely that even a complete reversal of the legislation would return the industry to its previous condition.

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Even if the Electricity Industry Reform Act was repealed, it is unlikely that the Council would have lost value as a result of the sale. It would still have received a significant “first mover” premium for the business, while still retaining by far the largest, and lowest risk, portion of Southpower.

The Council would also have succeeded in removing itself from the awkward position of being held responsible by many consumers for setting what are perceived to be excessively high prices, while in reality not having much power to change them. Effectively, external forces, such as competition and possible government price control on the lines business, will have supplanted, and improved upon, the Council’s perceived role in keeping prices down.

What steps are Southpower taking to ensure the proposed divestment process is fair and reasonable ?

It is understood that Southpower management have gone to great lengths to ensure their decision making process is valid, including the retention of two merchant banks, an independent valuer and a “Big 5” accounting firm to advise on their situation.

In terms of the process to be followed for the proposed divestment, Southpower are fully aware of the need for openness and accountability, particularly given the nature of its shareholders. While an attractive offer has already been received for the retail business, management have given assurances that the divestment process will be robust and contestable.

The proposed divestment is not a “major transaction” in terms of the Companies Act (this has been confirmed by legal advice taken by Southpower), and Southpower directors believe the responsibility lies with their board to make the final decision, subject to the requirements of the statement of corporate intent.

CCHL believe that Southpower have adopted a reasonable approach to the proposed divestment.

What are the Council’s responsibilities with regard to the process ?

Naturally the Council must satisfy itself that it is acting in a fair and prudent manner, and in accordance with its legal responsibilities.

It is beyond the scope of this report to give a legal opinion on the Council’s position. However, it is understood that the City Manager has sought independent legal advice on this topic, and CCHL supports this course of action. Clearly, the Council should not place itself in a position that could be subject to judicial challenge.

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Southpower have obtained their own legal advice from Chapman Tripp which concludes that the only approval process necessary is to comply with the statement of corporate intent. Section F of the statement of corporate intent states:

“If Southpower decides to dispose of any subsidiaries or assets which form a substantial part of the business or undertaking of the company in the opinion of the board, the majority consent of the shareholders would be required.”

It is for this reason that the shareholder resolutions outlined at the beginning of this report have been requested.

It is recognised that the Council will wish to obtain its own independent advice on this matter, and CCHL concurs with this approach.

Are there any other matters which should be considered ?

The CCHL board has discussed Southpower's proposal, and is generally supportive of it. However, concern was expressed at the potential impact of the sale on employment in the local area, and on Southpower's customers, particularly the less well-off.

There is a risk that a purchaser would choose to centralise its retail operations in another centre, with the consequent likelihood of job losses in Christchurch. Additionally, Southpower has some measures in place, such as Power Manager, designed to assist its needier customers. There is no certainty that a purchaser of the retail business would be interested in continuing with this.

The CCHL board has resolved that:

“Southpower be requested to take into account not only the price of a sale and ongoing cost of electricity to the Christchurch public but also give preference, if possible, to any option which retains jobs in Christchurch”..

While recognising that there are limits to the influence Southpower can bring to bear on any potential purchaser's pricing policies once the retail business is sold, the CCHL board also resolved that:

“Southpower be requested to take into consideration the possibility of safeguarding the interests of the users of Power Manager either by including Power Manager within the network or by some other means”.

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The City Manager reports as follows:

This advice is prepared with the intention of it being supplementary to that from Christchurch City Holdings Ltd. While within the Council's structure the responsibility for overseeing the Southpower investment clearly rests with Christchurch City Holdings Ltd, on a matter as significant as the divestment of assets it seemed prudent to provide the Council with an independent stream of advice from its perspective as end owner. It was also important for the Council to obtain its own legal advice rather than rely on advice sought by the company especially in order to clarify that divestment can take place without a public consultative process.

