CONTACT MANAWA

MERGER REPORT

2025

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Executive Summary

- **Economies of Scale:** The proposed acquisition of Manawa Energy by Contact Energy will create a larger entity with significant cost efficiencies. The merged company is expected to save **NZ$33–48 million per year** through portfolio and cost synergies (Sunny, 2024). These economies of scale mean lower average costs of generation and operations, which can strengthen profitability and potentially be passed on to consumers in competitive pricing. International experience shows that **scale benefits** – including streamlined operations and stronger purchasing power – are a primary motive for utility mergers (Deloitte, 2014).

- **Infrastructure Investment & Innovation:** A combined Contact-Manawa will have greater capacity to invest in new energy infrastructure and innovative technologies. The merger enables Contact to **accelerate Manawa's development pipeline of over 1,200 MW** of wind and solar projects (Contact Energy, 2024). A larger balance sheet and more stable cash flows improve access to capital, echoing cases overseas where merged utilities could finance ambitious projects more easily (Walton, 2025). This means faster growth in renewable generation, improved grid infrastructure, and the resources to innovate (e.g. in energy storage or smart grid solutions), bolstering New Zealand's energy future.

- **Diversification & Risk Management:** By uniting Contact's and Manawa's generation portfolios, the merged firm achieves greater **diversification** across energy sources and regions. Manawa's hydro assets are largely winter-peaking and geographically spread, complementing Contact's existing portfolio (Contact Energy, 2024). This diversity improves reliability and resilience – for example, **"dry year" hydro risk** is better managed when assets are spread and balanced with other generation. A more diversified generation base reduces the company's exposure to any single fuel or weather pattern, **mitigating supply risks** and ensuring more consistent output. In practice, the combined firm can commit to supplying more fixed-price contracts confidently, knowing it can draw on a broader range of generation resources.

- **Customer Benefits & Pricing:** Consumers stand to benefit from the merger through more stable and potentially lower electricity pricing over the long term. The cost savings and efficiency gains can enable the merged Contact-Manawa to offer competitive rates. Moreover, a larger generation portfolio means Contact can supply **greater volumes of hedging contracts** and fixed-price electricity deals to industrial users and independent retailers (Contact Energy, 2024). This improves market stability and protects customers from price spikes – for instance, Contact's CEO notes the merger will support big users and smaller retailers in **reducing their exposure to volatile spot prices during dry years** (Contact Energy, 2024). In the long run, adding Manawa's renewable projects will increase overall electricity supply, which **"ultimately contributes to reducing wholesale prices"** (Contact Energy, 2024). International case studies reinforce this outlook: when utilities merge and invest in new capacity, **rate increases are lower than if each company pursued projects alone** (Walton, 2025). Thus, the public can expect more secure supply and moderated pricing trends as a result of this acquisition.

- **Job Creation & Economic Growth:** The acquisition is poised to stimulate **job growth and regional economic development**. While some corporate roles may be rationalised, the merged company's expanded investment program will far outweigh any reductions. Manawa's own plans illustrate this potential – for example, the proposed **Huriwaka Wind Farm (300 MW)** in Rangitīkei (part of Manawa's development pipeline) is projected to create about **130 full-time jobs per year** during its 3–4 year construction phase, plus ongoing operational roles, and inject approximately **$75 million** into the local economy (Ellis, 2024). With the merger enabling faster execution of such projects nationwide (over 10 TWh of new renewable generation in development, Contact Energy, 2024), hundreds of construction and engineering jobs will be created across multiple regions. The growth of the renewable energy sector also has a strong multiplier effect – supporting local contractors, services, and supply chains. On a broader scale, advancing New Zealand's clean energy infrastructure will contribute to economic growth and energy security, creating a positive cycle of investment and employment. Globally, renewable energy is a proven job generator (employing **13.7 million people** worldwide in 2022 according to IRENA, 2023), and this merger will help New Zealand capture a share of that employment opportunity.

- **Environmental Leadership:** Contact Energy's acquisition of Manawa would firmly position the combined company as a leader in sustainable energy. Both companies are focused on renewable generation – Manawa is exclusively renewable (hydro and planned wind/solar), and Contact has a large renewable portfolio (hydro and geothermal) with a commitment to decarbonise by phasing down its gas-fired capacity. Together, they will be able to **accelerate the build-out of renewables**: the merged firm's development pipeline exceeds **10 TWh of annual generation** potential in wind and solar (Contact Energy, 2024), which is critical for New Zealand's climate goals. The Contact-Manawa merger aligns with New Zealand's ambition to achieve **100% renewable electricity by 2030** (S&P Global, 2022) by bringing additional clean generation online faster. A larger, stronger company can invest in emerging green technologies and innovate in energy efficiency and storage. The combination also means a more resilient grid with lower carbon intensity – helping lead the sector by example. In essence, this merger will advance New Zealand's **energy transition**, supporting emissions reduction targets and reinforcing the country's reputation for renewable energy leadership.

- **Addressing Competition Concerns:** We recognize that the Commerce Commission's primary consideration is whether the merger substantially lessens competition. Our submission provides evidence that **effective competition will be maintained** and that the benefits of the merger do not come at the expense of consumers or market health. Post-merger, Contact-Manawa would hold roughly 24% of national generation (Beckford, 2025), which is significant but not dominant in a market served by multiple large gentailers (Meridian, Genesis, Mercury, etc.). The combined entity will continue to face strong competition from these well-established rivals, ensuring no single company can unilaterally dictate market outcomes. Additionally, the merger can **enhance market efficiency**: with a more robust generation portfolio, Contact-Manawa can offer more hedging products and reliable supply, which **supports smaller retailers** and keeps the market dynamic. We address specific competition concerns in detail within this submission, demonstrating that potential issues (in hedge contracts, wholesale pricing, or coordination) can be effectively mitigated through market mechanisms and regulatory oversight. Overall, the pro-competitive and public benefits of the merger – economies of scale, innovation, increased supply, and customer advantages – strongly **justify clearance** of the acquisition.

Recommendation: For the reasons summarised above and expanded upon in the following sections, we **advocate that the Commerce Commission approve Contact Energy's acquisition of Manawa Energy**. This merger will create a stronger, more efficient company capable of delivering tangible benefits to consumers, the economy, and New Zealand's clean energy future, **without substantially lessening competition** in the electricity market.

Introduction

This submission is presented to the New Zealand Commerce Commission in support of granting clearance for **Contact Energy Limited's proposed acquisition of Manawa Energy Limited**. The purpose of this document is to articulate why the merger is in the public interest and to address the Commission's concerns, using a structured, evidence-based approach. We examine the anticipated benefits of the acquisition – including economic efficiencies, enhanced investment in infrastructure, improved risk management, customer advantages, job creation, and environmental gains – and explain how these outcomes align with both commercial logic and New Zealand's broader policy goals. We also engage with potential **counterarguments**, particularly around competition, to demonstrate that the merger will **not substantially lessen competition** in any electricity market.

Mergers in the electricity sector are not undertaken lightly; they must be justified by clear strategic and economic rationale. Internationally, utility companies have pursued mergers to achieve greater scale, financial strength, and diversification in the face of evolving energy markets. For example, **Deloitte (2014)** notes that *"the benefits of economies of scale, stronger balance sheets to meet rising capital requirements, and the allure of new, often diversified, revenue streams have largely driven M&A activity"* in the power industry (Deloitte, 2014). In the current era, the global **energy transition** towards renewables is a significant driver of consolidation, as firms seek to combine resources to build cleaner and more secure energy systems (PwC, 2024). Within New Zealand, Contact Energy's bid to acquire Manawa Energy reflects these same motivations – to create a combined enterprise capable of investing in needed renewable generation, operating more efficiently, and better serving customers in a low-carbon future.

Contact Energy is one of New Zealand's leading electricity generators and retailers (a "gentailer"), with a portfolio that spans geothermal, hydro, and gas-fired generation, and a large retail customer base. **Manawa Energy** (formerly the generation arm of Trustpower) is the country's largest independent renewable generator, owning 25 hydroelectric schemes and holding significant wind and solar development options. The acquisition, valued at approximately NZ$1.9 billion (Beckford, 2025), would bring Manawa's ~500 MW of hydro capacity and 1,200+ MW development pipeline under Contact's ownership. This combination promises to create a **more resilient and efficient company**, as stated by Contact's CEO: a *"stronger, more resilient electricity company for New Zealand with a more diversified generation portfolio across the North and South Islands"* (Beckford, 2025).

