



MAJOR ELECTRICITY USERS' GROUP

28 July 2008

Hon Trevor Mallard
Minister for State Owned Enterprises
Parliament
By email to TMallard@ministers.govt.nz

Dear Minister

Request for reports by SOE electricity suppliers in relation to 2008 dry year risk management

1. The Major Electricity Users' Group (MEUG) have welcomed the Electricity Commission intention to review the recent experience with managing dry year risk at the conclusion of winter 2008 and to use that as part of their Market Design Review work. However that work is not, in our view, sufficiently comprehensive. How a broader review should be undertaken needs further consideration.
2. One area the Market Design Review does not address is the behaviour of the SOE electricity suppliers. For example there is a view that the level of cross-hedging between SOE suppliers was an important factor for the events over autumn and winter 2008. We note that at the recent review of Vote: State Owned Enterprises you were reported as saying that one of the SOE's "is not so cross hedged and this is causing the problem."
3. To assist MEUG evaluate the performance of the SOE suppliers we request copies of all material in relation to management of dry year risk for 2008 and 2009:
 - a) Provided by the SOE's since 1st April 2007 to either your office or the Crown Company Monitoring Advisory Unit (CCMAU); and
 - b) All advice by CCMAU to you since 1st April 2007 on this topic.Note 1st April 2007 has been chosen because it is prior to the commissioning of e3p and therefore will assist understand how risk management changed over time.
4. The requested material includes all actual and forecast financial reports and details provided on the hedge position of each company since 1st April 2007.
5. This request is made in terms of the Official Information Act 1982.

Yours sincerely

Ralph Matthes
Executive Director