



NORTH BANK TUNNEL PROJECT

STATEMENT FOR EXPRESSION OF INTEREST

for

Engineering Feasibility Study

Contract No. ME-GRD8019

4 December 2008

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1. INTRODUCTION

The purpose of this document is to provide information to consultants to enable them to submit a formal Expression of Interest (EOI) in participating in a tender process for the

Engineering Feasibility Study for the North Bank Tunnel Project (NBTP).

Interested parties are invited to register their interest in tendering for the role of Consultant to provide an Engineering Feasibility Study required for the next development stage of the North Bank Tunnel Project; a hydro electricity project located in the South Island of New Zealand. The Information to be submitted for the EOI is outlined in Section 9.

The EOI process will result in the selection of a shortlist of three or possibly four tendering consultants or consultant consortia and invite them to participate in a more detailed Request for Proposal (RFP) process. Meridian will evaluate the proposals submitted by the consultants; ultimately selecting one consultant to carry out the work.

2. ABOUT MERIDIAN ENERGY LTD

Meridian Energy Limited (Meridian) is the largest electricity generator in New Zealand, contributing approximately 33% of the nation's annual electricity production, generating over 12,000 GWh per annum. It also retails electricity to 230,000 customers throughout New Zealand. Meridian uses sustainable natural resources to generate its electricity: water, wind and biomass. It operates nine South Island hydro stations, eight in the Waitaki hydro scheme and New Zealand's largest hydro power station at Manapouri (840MW). Meridian also has two operational wind farms and is actively developing and constructing further wind farms and hydro energy projects.

As a State Owned Enterprise Meridian is ultimately owned by all New Zealanders but operates as a commercial enterprise. It invests millions of dollars each year on maintaining its generation assets in peak condition, which are crucial for the ongoing growth and prosperity of the New Zealand economy. Meridian began operating in April 1999 and was formed from the final split of ECNZ into three generating/retailing components.

The Meridian group of companies has a strong balance sheet and assets of more than NZ\$4.3 billion. Further information on Meridian is available via its website located at www.meridianenergy.co.nz.

3. PROJECT DESCRIPTION

The North Bank Tunnel Project is a hydro generation proposal located on the lower Waitaki River in the South Island of New Zealand. The river has a mean flow of approximately 378 m³/s. The scheme proposes to take water directly from an intake portal in the existing Lake Waitaki immediately upstream of the existing Waitaki Dam. The Waitaki Dam is 21m high and is the most downstream Meridian hydro asset on the Waitaki River. It currently passes all flows through a power station and, during high flow events, over a spillway. NBTP will divert a significant proportion of these flows by way of a tunnel, before being discharged back to the lower Waitaki River. A power station will be configured with the tunnel, either upstream (underground) or downstream (at the surface), to utilise the diverted flow and head for electricity generation (refer to Figure 1).

Studies Undertaken to Date

To date Pre-Feasibility engineering work has been completed. This work has included an engineering and overall project risk assessment, preliminary geologic mapping, focussed aerial electromagnetic surveys and a number of pre-feasibility design studies. In addition, a detailed assessment of the environmental effects of the project has been conducted. This and the above-described Pre-feasibility engineering work, has allowed Meridian to apply for, and be granted, interim water-only

resource consents (i.e. permits to divert and use the water) from Environment Canterbury. For this project, Meridian elected in the first instance to obtain water-only permits which essentially provide access to the “fuel” for the scheme. Land use consents (i.e. permits to construct and operate the scheme) are still required and need the outcomes from the proposed Engineering Feasibility Study to allow them to progress.

Although much of the engineering effort has been desk-top based, the geological materials within the project corridor occur throughout New Zealand and some information is available on their likely behaviour. Pre-engineering studies, geological information and risk assessments have been used to identify significant project issues that will need to be addressed in greater detail as part of a Feasibility Study. These include, but are not limited to, defining the optimum location of the power station, tunnel alignment, tunnel diameter and construction methodology.

A report entitled *North Bank Tunnel Project - Summary of Pre-feasibility Study* that provides a summary of the engineering reports completed to date is available to potential tenderers via the internet at <http://www.meridianenergy.co.nz/OurProjects/NorthBankTunnel/> along with other background information on the project and water-only resource consent applications. Information on Meridian’s existing generation assets, including Waitaki Dam, can be found at <http://www.meridianenergy.co.nz/AboutUs/PowerStations/>

Scheme Concept

Based on the work to date the power station is likely to be either an upstream underground power station close to the Waitaki Dam, or a downstream ground-level power station at the outfall location. With a 34 km tunnel approximately 125 m of head would be available for hydroelectricity generation. Refer to Figure 1 for an indicative route for the North Bank Tunnel Project (NBTP). The current proposed design flow of the NBTP system is 260 m³/s, with an annual average flow of about 211 m³/s.