The **structure of this submission** is as follows. First, we outline the **key arguments in favor of the acquisition**, each supported by evidence and, where relevant, international case studies:

- **Economies of Scale:** How the merger reduces costs and improves efficiency.
- **Infrastructure Investment & Innovation:** How the combined entity can invest more in new generation and technology.
- **Diversification & Risk Management:** How merging portfolios enhances security of supply and reduces risk.
- **Customer Benefits & Pricing:** How consumers (and retailers) benefit through better prices, products, and reliability.
- **Job Creation & Economic Growth:** How the acquisition will spur employment and economic activity, particularly via renewable projects.
- **Environmental Leadership:** How the merger accelerates decarbonisation and supports NZ's environmental targets.
- **Addressing Competition Concerns:** Why the merger will not substantially lessen competition, including responses to specific issues raised.

Following the presentation of these key points, we discuss **counterarguments** in a dedicated section, addressing any residual concerns such as market power or potential downsides, in a constructive manner. Finally, a **conclusion** summarizes the arguments and reiterates our recommendation that the Commerce Commission approve the acquisition.

Throughout this report, a formal and evidence-based tone is maintained. We draw on relevant economic reasoning and real-world examples to substantiate our claims. All sources are cited in Harvard style, and a full reference list is provided at the end. Ultimately, our analysis shows that the Contact-Manawa merger can deliver substantial public benefits – promoting investment, innovation, and sustainability in New Zealand's energy sector – while preserving a healthy level of competition.

We now turn to the detailed arguments in support of the merger.

Economies of Scale

A primary benefit of Contact Energy acquiring Manawa Energy is the realization of **economies of scale**. By combining two generation companies into one larger entity, the merged firm can spread its fixed costs over a greater volume of output and eliminate redundant operations. This typically results in a lower average cost of producing and delivering electricity. In the intensely capital-intensive electricity industry, such cost efficiencies are highly valuable and can improve both the company's financial viability and its ability to offer competitive prices.

Cost Synergies: Contact Energy and Manawa Energy expect significant cost synergies from the merger. According to the companies' statements, the combined entity would achieve approximately **NZ$33–48 million in annual portfolio and cost synergies** once integrated (Sunny, 2024). These synergies likely come from multiple sources: consolidating corporate and administrative functions, optimizing maintenance and procurement across a larger fleet of power stations, improved trading and scheduling of generation, and removing duplicated expenditures (for example, a single merged corporate office, IT system, and management structure can replace two separate ones). Such savings directly reflect economies of scale – a larger organization can operate more efficiently than two smaller ones in parallel.

Operating Efficiency: Beyond explicit cost savings, a merged Contact-Manawa can operate more efficiently by adopting **best practices and streamlined processes** across the enlarged business. Larger utilities often develop what Bain & Company calls a "scale platform" – standardised, repeatable processes that drive productivity across the organization (Denman *et al*., 2016). For instance, maintenance practices that Contact has honed on its geothermal plants could be extended to Manawa's hydro stations, or vice versa, yielding productivity gains. The combined company will have a deeper pool of talent and expertise to draw on, which can improve problem-solving and innovation in operations. Essentially, scale can bring a **wider application of efficient practices** and better utilization of resources.

It is important to note that in regulated or highly scrutinized markets like electricity, not all typical corporate mergers' scale benefits (such as reducing headcount) need to be aggressively pursued. Instead, the focus can be on synergy through integration of assets and capabilities. A study of a UK utility merger (Scottish and Southern Energy) found that cost benefits can be achieved through scale and sharing of best practices **without heavy workforce reductions**, thereby avoiding the downsides of layoffs (Beloucif & Vairavasundaram, 2004). In line with this insight, Contact has indicated it is acquiring Manawa primarily for strategic growth and portfolio benefits, not to cut jobs for cost-cutting's sake. Therefore, the economies of scale here will be about smarter deployment of capital and people, not just downsizing.

Financial Strength: A larger post-merger Contact Energy will also enjoy a stronger balance sheet and potentially an improved credit profile. By merging with Manawa, Contact increases its asset base and cash flow, which can lead to a **lower cost of capital**. For example, the merged firm may obtain better terms on financing due to greater scale and diversification, and credit rating agencies could view the larger company as lower risk. A stronger balance sheet means the company can borrow at lower interest rates and fund large projects more easily (Walton, 2025). This financial efficiency is a scale economy that, while not immediately visible as an operating cost saving, significantly enhances the company's capacity to invest and grow (Deloitte, 2014).

In summary, the merger is expected to yield material economies of scale: from **explicit cost synergies in the tens of millions of dollars per year** to more implicit advantages like process efficiencies and improved financial strength. These efficiencies will make Contact-Manawa a more **competitive player**. In a competitive retail electricity market, cost reductions position the firm to offer better prices or value to consumers, as any one provider that raises prices without cost justification risks losing customers to rivals. Thus, the scale economies not only benefit the merged company's bottom line but also create conditions that can benefit consumers through competitive pressure. Overall, achieving economies of scale is a foundational argument for the acquisition, enabling many of the further benefits discussed in subsequent sections – such as greater investment in infrastructure and better services for customers.

Infrastructure Investment & Innovation

The merger between Contact Energy and Manawa Energy will unlock and accelerate **major investments in energy infrastructure and innovation**. Combining the two companies' resources, expertise, and project pipelines will enable the merged entity to undertake larger and more ambitious development projects than either could on its own. This section outlines how the acquisition facilitates increased infrastructure investment and drives innovation, drawing on both the specifics of the Contact-Manawa case and parallels from international examples.

Accelerated Renewable Development: One of the most compelling arguments for this acquisition is that it will speed up the development of new renewable energy projects in New Zealand. Manawa Energy brings to the table a sizeable pipeline of consented or planned projects – over **1,200 MW of wind and solar development options** across various regions (Contact Energy, 2024). Prior to the merger, Manawa as a smaller company might have been constrained in how quickly it could finance and build these projects. By integrating with Contact, which has greater financial heft and project management capacity, these developments can be executed faster and more efficiently. Contact's CEO, Mike Fuge, emphasized that the merger positions Contact to **"accelerate renewable development opportunities and support New Zealand's energy transition"** (Contact Energy, 2024). In practical terms, this means wind farms and solar farms that would add significant new generation capacity (on the order of 10+ terawatt-hours per year) can be brought online sooner. Accelerating these investments is crucial for meeting future electricity demand and the country's renewable energy targets.

Greater Access to Capital: Merging with Manawa improves Contact's ability to fund large infrastructure projects. Post-merger, the company will have higher earnings and asset value, which can improve its credit rating and debt capacity. Just as importantly, the merged entity can spread project risks across a broader portfolio, making it safer and more attractive to invest in big projects. An international case study illustrates this well: when U.S. utility PNM Resources sought to invest heavily in renewables and transmission, its merger with Avangrid (part of Iberdrola) provided *“newfound financial and operational muscle”* and **lower financing costs**, enabling the utility to pursue a massive $8 billion infrastructure plan (Walton, 2025). Moody’s analysts noted that being part of a larger group **made financing large investments more feasible** because the bigger company had access to global capital markets and could balance debt and equity without straining credit metrics (Walton, 2025). By analogy, Contact-Manawa will have a combined financial strength that allows it to invest in new power stations or grid upgrades that might have been out of reach for either company alone. The merged firm expects an uplift in cash flow stability and a reduction in its cost of capital, which directly supports more investment (Contact Energy, 2024). In short, **size confers financial flexibility** – a larger Contact can undertake strategic projects (like new geothermal developments or major wind farms) with greater ease, benefiting the public through enhanced infrastructure.

Innovation in Technology and Operations: Beyond just building more physical assets, the combined company will be better positioned to innovate. The energy sector is undergoing technological transformation – from smart grids and battery storage to digital platforms for managing demand. Contact and Manawa together can pool their R&D efforts and operational expertise to drive innovation in several ways:

- **Optimizing Generation Mix:** With a broader set of generation types (hydro, geothermal, wind, solar, and some thermal), the merged company can deploy innovative solutions to optimize how these resources work together. For example, advanced forecasting and dispatch algorithms can ensure that when wind output is high, hydro dams store water for later, and when wind is low, hydro or geothermal fill the gap. Managing a diversified renewable portfolio is a complex task that rewards scale and sophisticated tools – the merger makes it feasible to invest in such tools and talent.
- **Energy Storage and Emerging Tech:** A larger company has more capacity to pilot emerging technologies. Contact-Manawa could invest in utility-scale battery storage to support its renewables, or investigate new technologies like green hydrogen using surplus renewable power. These ventures require capital and risk tolerance; a merged firm has a bigger cushion to support pilot projects. Innovation also extends to customer-facing technology (like advanced metering, demand response programs) where a bigger customer base (Contact’s retail arm combined with Manawa’s generation expertise) provides both the data and incentive to innovate in products and services.
- **Grid and Transmission Investments:** The integration of Manawa’s generation assets may necessitate upgrades or expansions in grid connections and transmission. The merged entity can work closely with Transpower and distribution companies on innovative solutions for integrating large amounts of new renewables. Its scale and technical know-how might contribute to more effective planning of grid enhancements (for instance, optimal placement of new battery systems or dynamic line rating technology to increase transmission capacity).

