



MAJOR ELECTRICITY USERS' GROUP

7 September 2007

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

Dear Jenny

Submission on various proposed amendments to regulations and rules

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission (the "Commission") consultation paper, *Various proposed amendments to the Electricity Governance Regulations 2003 and the Electricity Governance Rules 2003*, (the "regulations" and "rules" respectively) published 10 August 2007. MEUG has no comment on most of the proposed changes as they are minor or necessary.
2. The one aspect of the consultation paper of concern is the proposed different approach to ring-fencing the Comalco agreements with respect to Part F than the policy agreed by Cabinet and already in place in the regulations and Parts C and G of the rules. MEUG note that the Cabinet policy decision of March 2004 was not translated into the Part F regulations at that time because Part F had yet to be populated. Except for the Connection Code Part F is now complete and hence the ring-fence provisions need to be given effect.
3. The nub of the issue is the Commission proposal that if the Comalco agreements are varied to increase maximum demand above the existing contract level of 610 MW then the ring-fence from Part F no longer applies for the entire contract. Meridian has proposed an alternative whereby the existing 610 MW will remain subject to the ring fence provisions and any increment above that will not. The Meridian proposal is consistent with the Cabinet decision of March 2004 and the approach taken for implementing the ring-fence provisions for Parts C and G. MEUG support the Meridian proposal.
4. The consultation paper concludes that there are benefits from signalling regulatory certainty and smaller risk of unintended costs of its proposal compared to that of Meridian's. MEUG disagree. If the Commission's proposal is adopted then this will undermine business confidence because a Crown Entity by way of tertiary legislation contrary to government policy will have overridden an existing contract. This is a significant detriment. The claimed risk of unintended consequences if the Meridian proposal is adopted doesn't seem plausible. The negotiations between the parties, Transpower and the Commission to vary the quantity to be greater than 610 MW and simultaneously meet Parts F, C and G and would be very complex and thorough. As the Commission would be involved it's difficult to see how it could not manage any risk of unintended consequences in that process.

Yours sincerely

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Executive Director