The current proposed capacity of the Project is approximately 260 MW (depending mainly on the final optimum tunnel diameter chosen) and would generate an average, additional, annual energy of between 1100 and 1400 GWh. This is, in essence, the net energy that will be generated by passing the water through the North Bank Tunnel scheme (with approximately 125m head) rather than through Waitaki power station (with 21 m head). The NBTP will generate 4 to 5 times more energy from the same water compared to the Waitaki Power Station by creating more head. If the NBTP is commissioned Waitaki Dam will continue to operate, passing environmental flows to the lower river, although average flows will reduce from 378 m³/s to 167 m³/s.

Meridian's investigations described above and completed to date have shown that there is potential for a viable tunnel concept. Meridian intends to progress this Project by means of undertaking an Engineering Feasibility Study. However, potential tenderers should not assume that the completed work represents any scheme preferences on the behalf of Meridian Energy. Meridian is seeking tenders from consultants or consultant consortia who will bring an open minded and fresh approach to this project.

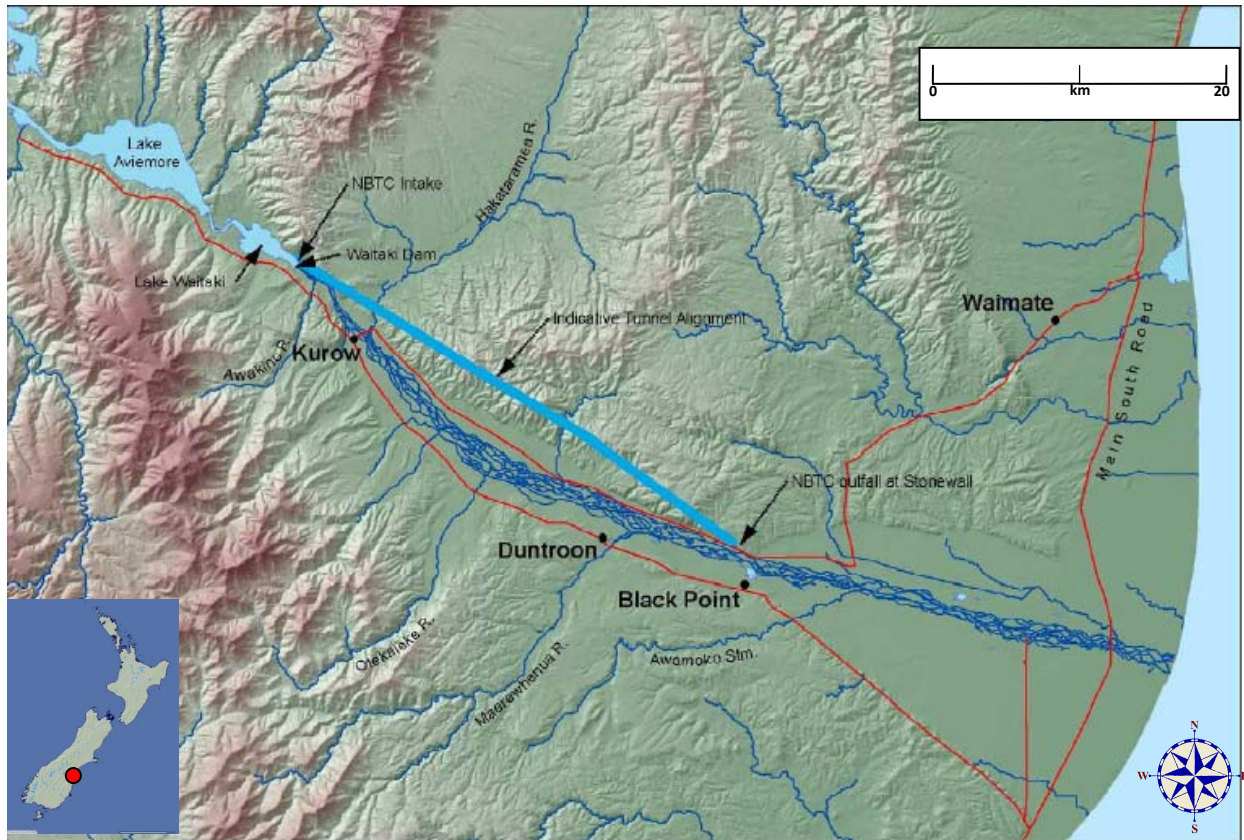


Figure 1: Indicative Alignment of North Bank Tunnel Project

4. MERIDIAN’S EXPECTATIONS

Meridian’s expectation is to form excellent working relationships with an Engineering Feasibility Study Consultant that commits to delivering a high quality design to an agreed cost and delivery schedule.