International Evidence of Innovation Benefits: Globally, when energy companies merge, one often sees an uptake in innovation due to the larger scale. Larger utilities are frequently at the forefront of deploying new technologies because they can spread the cost of innovation over more customers or assets. For example, after a series of acquisitions in the 2000s, Spain's Iberdrola became one of the world's leading wind power companies, leveraging its increased scale to invest heavily in turbine technology improvements and offshore wind development. Similarly, in the UK, mergers among regional electricity companies created firms that had the critical mass to invest in smart grid trials and electric vehicle charging networks. These cases show that **size can be an enabler of innovation** – the merged company has both the incentive and the means to innovate in order to maximize the value of its expanded operations.

In the Contact-Manawa context, innovation will also be driven by necessity: to efficiently integrate a large volume of new intermittent renewable generation (wind/solar) while maintaining grid stability, creative solutions will be needed. The merged firm, with its wider asset base (including flexible hydro and geothermal), can pioneer methods to maintain reliability in a renewables-heavy system – for instance, developing advanced hydrological modelling to better manage hydro storage through dry periods, or adopting AI for predictive maintenance across all its plants.

Conclusion on Investment & Innovation: By joining forces, Contact and Manawa will form a company with both the **ambition and the capability** to invest in critical infrastructure and innovate for the future. The merger directly supports New Zealand's need for new generation capacity, especially renewables, to meet growing demand (such as from electrification of transport and industry) and to replace aging fossil-fueled plants. It ensures that projects in the pipeline are delivered faster and more efficiently, benefiting consumers and the economy. Furthermore, the combined expertise and resources will make the new Contact Energy a leader in energy innovation – able to trial and implement advanced technologies that improve service and sustainability. These dynamic benefits go beyond what either company could realistically achieve alone, underscoring the strategic merit of the acquisition.

Diversification & Risk Management

Diversification of generation assets is a key advantage that this merger will bring, significantly enhancing risk management for the combined company and the broader electricity system. In the context of electricity generation, **diversification** means having a variety of energy sources (hydro, geothermal, wind, solar, etc.) and geographical spread, so that the company is not overly reliant on any single source or location. This section explains how merging Contact and Manawa's portfolios will create a more balanced and resilient generation mix, reducing risks associated with fuel availability, weather variability, and market fluctuations. It also discusses how improved risk management at the company level can translate into greater security of supply and stability for consumers.

Complementary Generation Profiles: Contact Energy's existing generation fleet and Manawa Energy's assets are highly complementary. Contact's portfolio includes significant geothermal baseload generation (which runs steadily year-round), substantial hydro capacity in the South

Island (Clutha River dams), and a thermal (gas-fired) plant used mainly for peaking and dry-year backup. Manawa's portfolio consists entirely of **hydroelectric schemes (about 500 MW)** spread across various regions, many of which have a **winter-heavy production profile** (Contact Energy, 2024). When combined:

- The company will have hydro stations in **both North and South Islands**, reducing geographic risk (e.g. if one region experiences drought conditions, hydro in the other region might still have water).
- Manawa's hydro generation tends to be strong in winter (with rain and snowmelt), while Contact's South Island hydro (and some geothermal output) might have different seasonal patterns. This means the seasonal generation profile is flattened out across the year – **peaks and troughs in supply are less extreme** when considering the whole portfolio.
- The **"dry year" risk**, which in New Zealand is a critical concern (years with low rainfall can severely constrain hydro generation and cause supply shortages), will be better managed. As Contact's CEO noted, *"Our hydro assets are complementary, with different seasonal generation profiles, which will help Contact to better manage dry year risk"* (Contact Energy, 2024). In practical terms, in a dry year affecting one set of rivers, the merged entity might still have production from other rivers or from geothermal sources to cover its commitments. The risk of either company being caught short in a dry year (and having to buy expensive power on the spot market, for instance) is greatly reduced.

Broader Energy Mix: Diversification also refers to having multiple types of generation. The merged Contact-Manawa will have a broad **energy mix** that includes baseload geothermal, flexible and renewable hydro, intermittent wind and solar (as new projects come online), and a small thermal component for backup. A diverse mix is inherently more reliable:

- **Geothermal** provides steady output mostly immune to weather, but can have operational outages; hydro is weather-dependent but very flexible; wind and solar are variable but once integrated can provide large volumes of low-cost energy. By having all of these, the company can offset the weakness of one type with the strength of another. For example, when wind drops, hydro reserves can be used; when rivers are low, geothermal keeps running; during a gas supply shortage, wind and hydro can compensate, etc.
- From a **market risk** perspective, the company is less exposed to fuel price volatility. Contact currently must buy natural gas for its thermal plant – if gas prices spike or supply is tight, that's a risk. With more renewable capacity from Manawa, Contact can rely less on gas-fired generation, thereby reducing fuel cost risk and carbon price risk (important as climate policies strengthen). Similarly, any single plant outage (say a geothermal unit maintenance) is easier to handle when the company has many other plants to pick up slack.

Greater Contracting Capability: A direct outcome of better risk management is the ability to confidently enter into **fixed-price contracts** to supply electricity to retailers or large consumers. Smaller generators might be cautious in offering fixed long-term prices because they fear being unable to generate enough in all conditions (especially hydro generators in a dry year). The merged Contact-Manawa, however, with its diversified supply, can **offer more contracts at firm prices** without as much fear of shortfall (Contact Energy, 2024). This was explicitly highlighted in the merger announcement: the combined business will be *“able to offer larger volumes of fixed price electricity to the market than we could independently”* (Contact Energy, 2024). This is beneficial for the market as it increases the availability of hedging contracts, allowing smaller retailers and big industrial users to secure electricity at stable prices, thus managing their own risk. We will address the competition aspect of this in a later section, but from a risk management standpoint, being diversified means the merged firm can be a more dependable supplier in all conditions.

Resilience to Extreme Events: New Zealand’s electricity system can be affected by extreme events – whether natural (like earthquakes, major storms) or technical (unexpected plant failures). A larger, diversified company contributes to system resilience. For instance, if a major plant is forced offline due to an earthquake, a company that owns many plants across different regions can compensate by ramping up others. Contact-Manawa’s spread of assets reduces the concentration of risk. This also has implications for **disaster recovery**: the financial impact of an event affecting one asset (like a dam outage) is diluted in a bigger portfolio, meaning the company remains financially stable and capable of swift repairs, which keeps supply more secure.

Market Stability: Diversification at the company level can also promote stability in the overall electricity market. Each of the big gentailers in NZ has a mix of generation; increasing Contact’s diversification through this merger means it is less likely to engage in erratic buying or selling in the market due to unforeseen shortages. A well-hedged, well-supplied gentailer tends to behave more predictably, which smooths out extreme price fluctuations. For example, a highly hydro-dependent generator without diversification might panic-buy during a drought (driving prices up sharply), whereas Contact-Manawa, being balanced, could continue supplying its customers without sudden market moves. In essence, the **merged firm’s self-sufficiency in generation reduces volatility**.

International Perspective on Diversification: Diversification as a risk mitigation strategy is a cornerstone in energy companies worldwide. Many mergers have been pursued to achieve it. In the European power sector, for example, companies have merged or acquired assets in different countries or technologies to balance their portfolios – such as an electricity generator buying a gas distribution company to have diverse revenue streams (Deloitte, 2014). While the Contact-Manawa merger is within one market, the principle holds: a broader portfolio shields the company from sector-specific downturns or climatic impacts. Investors and regulators generally view diversified utilities as more robust. The fact that **Manawa’s assets will diversify Contact’s geography** (North vs. South Island generation) is particularly valuable in NZ, given the occasionally constrained transmission between islands and different weather patterns.

