Council’s wind deal comes under fire

An Invercargill city councillor has taken aim at the council over its investment in a wind generation partnership, saying it was at odds with a resolution passed last year.

Cr Ian Pottinger told councillors at a meeting on Tuesday he believed the council’s credibility had been compromised because a $9.5 million investment by Electricity Invercargill Ltd (EIL) into wind generation partnership Southern Generation had not been approved by the council.

EIL is owned by the council’s holding company, Holdco.

Last year, the council undertook public consultation after Holdco presented it with an offer for the issue of 32,350,000 shares at $1 each, proposing three options.

However, the process broke down when information was omitted from the consultation document, and after Holdco chairman and city councillor Graham Sycamore said the money could partly be used to expand forestry investments – a possibility that had not been disclosed to the public.

Pottinger said the $9.5m used to fund the Southern Generation investment was part of the additional $32.35m in uncalled capital for Holdco and was intended for the purchase of OtagoNet shares.

The OtagoNet investment was authorised by a council resolution on December 2 following a second round of public consultation. EIL announced it had entered into the Southern Generation partnership with Pioneer Generation Ltd and The Power Company Ltd last month.

Pottinger said the OtagoNet shareholding, of about an extra 3 per cent, had been purchased but then sold back to The Power Company for the original purchase price of $9.5m.

That money was then used to fund EIL’s investment in the newly formed Southern Generation, he said.

“Council has not approved EIL’s alternative energy investment in Southern Generation,” Pottinger said.

“We made a decision based on telling the public that the uncalled share capital would not be used to support alternative energy investments by EIL, but that is what has happened.”

Pottinger moved that the council seek legal advice on whether the investment was contrary to its resolution and, if so, what legal implications the council and Holdco could face.

Council chief executive Richard King said he had already sought the opinion of legal firm Simpson Grierson, but was yet to see their report.

Invercargill Mayor Tim Shadbolt seconded Pottinger’s motion, saying any questions about the legality of the council’s actions must be answered.

Councillor Lindsay Abbott said it amazed him that something like this had happened.

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