



# MAJOR ELECTRICITY USERS' GROUP

13 April 2006

Mr Roy Hemmingway  
Electricity Commission  
By email to [roy.hemmingway@electricitycommission.govt.nz](mailto:roy.hemmingway@electricitycommission.govt.nz)

Dear Roy

## **Improving confidence in security of supply information**

1. Yesterday the MEUG Executive Committee discussed strategies to improve information on security of supply risk this winter and opportunities to reduce that risk.
2. The MEUG Executive Committee accepted the Commission's assessment that the risk of blackouts this winter was small. In its opinion the more immediate risks are that suppliers exercise the opportunity to exert market power in a relatively tight supply situation, raise prices above a "competitive level" and make excessive profits. Another risk is that the government intervenes before the market itself develops and implements solutions to avoid blackouts and or price exploitation.
3. One of the most important elements in avoiding these two risks is provision of relevant, accurate and timely information. MEUG support the role of the Electricity Commission in providing information to enable buyers and sellers in the market to assess likely risks of blackouts. Public confidence in such information is hard to win and very easy to lose as events last week proved. It would do great harm if this were to occur again.
4. MEUG therefore suggest the Commission add to its communications a regular weekly explanatory note commenting on the Minzone graphs updated each Sunday and drawing attention to any major changes. This need be no more than a few sentences but would overcome the perception that the Commission makes ad hoc changes without expressly informing the market. Each time the spaghetti diagrams were updated a similar short explanatory note to assist readers interpret what is a complex graph to understand and a commentary on changes relative to the last spaghetti graph would be useful.
5. In the medium term MEUG support proposals being considered by the Commission to develop and make available more transparent model(s).

6. Consistent with the approach adopted by MEUG of keeping other interested parties informed, copies of this letter have been emailed to the Minister of Energy, Commerce Commissions and the CEO Forum Dry Winter Security Coordinator.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Matthes', written over a thin red vertical line.

Ralph Matthes  
Executive Director

cc Hon Trevor Mallard, Acting Minister of Energy  
cc Geoff Thorn, Commerce Commission  
cc Toby Stevenson, CEO Forum Dry Winter Security Coordinator