In particular Meridian expects the Consultant to:

- Provide “world - class” expertise and demonstrated commitment in the development of the North Bank Tunnel Project;
- Work collaboratively and openly with Meridian in the feasibility level design development;
- Adopt best practices standards for feasibility level design of the North Bank Tunnel Project;
- Pursue and commit to quality and value outcomes;
- Provide leadership during the Feasibility Study stage; and
- Meet Meridian’s key milestone schedule.

5. DESCRIPTION OF PROPOSED RFP PROCESS

The EOI process will identify the consultants which will be shortlisted to receive a Request for Proposal (RFP). The following process is envisaged by Meridian:

1. Issue an EOI to selected consultants and evaluate the responses received.
2. Issue a Request for Proposal (RFP) for the Engineering Feasibility Study to three or possibly four shortlisted submitting organisations.

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3. Evaluate the responses to the RFP and identify the consultants to attend selection interviews.
 4. Evaluate responses following the interviews and select the Consultant.
 5. Enter into a consultancy services contract for the Engineering Feasibility Study based on the NEC3 Professional Services Contract, June 2005 (with amendments June 2006).

6. INDICATIVE TIMING

The dates shown are indicative only and Meridian may decide to amend some or all at its sole discretion.

| Activity | Date |
|--|------------------|
| Close of EOI submission period | 9 February 2009 |
| Issue RFP to shortlisted consultants/ consultant consortia | 27 February 2009 |
| Close RFP submission period | 27 March 2009 |
| Interview selected consultants | 20-24 April 2009 |
| Select Engineering Feasibility Consultant | 8 May 2009 |

7. FEASIBILITY STUDY OBJECTIVES AND PROCUREMENT PROCESS

The primary objectives of the Feasibility Study are identifying: the preferred option for the project; the viability of the preferred option; and to provide reliable input to the applications to be made for land-use consents (i.e., permits to allow the project to be constructed and operated).

The following will be required:

- Carry out geotechnical investigations, material testing and base line reporting (Geotechnical Data Report and Geotechnical Baseline Report).
- Perform feasibility level design of the scheme layout and individual structures based on investigation data collected as part of this study including 'whole of life' and other scheme operational issues. This includes the preparation of an Engineering Feasibility Design Report and supporting drawings.
- Update the project cost estimate and the resulting energy modelling to a level sufficiently robust to allow a decision to be made to commit the project to detailed design.
- Perform a quantitative risk assessment including a revised Risk Register Review Report
- Prepare an Engineering Description Report for Land Use Consent (permit) Application

Meridian proposes to divide the project into two stages. While the Water-only interim consents have been received it is anticipated that they will be appealed by other parties to the Environment Court. The timetable for the Environment Court hearing and decision is uncertain at this stage. In order to reduce delay in preparing and lodging land-use consents Meridian will undertake Stage 1 concurrently with the Environment Court process to ensure that critical information for decision making can be gathered while the appeal process is underway. It is anticipated that Stage 1 will provide comprehensive information for Meridian to:

- understand the viability and economics of the proposal;
- identify a preferred scheme layout; and
- pursue the land use consents.

The outcome of Stage 1 is anticipated to be an "80% Feasibility Design" including draft reports and drawings. Meridian envisages that Stage 1 will be completed in approximately a 12 month period by May 2010.

