
New Tiwai Electricity Contracts

Brigid McArthur and Vimal Nair have recently completed for Rio Tinto and New Zealand Aluminium Smelters a suite of new 20-year electricity contracts, including ground-breaking demand response contracts.

The new deal ensures the Tiwai Point aluminium smelter remains open after years of uncertainty around its future, a massive relief for employees, Southland and Tiwai's many stakeholders.

This uncertainty has long unsettled NZ energy markets and deterred investment in new renewable generation.

The overall deal replaces NZAS' previous Electricity Agreement with Meridian Energy, a long-term contract for differences providing NZAS with hedge cover for up to 572 MW.

Under the new arrangements, hedge cover for up to 572 MW in aggregate is provided by three different generators (Meridian Energy, Contact Energy and Mercury NZ) through a portfolio of different CfDs. The challenge was to ensure the rights and obligations, risks and operational management of the different contracts work alongside each other seamlessly, having regard to the separation between them.

NZAS is the country's single largest electricity consumer, taking around 13% of NZ's electricity supply. The new deal also includes separate contracts with Meridian and Contact that enable them to call on NZAS for various different tranches of demand response. In effect, NZAS can be required to dial back production when there is a shortage of power in the grid. The smelter therefore acts as a battery for the NZ electricity system, ensuring the lights are kept on when NZ needs it most.

Specialist Expertise

Energy & natural resources

Key lawyers involved

Brigid McArthur

Vimal Nair