



MAJOR ELECTRICITY USERS' GROUP

5 April 2007

Anton Murashev
Castalia Ltd
By email to anton.murashev@castalia.fr

Dear Anton

Submission on Electricity Security of Supply Policy Review Consultation Paper

1. This is a submission by the Major Electricity Users' Group (MEUG) on Castalia's consultation paper, *Electricity Security of Supply Policy Review*, March 2007, prepared as part of an independent review for the Electricity Commission.
2. MEUG commissioned Dr Brent Layton, Director of the New Zealand Institute of Economic Research (NZIER) to provide independent advice on the consultation paper. Attached to this submission is the report of NZIER titled, *Electricity Security of Supply Policy Review – Castalia's Consultation Paper*, dated 5th April 2007.
3. Castalia are to be congratulated on the analysis in the consultation paper. The overall conclusion that the security of supply standard in the Government Policy Statement (GPS) is much higher than an economically efficient level will come as little surprise to consumers as the GPS parameters were set by political not economic considerations. That the same politicians then set a flat tax across all consumers irrespective of the efforts individual consumers have taken to avoid price shocks (eg buying financial derivatives through to building co-generation) has been one of the poorest decisions by government in the electricity sector. That wrong should be remedied as quickly as possible so that consumers no longer bear the \$28 million per annum cost of the current security of supply policy, which is largely the cost of paying the debt for acquiring Whirinaki power station.
4. MEUG also agree with NZIER that there is merit in considering selling Whirinaki (with the caveat it must remain in New Zealand) and the option of re-locating Whirinaki to Auckland thereby deferring the timing of grid augmentation.

Yours sincerely

Ralph Matthes
Executive Director