



MAJOR ELECTRICITY USERS' GROUP

31 October 2008

Maree McGregor
Electricity Commission
By email to info@electricitycommission.govt.nz

Dear Maree

Submission on Annual Security Assessment

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission consultation paper "*Annual Security Assessment*" released 3rd October 2008.
2. The assessment concludes there is no need to procure energy reserves or capacity reserves for next winter. On the basis of the analysis presented, MEUG agrees. As in prior years we assume the Commission will keep open the option to procure reserves if unexpected events occur.
3. Events over the last year starting November 2007 have, in our view, exposed shortcomings in the behaviour of suppliers to manage energy resources optimally. Work by the Commission and Winter Review 2008 Panel to identify and implement changes to market and policy settings to avoid a repeat of those outcomes in 2008/09 should be a high priority. This should include continuing to publish and improve on the Commission's forecast of relevant information to allow parties to make their own assessment of risk.
4. More detailed comments on the assessment follow:
 - a) Forecast demand is estimated using historic trends. This approach is likely to overstate demand given GDP for 2009 is likely to be very low or even negative. This gives some comfort the energy margin assessed by the Commission is probably conservative.
 - b) Some corrections to tables are needed. In table 34 the Kawerau and Ngawha stations need to be included. Winter demand data in tables 15 and 19 need to be updated to align with tables 16 and 20 respectively. These amendments do not affect the security margin calculations.
 - c) The Manapouri tailrace amended discharge proposal¹ will add 89 GWh per year on average to South Island supply if consented. It would be helpful to clarify if the "Hydro 2 project" in table 13 refers to the Manapouri tailrace or a separate proposal.
5. We look forward to the Commission's decision later this year and publication of relevant forecast information such as the hydro risk curves to replace the Minzone graphs described in the new Security of Supply Policy published by the Commission on 3rd October 2008.

Yours sincerely

Ralph Matthes
Executive Director

¹ Refer MEL web site: <http://www.meridianenergy.co.nz/NR/rdonlyres/CA5B1024-B2E7-4C1B-BF0D-43EA370D8369/24154/21118MTADFA2.pdf>