Turning to the legal and procedural issues first the following extract is taken from advice provided to me by Simon Mortlock:

“3. *You have requested my advice:*

- 3.1 *Whether or not the Council is required to adopt the special consultative procedures involving the Council receiving public submissions.*
- 3.2 *Confirm the statutory and constitutional authority of Southpower's shareholders and the Council in reaching their decision as to whether or not they approve the resolutions.*
- 3.3 *The procedural steps required to be taken by each of the participants to give the requisite authority or direction to Southpower's Board.*
- 3.4 *The timeframes within which the provisions of the Electricity Industry Reform Act are required to be implemented.*

4. CONCLUSION

- 4.1 *The Council is not required to adopt special consultative procedures involving public submissions.*
- 4.2 *CCHL has the requisite authority, together with Southpower's two other shareholders, to either approve or not approve Southpower's request to sell its supply, retail business. A majority of Southpower's shareholders are required to approve the sale of the business.*
- 4.3 *Southpower, in order to proceed with its divestment programme will require to modify its Statement of Corporate Intent to take into account its proposal and the impact of that proposal upon the underlying assumptions of its SCI.*

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- 4.4 *CCHL, together with the two other shareholders in Southpower will require to:*
- (i) *Establish the period in which they will provide their comments on the proposed modifications, if that period be less than one month;*
 - (ii) *Review the modifications and make the recommendations to Southpower.*
- 4.5 *Southpower's shareholders are required to make their recommendations on the proposed modifications to Southpower's Statement of Corporate Intent by way of a shareholders ordinary resolution.*
- 4.6 *If Southpower is to proceed with the divestment programme it will require both its shareholders' approval to the divestment programme and a modified Statement of Corporate Intent incorporating that programme.*
- 4.7 *CCHL is required to seek the views of the Council on Southpower's proposed modifications to its SCI, CCHL being required to take into account the Council's views in requesting any modifications to Southpower's SCI.*
- 4.8 *The modification to Southpower's SCI offers the opportunity for the Council to put its views on the divestment programme including:*
- (i) *Whether it support, or does not support, the divestment programme;*
 - (ii) *How and when the divestment take place;*
 - (iii) *Whether there be any social and/or economic issues that need to be taken into account in undertaking the divestment. Such social and/or economic issues could include, for instance, the maintenance of employment within Christchurch, the maintenance of the Power Manager Scheme, etc."*

Christchurch City Holdings Ltd has a more direct role but the City Council's role in this matter is grounded in the requirement for any modification to the Statement of Corporate Intent to be referred to the City Council and for the need for such modification to be made before divestment can occur.

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STRATEGIC ISSUES

A wide range of matters has been covered in the report from Christchurch City Holdings Ltd.

Given the framework within which our companies operate the first responsibility for exercising a commercial judgement with regard to Southpower rests with the Southpower Board. Christchurch City Holdings Ltd is the shareholder on behalf of the City of the Southpower shares. The structure under which we have operated throughout this term of the Council means that it is the Christchurch City Holdings Ltd Board which is positioned to provide a challenge to the decisions made by the Southpower Board from the basis of their in depth understanding of the company including the matters which are commercially sensitive to which they are privy. It would be my advice that the Council can, indeed with regards to its own fiduciary responsibilities perhaps must, place confidence in and rely on the advice furnished by Christchurch City Holdings Ltd with regard to commercial aspects of this decision.

This, therefore, leads to the question of what are the wider issues of a strategic nature on which the Council is better positioned to take a view than is Christchurch City Holdings Ltd. In essence this relates to the purpose for which the Council retains ownership of assets, albeit through a holding company structure. The reasons for ownership of Southpower significantly include the following:

- The Company's assets represent essential city infrastructure. If it does not operate efficiently and effectively this would be fundamentally damaging to the Christchurch community.
- The transmission network is a natural monopoly. Its costs are (both currently and in the new statutory framework) passed directly on to customers. Through its ownership of the network the Council has secured an objective of electricity prices in Christchurch significantly below the average for New Zealand.
- The City Council is elected by the citizens of the city to manage their collective interest, and it remains clear that a large majority of citizens favour retention the Southpower assets. Most recently the 1998 Citizen Survey showed 78% in favour of ownership and 4% opposed. It seems reasonable to infer that this view relates to the infrastructure assets.
- The return from ownership of Southpower (dividend and capital repatriation) is a significant revenue stream for the city enabling the Council to achieve outcomes for the community as developed through the Annual Plan process.

