



# MAJOR ELECTRICITY USERS' GROUP

30 November 2007

Darryl Renner  
Senior Adviser, Electricity Commission  
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Dear Darryl

## Submission on Wind Generation Investigation Project Initial Options Assessment

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission discussion paper on *Initial Options Assessment* published 18<sup>th</sup> October 2007 as part of the third phase of the Wind Generation Investigation Project (WGIP).
2. The report continues the excellent work by the Commission, wind generators, System Operator and industry into what is a complex area. The conclusion that pre-dispatch processes and dispatch processes are the most urgent issues to consider is reasonable. The recent removal of New Plymouth Power Station from the market and speculation it may not return to service probably gives more urgency to considering those issues.
3. The basis for assessing options and the assessment approach in chapter 3 of the paper is not consistent with the conventional economic cost-benefit analysis (CBA) methodology<sup>1</sup>. MEUG is concerned this may lead to options being promoted ahead of more welfare enhancing solutions.
4. Most of the assessment criteria in the paper can be translated into quantified costs and benefits. For example for the "effectiveness" criteria, double ticked options essentially have no or very little risk of supply disruptions compared to the status quo and therefore have no quantifiable cost. Options with a negative "effectiveness" rating can be quantified by forecasting the frequency and duration of increased supply disruptions compared to the status quo times an assumed value of un-served energy such as \$20,000/MWh used in the Grid Investment Test.
5. We are also concerned that the use of criteria such as "Commission jurisdiction" and "Spillovers" can easily fall into the trap of being political filters. The Commission should stick to estimating the best economic outcome for New Zealand and leave the politics of considering other factors to the Minister when he or she considers the recommendations of the Commission.

Yours sincerely

Ralph Matthes  
Executive Director

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<sup>1</sup> The MED Regulatory Impact Analysis Guidelines and The Treasury Cost Benefit Analysis Primer are the accepted conventional CBA methodology.