



MAJOR ELECTRICITY USERS' GROUP

5 May 2010

Hon Dr Nick Smith
Minister Responsible for Climate Change Issues

By email to n.smith@ministers.govt.nz

Dear Minister

Prescribing regulations for the Electricity Allocation Factor

1. On 26th March Notices calling for data from parties that may become eligible industrial activities were published in the NZ Gazette. Subsequently other Notices have been published requesting data from other potential specified activities. This is part of the process whereby you are expected to recommend to the Governor General the making of regulations prescribing eligible industrial activities, refer s.160A (1) of the Climate Change Response Act 2002 (the "Act"). Another important element prescribing eligible industrial activities is recommending to the Governor General the making of regulations prescribing an Electricity Allocation Factor (EAF) (s.161A (2) (d) (i) (A) of the Act). The Notices calling for data include a rule requiring parties to use an EAF equal to 0.52. MEUG notes the use of an EAF equal to 0.52 in the Notices calling for data is not a regulation prescribing the EAF as part of the final regulations prescribing eligible industrial activities.
2. Separately MEUG has today written to you noting errors of process and logic in the use of an EAF of 0.52 as part of the Rules used in the Notices calling for data. In our view the consultation on the EAF to date has been unreasonable and should not be used as a basis for prescribing regulations. Therefore further consultation is required to remedy errors identified to date.
3. The purpose of this letter is to request that you undertake a more robust consultation round on the EAF prior to recommending to the Governor General an EAF to be set by regulation.

Yours sincerely

Ralph Matthes
Executive Director