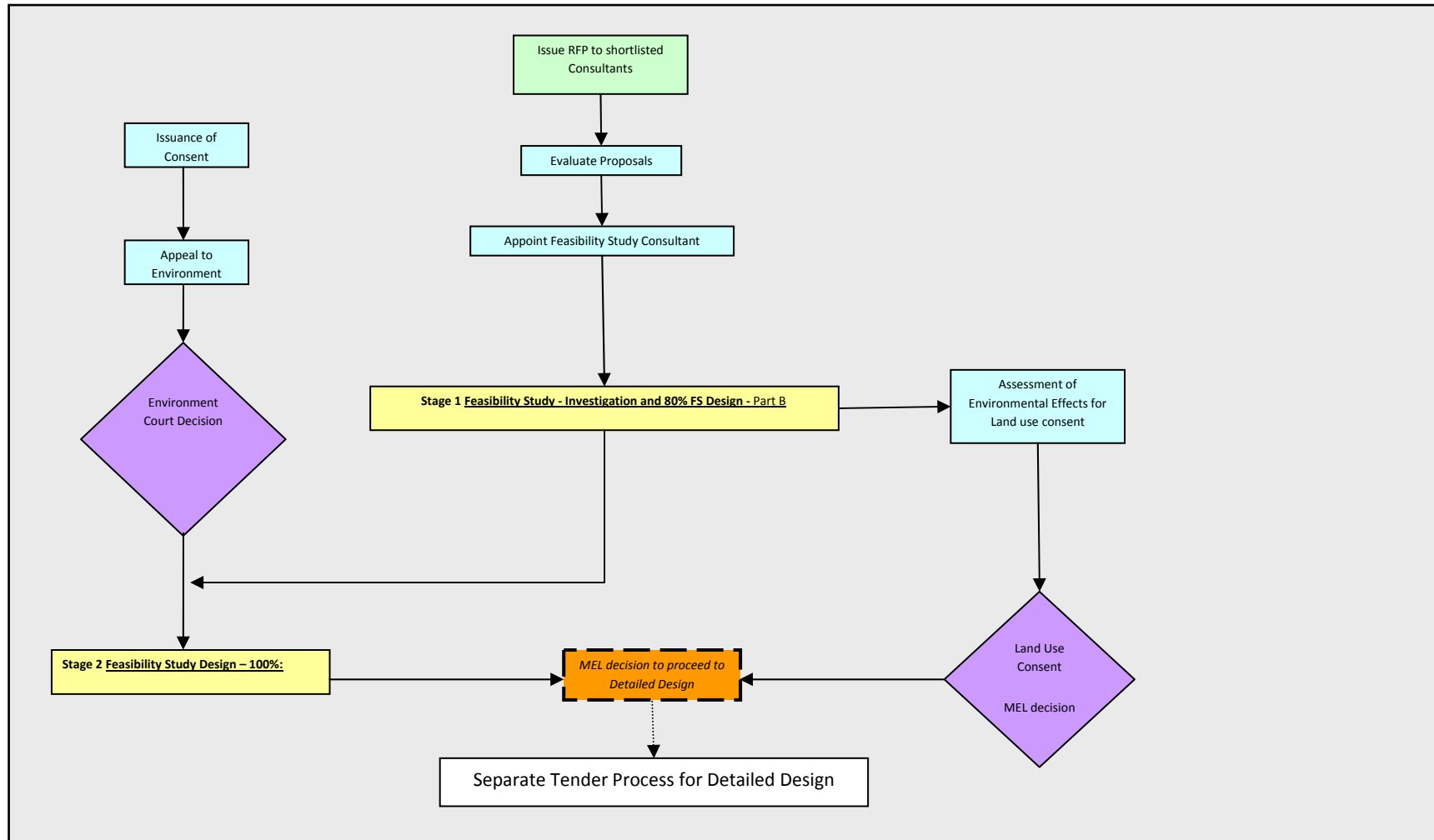
The decision to proceed to Stage 2 of the study will be dependent on Meridian being satisfied with

- the progress or outcome of the Environment Court decision; and
- the viability and economics of the project developed during Stage 1.

It is envisaged that Stage 2 may include some further investigation works, update of the cost estimate and risk register and the completion of the design and associated reports to a “100% Feasibility Design” level.

Meridian has limited ability to influence when the Environment Court hearing occurs and when a decision will be issued. For that reason Meridian may elect to delay or not to proceed to Stage 2. Figure 2 provides an overview of the feasibility study process.

Figure 2: Feasibility Study Model



8. SUBMISSION PROCEDURE

The Expression of Interest period will close at the Tender Box, 25 Sir William Pickering Drive, Christchurch, New Zealand on 9 February 2009 at 5pm. Submission shall be no more than 20 pages, (A4 size, in a minimum of 11 point Aerial font or equivalent).

Consultants shall supply five copies (four bound and one unbound copy) of their submissions together with a CD containing an electronic copy of their EOI submission. These shall be addressed to:

The Project Manager
North Bank Tunnel Project

Meridian Energy Ltd
PO Box 2454
Christchurch
NEW ZEALAND

Please mark the outside top left hand corner as:

'Expression of Interest for NBTP – Engineering Feasibility Study'

Any queries during the Expression of Interest period should be directed to Nick Eldred (Meridian Energy Water Infrastructure Development Manager) by e-mail at:

nick.eldred@meridianenergy.co.nz.