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Maintaining and enhancing the value of the asset and its income generating capacity is also therefore a significant consideration. The Council's investment policy states, "investments shall be managed to maximise the return to the Council consistent with the purpose of the investment and risk avoidance." (Investment Policy 2.3)

Legislation requires that one or other business be divested. The nature of the asset which comprises the lines business is tangible and clear, it is a monopoly and represents the infrastructure which can fairly be described as essential to the city's well-being. In contrast the assets of the energy business are much less clear. In part they are represented by a portfolio of customers, by the infrastructure which handles customer transactions (enquiries, complaints, metering, billing, etc.) and in part the brand and the "goodwill" associated with it. These assets are not essential city infrastructure. The effect of the new legislation is that energy trading will be highly competitive and could be characterised as a high risk, low margin business. We are advised that the scale economies in managing a customer portfolio will inevitably lead to the agglomeration of energy traders to a small number of businesses each with a large portfolio of customers (sufficient to secure economies of scale). If Christchurch City Holdings Ltd were to retain the energy business we could anticipate that within a short space of time perhaps three quarters or more of its customers would not be in Christchurch, and equally an increasing proportion of Christchurch residents would no longer be its customers.

With reference to the reasons for which the Council maintains its trading assets I have no hesitation in recommending that the Council accept the principle that the energy rather than the lines business should be sold. That is, both commercial and strategic considerations point in the same direction.

The trigger for this process has been legislation. In the current environment it is extremely foolish to make any statements relating to the central government context knowing that they will not be read for two or three days. Nonetheless I believe that the Council should prudently consider whether it would reach a different conclusion in the event of a general election leading to the formation of a Labour dominated Government. That party has stated that it would seek to repeal the Electricity Industry Reform Act. So, let us consider the possibility that there might be an election, Labour might end up the party forming the core of Government and that repeal of this Act might be high up on their legislative programme. Under such a scenario would there be merit in delaying a decision on the sale of the energy business? Having considered the advice from Christchurch City Holdings Ltd and discussed this matter in some detail with those who have analysed it seems that even if the Electricity Industry Reform Act were to be repealed next month (which is a most unlikely scenario) then the horse would already have bolted from the stable. In saying this I mean that substantial new players have already emerged in the energy trading market

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(Contact Energy). The significance of this is not simply that such players own significant parts of the national generation capacity, but doing so they can fulfil the prudential requirements of an energy trader at significantly lower cost than would an energy company without such assets. The prudential requirements effectively require a financial guarantee or bond to be put up by any trader. The cost of such bonds would be high for a company formed from Southpower's energy trading and assets, essentially because the assets are not tangible and so provide little security. In contrast a company with in excess of one billion dollars worth of capital would be faced with much lower costs. In a low margin highly competitive business this factor alone would be very prejudicial to a Southpower energy trader and this change in the market is now reality regardless of any alteration to legislation.

The strategic and commercial interests of the Council and also the interests of the Christchurch community in securing the lowest possible energy prices will in my view be best achieved by the retention of the distribution network and so the divestment of the Southpower energy business. This conclusion is robust even if alternative political scenarios are taken into account.

The Board of Christchurch City Holdings Ltd and the City Manager recommend:

That the Council resolve that it recommend to Christchurch City Holdings Limited that it support the proposed modification to Southpower's Statement of Corporate Intent to the effect that:

- (a) Southpower Limited undertake, pursuant to the Electricity Industry Reform Act 1998, a divestment programme in which it sell its electricity retailing business and retain its network business.
- (b) Southpower's Board shall conduct a contestable divestment process, take appropriate independent advice and thereafter select the divestment option which realises the best value for its shareholders.
- (c) Southpower in undertaking its divestment programme take into account not only the price of the sale and the ongoing cost of electricity to the Christchurch public but also give preference, if possible, to any option which retains jobs in Christchurch.
- (d) Southpower in undertaking its divestment programme give consideration to the possibility of safeguarding the interests of the users of Power Manager either by including Power Manager within the network or by some other means.

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Chairman's

Recommendation: That the above recommendation be adopted.

CONSIDERED THIS 26TH DAY OF AUGUST 1998

MAYOR