



# MAJOR ELECTRICITY USERS' GROUP

28 July 2008

Mr David Caygill  
Chair  
Electricity Commission  
By email to [david.caygill@electricitycommission.govt.nz](mailto:david.caygill@electricitycommission.govt.nz)

Dear David

## **Request for details on reviewing experience with 2008 dry year risk management**

1. MEUG welcomes the reference to a post 2008 review by the Electricity Commission in the recently published Market Design Review – Options Paper<sup>1</sup> as follows:

*“The Commission intends to review the recent experience with managing dry year risk at the conclusion of winter 2008. This review will look at the performance of current arrangements in the lead up to winter, the market responses once it became evident that supply would be tight, and the operation of the reserve energy scheme. The Commission will take this work into account as it makes decisions in the next stage of the Market Design Review.”*

2. The experience from 2008 is relevant to the Market Design Review project and also a broader set of policy settings. For example the performance of the regulatory settings that influenced the behaviour of the Commission and SOE generators. For this reason MEUG has been promoting the need for another separate review process independent of the Commission.
3. In anticipation of appropriate reviews of 2008 being announced, MEUG requests all material considered by the Commission Board in relation to the following issues considered and decisions made by the Board. This list is broadly in chronological order rather than importance.
  - a) The decision that there was no need for additional reserve energy for winter 2008 announced 20<sup>th</sup> December 2007;
  - b) The offer by Genesis Energy in March 2008 to provide 120 MW of additional emergency generation<sup>2</sup>;
  - c) Any other offer by any Market Participant for additional generation or demand reduction;
  - d) The decision to cap Whirinaki offer prices at \$289/MWh;
  - e) The decision to publish the consultation paper titled “Proposed appropriation change: Reserve Energy and Emergency Measures,” released 24<sup>th</sup> June 2008;

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<sup>1</sup> Electricity Commission, Market Design Review – Options Paper, 8 July 2008, paragraph 19.

<sup>2</sup> Genesis Energy submission to the Electricity Commission, Proposed Appropriation Change: Reserve Energy and Emergency Measures, 2 July 2008, page 10

- f) The decision and rationale behind the recommendation to the Minister of Energy for additional appropriation in the paper titled "Electricity Commission consultation on its proposed appropriation change: Reserve Energy and Emergency Measures – Variable," dated 4<sup>th</sup> July 2008;
  - g) Responses to the tender for reserve energy that closed 7<sup>th</sup> July 2008; and
  - h) Any references to the likely impact of events this year on security of supply for 2009.
4. The reference to "all material considered by the Commission Board" in paragraph 3 above includes but is not limited to:
- a) Commission Board meeting agenda papers and minutes of meetings;
  - b) Correspondence to and from external parties sighted by Commissioners including material discussed with Government Ministers, correspondence from and to suppliers, and external legal, technical or economic analysis obtained commenting on the submissions of parties to the request for additional appropriation; and
  - c) Power point or overhead presentations from Commission staff or any external party or advisor.
5. In addition MEUG request copies of all correspondence from and to any electricity supplier not covered by the request in paragraph 3 relevant to the risk to security of supply in 2008 since the Commission decision on 20<sup>th</sup> December 2007 that there was no need for additional reserve energy for this winter. The purpose of this request is to obtain copies of correspondence that may not have been actually viewed by the Commission Board.
6. If material is already in the public domain, a list of that material is sufficient.
7. This request is made in terms of the Official Information Act 1982.
8. We expect there will be broad public interest in a review or reviews of the events of 2008. The material requested in this letter may also be valuable to that wider audience. Therefore there may be benefit in the Commission publishing all of this material on the web.
9. Please contact me directly on telephone 04 494 0996 if this request is unclear.

Yours sincerely



Ralph Matthes  
Executive Director