To conclude, the acquisition markedly improves diversification and risk management for Contact Energy:

- It **combines complementary hydro resources**, smoothing seasonal supply and reducing hydrological risk.
- It **broadens the generation mix**, incorporating more renewables and reducing reliance on any one fuel or technology.
- It **enhances the company's ability to meet commitments** (through fixed-price contracts) reliably, benefiting both the company and power consumers who rely on those contracts.
- It **strengthens resilience** against unexpected events by not having "all eggs in one basket." Ultimately, a Contact-Manawa that is fortified against risks is good not only for the company's shareholders but for New Zealand's electricity consumers and the stability of supply. A more reliable and steady generator-retailer helps avoid crises and contributes to the overall health of the electricity market.

Customer Benefits & Pricing

One of the most important tests of a merger like this is whether it will benefit customers. We argue that **electricity consumers – from households to large industries – will see tangible benefits** from the Contact-Manawa acquisition. These benefits come in several forms: improved price stability (and potentially lower long-term prices), better service reliability, and enhanced product offerings. This section details how the efficiencies and scale gained from the merger can flow through to customers, and why concerns about negative pricing effects are unlikely to materialize.

Price Stability and Competitive Pressure: The merger is set to improve price stability for end-users by enabling Contact-Manawa to manage costs and supply more effectively. As outlined earlier, the combined firm will have more diverse generation and significant cost savings, which means it can produce electricity at a lower average cost. In a competitive retail market (where Contact competes with Meridian, Mercury, Genesis, and others for customers), any reduction in underlying cost gives the merged firm the ability – and the competitive incentive – to **offer more attractive prices or limit price increases**. Contact Energy will have a larger renewable base and less exposure to volatile fuel costs, so its retail pricing can be more stable even when, say, fuel or carbon prices are rising for others. Moreover, if the merged company realizes tens of millions in savings annually, competitive dynamics and customer expectations will pressure it to translate at least a portion of those savings into better deals or improved services to avoid losing market share.

It is also important to note that **Contact and Manawa were not competing in the same retail market** prior to the merger – Manawa had no retail customers (it sold generation to the wholesale market and via hedge contracts). Therefore, the merger does not remove a direct retail competitor; Contact's retail rivals remain the same. In fact, by strengthening Contact's generation position, the merger could make Contact a more formidable competitor to the other gentailers in the retail space, which can **drive more vigorous competition**. A stronger Contact can challenge Meridian or Mercury on retail offers, knowing it has sufficient generation to back its customer growth. For consumers, this is a positive: more intense competition among the big providers can lead to sharper pricing and innovative plans.

Reduced Price Volatility: Beyond the general level of prices, customers are very concerned with volatility – sudden spikes in power bills or major swings in spot market rates for those exposed. The Contact-Manawa merger should help mitigate extreme price volatility in several ways:

- As the Commission's Statement of Issues notes, independent retailers rely on hedge contracts to shield themselves and their customers from spot price spikes (Beckford, 2025). The merged Contact-Manawa has committed to **supporting these independent retailers with hedging products**, leveraging its increased generation. *"Access to this type of hedging adds resilience and support for New Zealand's large energy users and independent retailers to reduce their exposure to spot market prices in dry years,"* said CEO Mike Fuge (Contact Energy, 2024). This is a direct consumer benefit: if small retailers can hedge effectively, they can offer stable fixed rates to households and businesses, and are less likely to go bankrupt in a price spike (the collapse of a retailer can cause disruption and cost to its customers).
- The enlarged company's ability to supply more fixed-price contracts to large users means those big industrial or commercial customers can secure long-term power deals with confidence. This can lead to more stable operating costs for major employers and manufacturers, indirectly benefiting the economy and consumers (through stable prices of goods/services).
- By **increasing renewable generation capacity**, the merger addresses one underlying cause of volatility: tight supply in dry years or peak demand times. More generation (especially new wind/solar from the development pipeline) means that during what would have been shortage periods, the market has additional supply, moderating spot price spikes. Over time, as the merged firm's planned projects come online, the incidence of extreme high wholesale prices (which eventually feed into retail bills or taxpayer-funded subsidies) should decline.
- A larger firm also has more robust trading operations, which can improve market liquidity. With Contact-Manawa being a major participant in the electricity futures market, it can provide bids/offers that help stabilize expectations of future prices. Internationally, it's observed that markets with a few strong, actively hedging generators can actually experience **less volatility** than a fragmented market with many small, risk-averse players who might withdraw in turbulent times.

Long-Term Price Trend: Will the merger lead to lower prices in the long run? The Commission has raised the concern that the merged company could have the ability to raise prices. We address that fully in the competition section, but from a **public benefits perspective**, there are reasons to believe the merger will **put downward pressure on future prices**. Contact's Chair, Rob McDonald, stated that the combination *"ultimately [contributes] to reducing wholesale prices long-term"* (Contact Energy, 2024). The logic here is that by enabling more generation investment, the supply-demand balance in the wholesale market will be healthier, especially as demand grows from electrification. If Contact-Manawa builds new wind farms faster than would happen otherwise, that extra supply creates competition in the wholesale market, driving prices down relative to a scenario without the merger. Even if retail competition remains similar, a lower wholesale cost base tends to flow into retail pricing over time through competitive or regulatory mechanisms.

Additionally, with the merger yielding cost efficiencies, Contact-Manawa's cost to serve each customer should decrease. While companies do seek profit, competition and regulatory scrutiny (like the threat of a Commerce Commission price study) will pressure the firm to reflect cost reductions in customer offerings. Thus, consumers should see benefits such as **more affordable plans or value-added services** for the same price.

Improved Service and Products: Customer benefit is not only about the dollar figure on the bill. A larger company can also provide improved customer service and innovative products:

- Contact has been investing in customer-facing technology (mobile apps, usage analytics, etc.). With the merger, the customer base effectively grows (not from Manawa, which had none, but it solidifies Contact's position, potentially attracting more customers due to its enhanced capabilities). The company can justify further investment in digital platforms, energy management tools, and tailored tariffs (such as special EV charging plans, or smart home integrations) because of its scale. These improvements enhance the customer experience and empower consumers to manage their energy usage better, potentially saving them money.
- The merged firm could introduce **green energy tariffs** or products linked to the new renewable projects. For instance, Contact-Manawa might offer plans guaranteeing a certain percentage of your power comes from new renewable sources – something environmentally conscious consumers value.
- With greater generation resources, Contact might also provide better reliability to its direct customers (for example, fewer instances of having to ask customers to conserve power in tight conditions, since it can supply them from its diverse portfolio).

Case Study – Customer Rates in Mergers: Looking at a parallel in New Mexico, after the proposed Avangrid-PNM merger, analyses suggested that customers would benefit because the utility could invest in regional renewable projects that delivered energy at lower cost than if PNM had to build everything itself, resulting in *"lower rate increases than if the utility relies on only its own projects"* (Walton, 2025). The principle applies here: by combining forces, Contact-Manawa can tap into more cost-effective development (perhaps joint ventures or larger projects with economies of scale) which keeps future cost to consumers lower than in a fragmented scenario.

It's worth acknowledging that consumers often worry mergers will lead to less choice or higher prices. In this case, **consumer choice remains robust** – the number of retail competitors is unchanged – and the merged entity will be strongly motivated to demonstrate the merits of the merger through customer-friendly outcomes. Public and regulatory scrutiny will be high, ensuring the company follows through on promises of benefits. If anything, Contact-Manawa will be eager to show that the merger's efficiencies benefit Kiwis, to maintain goodwill and avoid any intervention.

Conclusion on Customer Benefits: In sum, the acquisition is poised to deliver **significant advantages for customers**:

- **More stable prices** due to better hedging and diversified generation.
- **Competitive pricing** driven by cost savings and a stronger company that can challenge rivals.
- **Potentially lower wholesale costs** in the long run as more renewables come online faster.
- **Improved service offerings** thanks to the greater resources of the merged company.
- **Enhanced reliability** and security of supply which protects customers from disruptions and extreme price events.

These outcomes align the merger with the interests of consumers, which is a crucial consideration for regulatory approval. All evidence indicates that, with appropriate oversight, the Contact-Manawa merger will be *pro*-consumer, leveraging the company's new scale to deliver better value and service to New Zealand's electricity users.

Job Creation & Economic Growth

The proposed merger is not just a story of corporate synergy; it also carries implications for **employment and the broader New Zealand economy**. We contend that the Contact-Manawa acquisition will have a positive net impact on job creation and will stimulate economic growth, particularly through accelerated investment in infrastructure projects. While mergers sometimes raise concerns about job losses due to overlapping roles, in this case the growth opportunities far outweigh the consolidation effects. This section examines the employment outlook and economic stimulus associated with the merger.

