



MAJOR ELECTRICITY USERS' GROUP

29 May 2012

Notes for discussion with Singapore Energy Market Authority

NZ electricity demand is split approximately one third to each of the household, commercial and industrial sectors. MEUG members are in both the industrial and commercial sectors. Collectively MEUG members consume between 22% and 26% of total national power demand.

See overleaf for details of MEUG members.

Observations on NZ hedge market development

- Demand for hedges:
 - Spot price volatility
 - Demand for market indicators of forward prices by suppliers and the influence of International accounting standards
 - Building capability within end consumer businesses
- Supply of hedges:
 - From be-spoke bi-lateral hedges to uniform futures
 - The emerging and important role of financial intermediaries
- The role of policy makers and regulators
 - Market structure and governance is important to establish the foundations for competition across spot, ancillary service and hedge markets
 - Then market confidence needs to build to grow hedge and futures markets. The regulator can facilitate with education. Targeted regulation can help. Poor regulation can undermine confidence

| Demand GWh pa | MEUG member | Onsite generation | Sector | Location |
|-----------------------------|-----------------------------|-------------------|--------------------|-----------------------|
| 4,000+ | Rio Tinto | - | Aluminium | SI, Southland |
| ≈ 1,000 | Carter Holt Harvey | Yes | Pulp & Paper | NZ wide |
| | Fonterra | Yes | Dairy | |
| | Norske Skog | Yes | Pulp & paper | NI, Bay of Plenty |
| | NZ Steel | Yes | Steel | NI, Sth Auckland |
| 100 to 600 | Fletcher Building Limited | - | Building materials | NZ wide |
| | Pan Pac | Yes | Pulp & timber | NI, Hawkes Bay |
| | Refining NZ | - | Oil refining | NI, Whangarei |
| | Winstone Pulp International | - | Pulp & timber | NI, Ohakune |
| | Whakatane Mill | | Pulp | |
| < 100 | ANZCO | - | Meat | NZ wide |
| | Holcim | - | Cement | SI, West Coast |
| | Dongwha Patinna | - | MDF | SI, Southland |
| | Heinz Wattie's | - | Food cannery | NI, Hawkes Bay |
| | Lion Breweries | - | Brewing | NZ wide |
| | Oceana Gold | - | Gold mining | SI, Otago, West Coast |
| | Ravensdown | Yes | Fertiliser | NZ wide |
| | Solid Energy | - | Coal mining | NZ wide |
| Industry group members | | | | |
| Business NZ | | | | NZ wide |
| Wood Processors Association | | | | NZ wide |

Mission Statement

To add value to MEUG members' management of electricity costs and risks through market intelligence, networking, facilitating solutions to improve competition, maintain reliability, promote efficient operations and regulate monopolies to achieve outcomes consistent with competitive markets for the long-term benefit of electricity consumers.

Strategic objectives

1. Facilitate better information and capability for MEUG members to manage electricity costs and risks;
2. Improve competition, maintain reliability and promote efficient operations;
3. Regulate monopolies to achieve outcomes consistent with competitive markets;
4. To have excellent MEUG governance and operations

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