



MAJOR ELECTRICITY USERS' GROUP

16 November 2006

Jenny Walton
Electricity Commission
By email to info@electricitycommission.govt.nz

Dear Jenny

Submission on Annual Security and Reserve Energy Needs Assessment October 2006

1. This is a submission by the Major Electricity Users' Group (MEUG) on the report prepared by Concept Consulting Group on behalf of the Electricity Commission (the "Commission") titled, *Annual Security and Reserve Energy Needs Assessment October 2006*, published 19th October 2006.
2. There are some assumptions that appear to overstate Minzone forecasts, eg forced outage assumptions in section 5.3.4 appear to be overly conservative compared to overseas experience in appendix 1 of the report. Other assumptions understate some of the forecasts, eg recent advice from the Commission that Bunnythorpe to Haywards southwards flow limits should be reduced from 890 MW to 868 MW (section 6) has not been factored into the 2009 to 2015 Energy Security Assessment. These and other comments MEUG has do not make a material impact on the conclusions of the report.
3. With expected demand the Minzone for winter 2007 peaks at approximately 1,100 GWh compared to the Minzone peak this year of approximately 1,700 GWh. Therefore the security of supply risk next year is substantially less than this year. MEUG note that the report demonstrates that this conclusion is robust for two key scenarios:
 - First, a 3 month delay to the commissioning of e3p results in a relatively small increase in the peak Minzone of between 90 and 120 GWh; and
 - Second, only with an extreme demand growth assumption of 4% would the Minzone next year start to near the peak Minzone this year. MEUG believe this is an extremely unlikely scenario.
4. MEUG agrees with the recommendations in section 9 of the report that "*the Commission*:
 - a) *Confirm its earlier decision not to procure additional reserve energy contracts for 2007, but reserving the option of demand-side contracts if circumstances alter.*
 - b) *Adopt the same approach for 2008.*
 - c) *Note the longer term outlook is similar, but that this is subject to new supply assumptions and expected demand growth.*"

Yours sincerely

Ralph Matthes
Executive Director