MAJOR ELECTRICITY USERS' GROUP

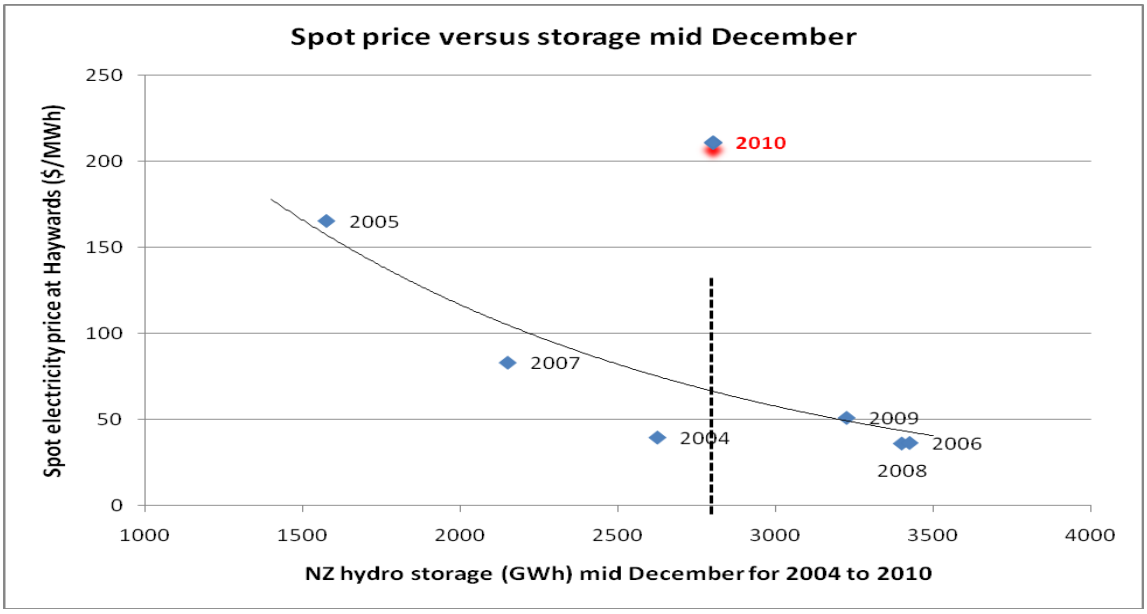
Media release

Loss of export earnings must be explained by power suppliers

Wednesday 15th December 2010

"The announcement today by Rio Tinto NZ of a 5% cutback in aluminium production because of high spot prices needs an explanation from power suppliers" said Ralph Matthes, Executive Director of MEUG. This will cost over $1m per week in lost export earnings. Other export businesses have cut production and based on current prices we predict more will make more drastic cuts like Rio Tinto.

"The graph below compares average daily spot prices for this time of year over 2004 to 2010 compared to lake storage levels. Current prices are an extreme outlier compared to the historic trend even though storage is about average for this time of year (vertical dotted line).



"This isn't just a short term financial effect. The confidence of private sector investors has been shaken. Manufacturers taking sales orders for the next few months will now be asking themselves if it will be worth it if these unexplained high prices continue.

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