Employment in Construction and Engineering: The clearest source of job creation comes from the **renewable energy projects** that the merged company will develop. As noted earlier, Manawa Energy has a large pipeline of potential projects (wind farms, solar farms, and possibly battery installations). With the merger enabling these projects to proceed more quickly, there will be a surge in construction activity over the next decade. Each large-scale energy project translates to hundreds of jobs during the build phase. For example, the planned **Huriwaka Wind Farm (Rangitīkei)** – a 300 MW wind project under Manawa's development portfolio – is expected to create about **130 full-time jobs per year over a 3–4 year construction period**, plus around 15 ongoing operations jobs once the wind farm is running (Ellis, 2024). This single project also entails an estimated **$75 million spend in the local region** during construction, benefiting local businesses and contractors (Ellis, 2024). Now, consider that Manawa's pipeline includes multiple such projects (totaling 1,200+ MW). If even a portion of these are built in the next several years under the merged company's auspices, we are looking at **several hundred construction jobs sustained over many years**, moving from one project to the next.

Beyond direct construction labor, these projects require engineers, project managers, environmental consultants, and various specialists. Many of these roles will be filled by New Zealand workers and firms, given the local knowledge and presence required for such projects. The merger essentially triggers a wave of **infrastructure investment-led employment**. This is akin to a nationwide capital works program but funded by the private sector (the merged company and its investors), which is a boon for economic growth without direct government expenditure.

Regional Economic Stimulation: Importantly, the jobs and spending will often be in regional areas – wherever the wind and solar projects are located (for instance, Manawa has projects in regions like Manawatū-Whanganui, Otago, and Bay of Plenty). This helps drive regional development. Local businesses (hotels, restaurants, equipment suppliers, transportation companies) see increased demand when hundreds of workers arrive for a project. The **multiplier effect** means that each dollar spent on building a power station circulates through the economy, generating additional economic activity and jobs in other sectors. Studies internationally have shown renewable energy investments have higher job multipliers than equivalent fossil energy investments, partly because of the extensive supply chains and local services involved (IRENA, 2023).

New Permanent Roles and Skills Development: While construction jobs are temporary, the expansion of the renewable energy fleet will also create **permanent jobs** for operating and maintaining these new assets. Every new wind farm or solar farm needs technicians, site managers, maintenance crews, and monitoring staff. The more assets under management, the more operations personnel Contact-Manawa will employ. Additionally, the merged company will likely expand roles in areas such as trading (to handle the larger generation output), customer support (if more retail load is taken on), and innovation (positions in analytics, R&D for new tech integration). The scale of the company could allow it to establish centres of excellence – for example, a larger team of engineers focused on hydro optimization, or a dedicated group for community renewable projects – providing **skilled employment opportunities**.

Mergers can also facilitate **skills transfer** and upskilling: employees from Manawa bring specific expertise (e.g. operating smaller hydro schemes) that combined with Contact's workforce (e.g. expertise in geothermal and large project execution) enhances the skills of the overall workforce. Over time, this improves human capital in the sector. The merged company may invest more in training programs, apprenticeships or graduate intakes, knowing it will have a larger asset base to operate and a need for a pipeline of talent.

Mitigating Redundancy Impacts: It is acknowledged that in most mergers, there can be overlaps in corporate functions (finance, HR, etc.) that might lead to some roles being consolidated. In this case, since Manawa was a standalone generation company and Contact a gentailer, there could be some duplication in corporate overhead. However, those positions are relatively few compared to the operational workforce, and the companies can manage this transition responsibly. Natural attrition, reassigning roles to support the new projects, or offering voluntary exit packages are ways to minimize any negative employment impact. Moreover, the case study of Scottish and Southern Energy's merger showed that it's possible to achieve merger benefits **without significant layoffs** if focus is put on achieving efficiencies through scale and best practice rather than cuts (Beloucif & Vairavasundaram, 2004). Contact has signalled that the rationale of this deal is growth-oriented (accelerating development, achieving resilience) rather than cost-cutting for its own sake (Contact Energy, 2024). We can reasonably expect that any staff affected by back-office consolidation will be a small number and that the company will likely have new opportunities in the expanded organization to which employees can be redeployed. In fact, the **overall headcount of the merged entity is likely to increase** when factoring in the new project and operational roles that will emerge.

Economic Growth and Competitiveness: On a macro level, the merger can contribute to New Zealand's economic growth. Reliable and potentially more affordable electricity underpins industrial and commercial expansion. If Contact-Manawa's investments lead to more stable power supply and prices, businesses can operate more competitively and plan with confidence, which can support growth and job creation in other sectors (manufacturing, IT, services). Additionally, the company's capital investments will contribute to GDP. The merger essentially unlocks about NZ$2 billion of corporate transaction and then subsequent capital projects beyond that. This influx of investment (including possible foreign investment if equipment is imported or international firms partner in projects) strengthens NZ's economy.

There's also an **innovation economy aspect**: by focusing on renewables and possibly new technologies (like grid-scale batteries or smart networks), the merged Contact-Manawa could drive development of local expertise and even exportable knowledge. New Zealand firms involved in these projects might develop innovations that they can sell or apply overseas, creating value beyond our borders. While this is an indirect effect, it's part of how a dynamic energy sector can support a modern economy.

Energy Sector Employment Resilience: It's worth mentioning that New Zealand's energy sector is transitioning – thermal generation will gradually reduce as renewables increase. Ensuring that companies invest in new generation is vital for retaining jobs in the energy industry. Manawa on its own may or may not have executed all its pipeline; Contact on its own would invest but perhaps at a slower pace or in different projects. Together, the urgency and capability to invest is higher, which means jobs in building and running renewable energy are created sooner. This helps shift employment from fossil-based energy to renewable energy smoothly. The merger thus supports a **just transition** for workers – moving the labour force into sustainable energy roles.

In conclusion, the **net employment effect** of the Contact-Manawa acquisition is expected to be strongly positive, driven by:

- The creation of **hundreds of construction jobs** in the near term through accelerated project development.
- The addition of **permanent operational jobs** for new facilities and expanded corporate activities.
- Wider economic benefits in regional communities hosting new projects (boosting local employment in various supporting industries).

- A commitment to growth that minimizes unnecessary redundancies and in fact likely grows the overall workforce over time.

For the New Zealand economy, the merger means an injection of investment that will stimulate activity and modernize infrastructure – outcomes that align with the country's goals of economic development and environmental sustainability. The Commerce Commission can be confident that approval of this merger will not only restructure the industry but also help **energize the economy** and create quality jobs for New Zealanders.

Environmental Leadership

The Contact-Manawa merger presents a significant opportunity to advance New Zealand's environmental and sustainability objectives. By consolidating two companies deeply invested in renewable energy, the acquisition will bolster **environmental leadership** in the power sector. This section describes how the merged company will contribute to emissions reduction, renewable energy growth, and environmental stewardship, reinforcing New Zealand's path towards a cleaner energy future.

Accelerating Decarbonisation: New Zealand has committed to ambitious climate targets, including aiming for **100% renewable electricity by 2030** and net-zero greenhouse gas emissions by 2050 (S&P Global, 2022). The electricity sector is central to achieving these goals, as increased renewable generation can displace fossil fuel generation and also enable other sectors (like transport via EVs) to decarbonise. The Contact-Manawa merger directly supports these targets by fast-tracking the development of renewable generation:

- As noted, the combined entity has a development pipeline exceeding 1.2 GW in wind and solar projects. If built, these projects will add many terawatt-hours of clean energy to the grid, significantly raising the renewable share of electricity. For perspective, an additional 10 TWh of renewable generation (Contact Energy, 2024) could raise New Zealand's renewable percentage into the high 90s (from roughly 84% in recent years), effectively reaching the 100% target in a typical hydrological year.
- **Eliminating Fossil Generation:** Contact Energy currently operates one major fossil-fueled power station (the gas-fired Taranaki Combined Cycle plant). With a stronger renewable portfolio after merging with Manawa, Contact will be better positioned to retire or convert this plant and rely less on it except in emergency peaks. Indeed, Contact has been signaling moves to reduce its thermal output as new capacity comes online. The merger makes that strategy more feasible by plugging the gap with Manawa's renewables. A reduction in thermal generation means lower carbon emissions from the electricity sector. This is a major environmental win: less CO_2 and pollutants like NOx and SO_2, contributing to cleaner air and NZ's climate commitments.
- **Energy Efficiency and Demand Response:** A larger company can also invest in demand-side initiatives that help the environment. For instance, Contact-Manawa might implement programs to incentivize customers to use power in off-peak times or invest in

energy efficiency upgrades. While these are indirect, they reduce strain on generation and maximize use of renewable output (minimizing the need for fossil peaking plants). Environmental leadership often involves encouraging efficient energy use, which a well-resourced retailer like Contact can pursue more vigorously post-merger.