9. INFORMATION TO BE SUBMITTED

Consultants shall submit the completed Expression of Interest (EOI) form provided in the Appendix together with the supporting information requested under items a) to d) below.

The submitted documentation should be relevant to the Engineering Feasibility Study of the North Bank Tunnel Project rather than simply a company profile. The Consultant shall specify the validity period of his/her submission which is expected to be not less than ninety days.

The information requested should address the following topics:

a) Approach to Project

Describe the general approach and specific tasks anticipated to be undertaken as part of the Engineering Feasibility Study. This description should include a flow chart and exhibit key project milestones. An indicative schedule should be part of the chart. Describe the capability of your organisation to meet Meridian's expectations as outlined in Section 4.

b) Management

Describe the proposed structure of how your organisation intends to deliver the Engineering Feasibility Study within agreed time and cost constraints. Provide a proposed project organisation chart. Describe how your organisation would interact with Meridian. Identify and describe how local resources will interact and deliver required services provided by other portions of the organisation (especially if located overseas). Further describe how your organisation would resolve project delivery issues.

c) Technical Skills, Track Record and Relevant Experience

Provide information of your organisation relevant to the nature of this assignment including:

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- Consultant's expertise and experience. Include at least five short project descriptions where your firm has performed on projects of a similar type and scale. At a minimum the project descriptions should include project name, client, a brief description, consultant fees, and constructed (built) costs.
 - Consultant's track record during the last 10 years. While the information provided should relate to the type of work contemplated for the NBTP, an overall discussion of the consultant's track record should also be included.
 - Technical skills, qualifications and experience of key personnel proposed to be engaged on this assignment (link to organisation chart). The physical location(s) of key personnel must be identified and their relationship, if any, with the projects identified as part of the Consultant's expertise, experience and track record.

d) Resources

Describe the availability of resources including intended appointments of sub-consultants and/or arrangement of consultant consortia.

EOI submissions that include substantial sub-consultants, or are on behalf of consultant consortia, will need to specify how the proposed "team" arrangement will work together and, where relevant, has worked together successfully in the past. The substantial sub-consultants or consortium members, for the purposes of this EOI submission, are defined as those entities that are anticipated to provide greater than 10% of the work or will provide a "critical" element of the work.

10. EVALUATION

Meridian will only consider submissions from respondents with a track record in work of the nature and scope relevant to this assignment. Submissions will be evaluated against the attributes described in Section 9. On completion of the evaluation, Meridian will inform all submitters whether they have been shortlisted for the RFP process (refer to Figure 2).

Submissions from unsuccessful respondents will be retained by Meridian for future reference.

Details of Meridian's evaluation will remain confidential and no information thereof will be released to submitters.

11. CONDITIONS

In issuing this EOI Meridian does not accept any obligations to submitters regarding the process it will follow in selecting, in its opinion, the best suited organisation(s).

It will be in Meridian's sole and absolute discretion to:

- (a) evaluate the Expression of Interest submissions received;
- (b) select and invite consultants for the next stage, the RFP process; and
- (c) withdraw the Expression of Interest process at any time.

Each applicant, by submitting an Expression of Interest, acknowledges and agrees that:

- (a) The submission of an Expression of Interest does not, in any way, create an obligation or an agreement by Meridian to submitters on any matters in relation to the North Bank Tunnel Project.
- (b) Meridian is not obligated to enter into any contractual arrangement with any party for the North Bank Tunnel Project.

Meridian will not be responsible for any cost incurred by a submitting organisation in the preparation of their Expression of Interest or in Meridian's evaluation thereof.

No negotiations, decisions or actions shall be initiated or executed by submitters as a result of discussion with any Meridian employee or person acting for Meridian unless agreed to in writing.

No legal or other obligation shall arise between an applicant and Meridian in relation to the conduct or outcome of this process, including the RFP process, unless and until the applicant has been awarded a contract to provide the feasibility study.

12. APPENDIX - EXPRESSION OF INTEREST FORM



NORTH BANK TUNNEL PROJECT

EXPRESSION OF INTEREST - ENGINEERING FEASIBILITY STUDY

I/We (the undersigned)

.....

would like to register our interest in participating in the 'Request for Proposal (RFP)' process for the Engineering Feasibility Study of the North Bank Tunnel Project.

The information requested under Section 9 of the EOI document is appended in support of our application.

- Our application remains valid fordays [*insert if other than 90 days*]
- We confirm our acceptance of the conditions described in the EOI document

Name of Company:

Address:

.....

.....

.....
(Signature)

.....
(Date)

Name of Contact Person:

Email: Fax:

Telephone: Mobile: