



MAJOR ELECTRICITY USERS' GROUP

3 May 2007

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Contact Energy

Mr Murray Jackson
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Genesis Energy

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Dr Doug Heffernan
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Mr Richard Tweedie
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Mr Keith Tempest
Chief Executive
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Dear retailers

Open letter requesting advice on pass through of 19% rebate from Transpower

1. MEUG is aware that most if not all Electricity Line Businesses ("distributors") have now passed through to you collectively the 19% rebate on transmission charges that Transpower have had in place for the year ended 31 March 2007. Most of the rebate was passed through by distributors to retailers in the form of a lump sum including interest.
2. The total rebate including interest paid by Transpower was approximately \$91 million. Some of the rebate was allocated to generators and grid connected consumers. The balance, totalling approximately \$55 million, was paid by Transpower to distributors who have now passed that onto retailers. Retailers should now pass the \$55 million onto end consumers.
3. MEUG estimate the value of the rebate paid by distributors to retailers would be equal to a reduction of between 1% and 1½% of the total power bill paid by end consumers annually. As a lump sum paid in any one month, the percentage reduction in charges from a normal monthly power bill would be significant.
4. MEUG requests advice from suppliers on the following:
 - a) When and how the rebate will be passed through to time-of-use and non time-of-use consumers?
 - b) MEUG assumes that consumers will be paid interest for any delay between receipt by retailers of their share of the rebate and payment to end consumers. The interest rate distributors have been using is 7.35% (post-tax) following advice by the Commerce Commission. Can retailers confirm they will also pay accrued interest to end consumers and what interest rate was used if different from that used by distributors?

- c) How can individual consumers validate that they have received their appropriate share of the rebate?
5. Other consumer groups, distributors (via Electricity Networks Association) and officials have been copied this letter. This letter will also be published on the MEUG web site

Yours sincerely



Ralph Matthes
Executive Director

cc Consumers' Institute, Federated Farmers, Greypower, Chambers of Commerce, Business NZ
Electricity Networks Association
Transpower
Commerce Commission
Electricity Commission
Ministry of Economic Development