Scale for Green Innovation: The combined firm will be a national leader in renewable energy simply by virtue of its asset base. This leadership role also means it can be at the forefront of **green innovation**:

- The merged entity could pilot large-scale **energy storage** (like battery farms) attached to its renewable projects, helping to solve intermittency issues. Successful integration of storage would pave the way for more renewables nation-wide by providing a model for balancing the grid without emissions.
- It could explore emerging technologies such as **green hydrogen production** during periods of surplus renewable generation. While experimental, if Contact-Manawa produces hydrogen from excess wind power, for example, it could provide zero-carbon fuel for industrial or transport use, expanding decarbonization beyond the electricity sector.
- With enhanced capabilities, the company can engage in comprehensive **environmental management** of its generation sites – for example, improving river ecology around hydro schemes, partnering with local iwi and communities on sustainability projects, and ensuring new projects have biodiversity enhancement plans (like restoring native vegetation around wind farms). A bigger company has the resources to invest in such co-benefits.

Renewables Leadership and Reputation: On the world stage, the merged Contact-Manawa could become one of the largest antipodean renewable energy companies. This enhances New Zealand's reputation for clean energy. We have seen how countries often have "champion" companies driving the transition – e.g., Denmark has Ørsted, Spain has Iberdrola – which not only transform their domestic energy landscape but also influence global best practices and sometimes export their expertise. Contact-Manawa can be a **champion for NZ**, demonstrating how to run a grid predominantly on renewables and manage the challenges that come with it. Its success can inspire confidence for policymakers to push towards the 100% renewable goal, knowing a key market player is aligned with that mission.

From an environmental regulatory perspective, a merged company might also be easier to monitor and guide. Instead of dealing with multiple smaller entities, regulators and the government can work closely with a few big players to achieve environmental outcomes (e.g., agreements on coal or gas phase-out timelines, collaboration on national EV charging infrastructure, etc.). Contact already participates in such dialogues; with Manawa's assets included, it can take on even more responsibility for sector-wide environmental performance.

Sustainable Finance and Investment: The financial community increasingly emphasizes ESG (Environmental, Social, Governance) performance. A larger Contact-Manawa focused on renewables could attract **green financing**, like green bonds or sustainability-linked loans, at favorable rates. This would further lower capital costs for renewable projects (as discussed earlier) and create a virtuous cycle of green investment. It also sends a strong message that New Zealand's energy sector is moving decisively away from fossil fuels. Investors globally are divesting from coal and even gas in favor of renewables; having a major NZ company that is nearly all-renewable post-merger ensures continued access to capital and perhaps an influx of climate-focused investment funds into New Zealand.

Environmental Monitoring and Compliance: Merging operations allows for harmonizing and potentially improving environmental compliance processes. Both Contact and Manawa have to adhere to resource consent conditions, environmental regulations for their plants, etc. The merged firm can combine the best practices of each. For instance, if one had an excellent water management regime for hydro flows and the other had strong geothermal emission controls, collectively they can implement the highest standards across all operations. This could lead to better outcomes such as improved river health below hydro dams, reduced geothermal emissions (like hydrogen sulfide), and superior land management around solar farms. The environment benefits when companies share know-how and standardize to the most rigorous methods.

Community and Iwi Engagement: Environmental leadership also extends to working with communities, particularly Māori iwi/hapū, on guardianship (kaitiakitanga) of natural resources affected by energy projects. Both Contact and Manawa have relationships with local iwi where their assets are located. The merged company can deepen these partnerships, perhaps establishing joint environmental management committees or trust funds for river restoration, etc. The scale of the company means it could support larger community environmental initiatives – strengthening social license to operate and ensuring developments proceed in an environmentally respectful way. Such engagement ensures that renewable projects are developed not just fast, but *right*, balancing environmental, cultural, and social values.

Climate Resilience: Another angle is that a diversified renewable-rich company contributes to climate change **resilience**. As extreme weather events become more common (floods, droughts, storms), having robust renewable infrastructure and an adaptable generation mix will help maintain supply through those events without resorting to emergency fossil generation or load shedding. The merged company's ability to shift generation and invest in grid resilience is part of environmental leadership – it's preparing the energy system for climate impacts.

In summary, the Contact-Manawa acquisition will cement the combined company as a leader in the fight against climate change and in promoting sustainable energy:

- It **dramatically scales up renewable energy capacity**, directly reducing greenhouse emissions and supporting NZ's renewable electricity targets.
- It hastens the **phase-out of fossil fuels** in NZ's electricity generation, cutting carbon emissions.
- It provides a platform for **innovation in clean energy technologies**, benefiting the environment beyond just adding renewables.

- It enhances **environmental governance**, ensuring high standards in how energy projects coexist with nature.
- It aligns the commercial strategy of a major energy provider with **New Zealand's environmental goals**, which is a powerful alignment of private and public interests.

The merger, therefore, is not only an economic or competitive event but a significant environmental milestone. Approving it would send a signal that New Zealand is committed to enabling the transformations needed to secure a sustainable energy future.

Addressing Competition Concerns

A critical part of this submission is to directly address the **competition concerns** raised by the Commerce Commission and other stakeholders regarding Contact's proposed acquisition of Manawa. We understand that the Commission's mandate is to ensure that the merger will **not substantially lessen competition (SLC)** in any market. In this section, we discuss each of the key competition issues identified – including the wholesale electricity market dynamics, hedge contract market, and the potential for coordinated effects – and provide reasoning and evidence for why these concerns can be mitigated or are outweighed by pro-competitive effects. Our goal is to demonstrate that the merger will **preserve a healthy competitive environment** while delivering the aforementioned benefits.

Market Structure Post-Merger: After the merger, the generation market will still have at least four major players – Meridian Energy, Genesis Energy, Mercury Energy, and the combined Contact-Manawa – plus several smaller generators (such as Tilt/Genesis's wind JV, Nova Energy, various industrial co-generators, and new independent renewable entrants). Contact-Manawa would control roughly **24% of national generation capacity** (Beckford, 2025), making it the second-largest generator behind Meridian (which has about ~30% share). Mercury and Genesis each have on the order of 15-20% shares when considering their hydro, wind, thermal holdings. This means the merged firm does not obtain a dominant position; it remains one of a few comparably sized competitors. The **Herfindahl-Hirschman Index (HHI)**, a common measure of market concentration, will increase modestly with this merger (because two players combine), but New Zealand's power generation HHI will still be in a range consistent with an oligopoly of 4-5 firms rather than a tight monopoly or duopoly. Many electricity markets worldwide function competitively with a similar structure (for instance, the "Big 4" in Australia's National Electricity Market, or the Nordic power market dominated by a handful of large utilities).

Hedge Contract Market: One specific concern is the supply of hedge contracts (electricity derivatives that retailers use to lock in prices). The Commission noted the merged entity could have the ability and incentive to **withhold hedge contracts** during tight supply periods, potentially squeezing independent retailers (Beckford, 2025). It's important to recognize that even after the merger, **Contact-Manawa will have business reasons to continue actively selling hedge contracts**:

- The merged company will have more generation than its own retail demand (since Manawa had no retail, those MWh were always sold via contracts or spot). To manage its risk, it will want to contract a good portion of that generation in advance rather than be exposed 100% to volatile spot prices. This aligns its incentives with offering hedge products.
- If Contact-Manawa tried to restrict hedge supply to harm competitors, it would also be harming itself by forgoing guaranteed sales and revenue. Meanwhile, its large competitors (Meridian, Genesis, Mercury) could step in to provide hedges and capture market share from any retailers or customers that Contact-Manawa left unserved. In essence, an attempted foreclosure strategy could backfire by ceding ground to rivals.
- New Zealand's Electricity Authority has a **market-making scheme** in place for electricity futures: the big generators are obligated to post buy/sell offers on the ASX electricity futures market to ensure liquidity. Contact is already a participant in this; post-merger, Contact-Manawa would continue to have these obligations, which ensures a baseline of hedge contract availability to the market. This regulatory mechanism addresses the risk of low liquidity.
- Furthermore, Contact has publicly committed to supporting independent retailers' hedging needs, as evidenced by the statement *"access to hedging adds resilience and supports independent retailers"* (Contact Energy, 2024). The Commission could, if it deemed necessary, accept an undertaking or condition from Contact-Manawa to maintain or even increase hedge contract offerings (for example, a commitment to auction a certain amount of hedge cover annually). Contact-Manawa would likely agree to such measures because its business model can accommodate them.

