



MAJOR ELECTRICITY USERS' GROUP

14 August 2006

Hon David Parker
Minister of Energy
Parliament
WELLINGTON

Dear Minister

Suggested comprehensive review of electricity market design

At last months meeting of the MEUG Executive Committee the issue of the “comprehensive review of the electricity market design” was raised.

The Committee commented favourably on your forthright comments on this topic at the Annual General Meeting in May. I was therefore requested to inquire from you as to progress on the review.

MEUG is aware that the Electricity Commission has been working on incremental improvements to the existing market. However the review envisaged by MEUG, and I thought from your comments that you were also of this opinion, involves an objective, independent and thorough review of a market which is almost 10 years old.

It was therefore with some concern I read that the Cabinet papers released as background to the recent release of draft changes to the Government Policy Statement for the Electricity Commission noted a review of the market had already been undertaken and announcements would be made before the release of the draft New Zealand Energy Strategy. The latter is expected in September. It is presumptuous for me to completely pre-judge the outcome of your market review; however I think it fair to say that a review that has not been under-taken transparently or with any opportunity for cross-submissions will find difficulty being accepted as being robust.

MEUG urge you to re-consider establishing a process whereby an independent and comprehensive review of the market design is undertaken including an opportunity for parties to make cross-submissions on the proposals of other parties.

I would welcome an opportunity to discuss our concerns in more detail if you wish.

Consistent with the MEUG general approach of no surprises to other members of the industry, copies of this letter have been forwarded to the Electricity Commission, Commerce Commission and Generators CEO Forum for their information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Terrence Currie', is written over a thin red horizontal line.

Terrence Currie
Chairman

Copy: Mr Roy Hemmingway, Chair Electricity Commission
Ms Paula Rebstock, Chair Commerce Commission
Generator CEO Forum members