Wholesale Price Influence: Another concern is whether the merged company can **exercise market power to raise spot prices**. This could happen if a generator withholds output to create scarcity and drive up prices. However, given a 24% market share, Contact-Manawa alone cannot set the price in most situations without cooperation from others:

- New Zealand's electricity system is largely merit-order driven: at any half-hour, all generators offer their available capacity and the cheapest offers get dispatched until demand is met, setting the price at the margin. Contact-Manawa will certainly be a significant player in setting offer prices for its generation. But if it tries to hold back cheaper generation to spike the price, other generators have strong incentives to fill the gap (because they would profit from the higher price by generating more). For example, Meridian's extensive hydro can often increase output if prices rise; Genesis has fast-start peaking plants it would run if profitable. The interdependency in the system acts as a check.
- Contact-Manawa will also have a large retail book to supply. Artificially raising spot prices would hurt its retail side (since they buy at spot for any shortfall and higher prices reduce retail margins). Typically, gentailers aim for stable prices rather than extreme highs, which can actually be damaging overall (leading to political intervention or demand destruction).
- Historical evidence in NZ doesn't show unilateral withholding by firms with similar market shares; rather, price spikes have correlated with genuine scarcity (e.g. low hydro lake

levels, gas shortages). With the merger set to improve resource adequacy (through new renewables and diversified supply), the frequency of genuine scarcity should reduce, thereby *lowering* the incidence of high-price periods.
- If concerns remain, the Commission and the Electricity Authority have tools to monitor and discipline any exercise of market power. The Authority's monitoring unit can investigate anomalous bidding (they have done so in the past). The threat of regulatory sanctions or forced divestment if a company were caught manipulating the market is a strong deterrent.

Potential for Tacit Coordination: In a more concentrated market (four big gentailers instead of five), some worry about coordinated effects – the big players might find it easier to **tacitly collude**, maintaining higher prices without explicit agreement. However, there are factors in NZ's market that mitigate coordination risks:

- The gentailers have different asset mixes and financial positions, leading to different incentives. For instance, Meridian (100% renewable with no thermal backup) is motivated to keep market confidence high to avoid political interference (given it's government-majority owned), and might flood the market in wet years to keep prices moderate. Genesis, with thermal assets, has different cost structures. These asymmetries make stable coordination on price more difficult, as each firm's optimal output differs by situation.
- The market is transparent and prices are known to all; deviating from a collusive understanding (by undercutting prices to gain more market share or more sales) can be very tempting for each firm, so maintaining discipline is hard without explicit collusion (which is illegal and not suggested here).
- New entry remains a possibility: New Zealand has seen new independent generators (like Alpine Energy's new solar projects, or international firms interested in wind). If incumbents keep prices high, that only attracts more entry over time (because high prices signal profitable opportunity). Knowing this, the big firms have to remain competitive.
- The presence of the **aluminum smelter (Tiwai Point)** as the single largest load in the country is another factor: its future is uncertain, and if it closes, the market will be oversupplied and intensely competitive to find demand for excess generation. The prospect of such an event (currently slated for end of 2024 unless extended) keeps generators cautious about not inflating prices, as they may soon be in a buyer's market. While Tiwai's fate is a separate matter, it underlines that the market environment is dynamic; it's not one where firms can sit back and raise prices without consequence.
- Coordination concerns are valid in theory, but in practice, the Commission can look at comparable markets: for example, after Trustpower exited retail and became Manawa (pure generator) selling to others, did competition weaken? Mercury took over Trustpower's retail; we still have 4 big retail players and numerous small retailers. Prices in recent years have been influenced more by fuel conditions than market structure. This merger doesn't reduce the number of retail competitors at all, and reduces the number of generator companies by one, but that company (Manawa) was smaller. It's a change from 5 to 4 main sellers. Many markets function with 4 rivals without collusion (telecom

providers, banks, etc., albeit with oversight). We believe robust monitoring and the threat of new competition (and customer pushback) will prevent coordinated anti-consumer outcomes.

Pro-Competitive Effects: It’s also important to highlight potential **pro-competitive effects** of the merger:

- A more efficient Contact-Manawa can put pressure on other gentailers to also become more efficient and potentially merge or innovate. This “competitive response” can lead to a more efficient sector overall. If, for example, Genesis and Mercury feel more heat, they might invest in new tech or improve their offers, which benefits consumers.
- Contact-Manawa could introduce new retail products (as discussed in Customer Benefits) – forcing others to match. Competition in services and product offerings could increase, even if the number of competitors is slightly reduced.
- By securing Manawa’s assets, Contact prevents them from potentially falling into the hands of a competitor which might have led to a different consolidation scenario. For instance, had one of the other big gentailers bought Manawa, the balance of market power might tilt differently. Contact buying Manawa keeps the competitive landscape balanced (Contact was arguably fourth of four; this move strengthens it, but not past Meridian’s dominance, maintaining a multi-firm scenario). Essentially, the merger keeps **four strong competitors** in play rather than risk a scenario of three if Contact didn’t buy Manawa and another did eventually.

Mitigations and Safeguards: If the Commission remains concerned, there are avenues to ensure competition is safeguarded:

- **Undertakings:** Contact could undertake to divest or ring-fence certain assets if needed (though we argue this is not necessary, as the case for SLC is weak). For example, an undertaking to grant access to some of Manawa’s generation to independent retailers via long-term contracts could alleviate fears of foreclosure.
- **Monitoring:** A post-merger monitoring regime for hedge contract pricing and availability could be instituted for a period, with a review after, say, two years to ensure the merged entity is behaving competitively.
- **Regulatory tools:** The Commerce Commission and Electricity Authority retain powers to intervene if competition degrades – from market studies (Commerce Commission has done one on retail competition already) to specific regulatory rules in the Electricity Industry Act.

However, after careful analysis, our position is that **substantial lessening of competition is unlikely**:

- The retail market remains **workably competitive**, with numerous choices for consumers and a merged Contact-Manawa incentivized to behave competitively.
- The wholesale market remains **structurally similar** to today’s, with at least four major price-makers; no single firm can dictate outcomes unilaterally under normal conditions.

- The merger's efficiency and investment benefits will, in fact, put downward pressure on prices and improve supply, which is a dynamic competitive benefit that should be weighed in the analysis (if this were an authorisation case, those public benefits would be significant; under a clearance, they underscore that any theoretical lessening is offset by real gains that keep the market contestable and robust).

In conclusion, while we acknowledge the Commission's concerns, we have shown that each is manageable and that the merged Contact-Manawa will continue to operate in a competitive landscape that protects consumers. We believe the **net effect on competition is neutral to positive**:

- Neutral in that the market will still have multiple competitors and rivalry remains intense.
- Positive in that the new entity can enhance market stability and provide more certainty to smaller players (through hedges), facilitating their ability to compete.

Thus, we respectfully submit that the Commission can be satisfied the merger is unlikely to substantially lessen competition in any market. The acquisition can therefore be cleared under the Commerce Act, paving the way for the benefits described in this submission to be realized.

Counterarguments

In any major merger proposal, it is important to consider and address counterarguments and concerns raised by stakeholders. We have already covered competition-related counterarguments in the previous section. Here, we address a few **additional counterarguments** that may be put forward by critics of the Contact-Manawa acquisition, and provide responses to each:

- **Counterargument 1: "Mergers lead to job losses and corporate focus on profits over people."**
  Response: While it is true that mergers can involve restructuring, the aim of this acquisition is growth and investment, not cost-cutting at the expense of employees. As discussed, any roles that do become redundant in corporate overlap are expected to be minimal and managed humanely. Moreover, the net effect of the merger will be job-positive due to new projects. The merged company's focus on building renewable assets and improving operations will create *more* employment opportunities in construction, maintenance, and support services than it might trim in office roles. International research suggests that if a merged firm achieves efficiencies through scale and best practices, it can avoid heavy redundancies (Beloucif & Vairavasundaram, 2004). Contact Energy has a strong track record as a fair employer and will continue to value its workforce. A healthier, expanding company is ultimately good for employees' long-term prospects, providing more career growth and development opportunities than two smaller, potentially resource-constrained firms.

- **Counterargument 2: “Contact could invest in renewables without buying Manawa – why merge?**
  Response: Contact Energy indeed could pursue projects alone, and Manawa could seek funding to build its pipeline independently. However, the pace and scale of investment would likely be lower. Manawa as a standalone might face capital limitations or higher financing costs, slowing its developments. Contact might prioritize projects with lower risk or more immediate return, possibly skipping some opportunities that Manawa has ready. The **merger accelerates action** by combining Manawa’s ready projects with Contact’s capital and execution capability. It also avoids duplication – rather than two separate companies each building separate wind farms or competing for the same PPAs (power purchase agreements), the merged firm can optimize and schedule projects in a coordinated way for the national benefit. The synergy $33–48m/year in savings (Sunny, 2024) can be redirected into building more megawatts of renewables. In short, while each could invest alone, together they can invest *more and faster*. The merger also removes any uncertainty for Manawa’s future; as part of a larger entity, all its development options can be considered in a broader generation strategy for NZ, rather than possibly languishing due to lack of scale.

- **Counterargument 3: “Less competition might reduce innovation pressure.”**
  Response: It’s sometimes argued that companies innovate more when they have to compete vigorously. With one less competitor, will Contact-Manawa still innovate? We assert yes – perhaps even more so. Firstly, the merged company’s larger size and resource pool will *enable* more innovation investment (as noted in the Infrastructure & Innovation section). Secondly, competition in the NZ electricity market remains intense (three other big gentailers to outdo, plus the threat of new entrants like solar farms and battery projects by others). Contact-Manawa will strive to distinguish itself through innovation to gain an edge. For example, if it can develop superior demand response services or more efficient turbines, it will attract customers or generate at lower cost, respectively – direct competitive advantages. Also, given the public and regulatory scrutiny on such a large company, Contact-Manawa will have reputational incentives to lead in innovation (to show the merger benefits are being realized). Thus, we foresee no slackening of innovation; if anything, the firm’s enhanced capabilities and the ongoing competitive environment will drive a **virtuous cycle of innovation**. Case in point: after mergers in other tech-driven sectors, the new entities often increased R&D spending to leverage their combined strengths (because they could afford bigger initiatives). We expect a similar outcome here, especially in clean technology and customer solutions.

- **Counterargument 4: “Risk of too much power in one company – what if it fails or makes a bad call?”**
  Response: Concentration risk – the idea that having a lot of generation ‘eggs’ in one corporate basket might be risky if that company mismanages or faces financial distress – is a theoretical concern. However, Contact Energy is a stable, publicly listed company with strong governance and oversight. By acquiring Manawa, its financial base actually becomes larger and more stable (with more diverse revenue streams), making failure

less likely, not more. The combined entity would have a BBB credit rating with stable outlook (Contact Energy, 2024), indicating solid financial health. Additionally, regulation in NZ (by both the Commerce Commission and Electricity Authority) ensures that if a big gentailer were to behave irresponsibly, there are mechanisms to protect consumers and the system (for instance, in extreme cases, regulations could require asset sales or ring-fencing). But such scenarios are highly unlikely given the profitability and essential nature of the electricity business. Essentially, having assets under one roof doesn't introduce new systemic risk – the assets (power plants) will still operate and produce electricity as needed, regardless of ownership. If anything, operational decision-making might improve under one roof (e.g., one control center optimizing all generation versus fragmented decision-making). The sector's critical infrastructure will continue to be subject to oversight like regular grid reliability standards and resource consent compliance, which don't change with ownership. In the end, the **public interest is safeguarded** by both the company's self-interest in staying financially sound and the regulators' watchful eye.

- **Counterargument 5: "Local communities may lose a local touch."**
  Response: Manawa Energy has roots in Trustpower, which had strong community ties, especially in regions with its hydro schemes. There could be fear that once absorbed by a larger corporate (Contact, headquartered in Wellington), those local relationships or the agility to respond to local issues might weaken. In response, Contact Energy has a good record of community engagement around its geothermal and hydro operations (e.g., in Taupō and Clyde communities). The company will carry forward Manawa's community programs and likely integrate the best practices of both. Contact has already indicated that it intends to retain a presence in regions like Tauranga (where Manawa is based) and continue the relationships with local stakeholders (Contact Energy, 2024, noted continuity plans such as bringing Manawa's Chairman onto Contact's board, which suggests respect for Manawa's legacy and stakeholders). Rather than diminishing community focus, the merged firm can bolster it by having more resources to devote to community funds, environmental initiatives, and local sponsorships. We anticipate Contact-Manawa will honor all existing community commitments Manawa had and possibly expand community engagement as part of demonstrating the positive impact of the merger.

Each of these counterarguments has been carefully considered. Our analysis shows that the **benefits of the acquisition are compelling and the potential downsides can be mitigated or are unlikely to eventuate**. We have provided reassurances and where possible, evidence, that the common concerns – whether about competition, jobs, innovation, or community impact – can be satisfactorily addressed. The merged Contact-Manawa will be motivated to prove skeptics wrong by delivering on its promises: investing in renewables, keeping prices in check, and acting as a responsible market participant and corporate citizen.

Conclusion

In conclusion, the proposed acquisition of Manawa Energy by Contact Energy is a strategically sound and economically beneficial move that promises to deliver wide-ranging positive outcomes for New Zealand's energy sector and the public. Through this detailed submission, we have articulated the key reasons why the Commerce Commission should grant clearance for the merger:

- **Enhanced Efficiency and Scale:** The combined company will achieve economies of scale that lower operating costs and improve efficiency. These gains (including an estimated NZ$33–48 million in annual synergies) strengthen the company's competitiveness and create room for better customer pricing and service.

- **Greater Infrastructure Investment:** By uniting Contact's resources with Manawa's project pipeline, the merger unlocks accelerated investment in critical renewable energy infrastructure. This will help New Zealand meet its future electricity needs and climate targets more quickly and reliably, as the merged firm brings new wind, solar, and other clean energy projects online.

- **Improved Risk Management:** A more diversified generation portfolio means a more resilient electricity supply. The merged Contact-Manawa can better withstand dry years and other supply shocks, ensuring stable output and honoring contracts even under adverse conditions. This reliability benefits the entire market and consumers who depend on uninterrupted power.

- **Customer Benefits:** Consumers are expected to gain from the merger in the form of more stable and potentially lower long-term prices, as well as improved products and service. The combined entity's efficiencies and robust generation position will foster competitive pressure in retail and expand the availability of hedge contracts that protect consumers from volatility.

- **Economic and Employment Gains:** Far from just a corporate re-shuffle, this merger will stimulate economic activity and job creation. It paves the way for thousands of job-years in constructing new energy assets across New Zealand and creates lasting skilled positions to operate them. Regional economies will especially benefit from the influx of investment and employment.

- **Environmental Leadership:** The acquisition aligns perfectly with and accelerates New Zealand's transition to a sustainable energy future. It will result in significantly more renewable generation, reduced greenhouse emissions, and bolsters Contact-Manawa as a national champion in renewable energy and innovation. This positions New Zealand as a leader in green energy on the world stage and hastens progress towards our 100%

renewable electricity aspiration.

- **Maintained Competition:** After thorough analysis, we conclude that the merger will not substantially lessen competition. The electricity market will continue to have multiple strong players and safeguards in place. We have addressed the Commission's specific concerns about hedging, wholesale pricing, and coordination, demonstrating that workable competition will persist and may even be enhanced in certain aspects by the efficiencies and commitments of the merged firm.

Balancing all factors, the **public benefits of the Contact-Manawa merger are compelling and outweigh any perceived detriments**. International case studies and economic reasoning support the view that such mergers, when executed in a balanced market and accompanied by responsible conduct, lead to positive outcomes like improved investment and often neutral or improved competitive dynamics.

Our final recommendation is that the Commerce Commission **approve the clearance for Contact Energy's acquisition of Manawa Energy**. We believe this merger meets the legal test – it is unlikely to substantially lessen competition – and moreover, it serves the public interest by empowering a New Zealand company to deliver cleaner, more reliable, and more affordable energy.

The post-merger Contact Energy will be a company better equipped to tackle the challenges of the future: ensuring security of supply in an electrifying economy, combating climate change by investing in renewables, and fostering innovation in the energy sector. Consumers, communities, and the New Zealand economy stand to gain significantly from these advancements.

We appreciate the Commission's careful consideration of this submission. We are confident that with appropriate oversight and the voluntary measures the company is prepared to undertake, any concerns can be managed, allowing New Zealand to reap the benefits of this landmark energy sector development. The evidence and arguments presented herein collectively make a strong case for a positive decision. We urge the Commission to grant clearance and enable Contact and Manawa to move forward as a united force for the betterment of New Zealand's energy landscape.

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