



21 December 2018

John Harbord
Chair
Major Electricity Users Group
Via email john@senateshj.co.nz

Richard Hale
Secretariat for Major Gas Users Group

Dear John and Richard

Thank you for your joint letter highlighting your concerns about the operation of the gas and electricity markets and the need to undertake a strategic review of these two markets.

The Ministry of Business, Innovation and Employment (MBIE) acknowledges the difficult circumstances electricity and gas consumers have endured due to gas production outages in 2018. It is strongly in the public interest that the impact of supply side outages, in terms of availability and pricing, are minimised in future.

We share the energy industry's concerns that information provided during recent outages was not adequate and did not facilitate efficient market behaviour. The inadequate information led to market uncertainty, increased prices for consumers, and the allegation of an undesirable trading situation notified to the Electricity Authority by several energy sector participants.

As you note in your letter, MBIE is undertaking and involved in several programmes of work in relation to the electricity and gas sectors. MBIE's programme of work to make changes to the Gas Act 1992 will improve the management of critical contingency events, and allow the Gas Industry Company to recommend governance arrangements that will improve information disclosure to the wholesale gas market. These changes are likely to enhance long-term physical and economic security of supply.

In addition, in April 2018 the Government commissioned an independent Electricity Pricing Review (EPR) to investigate whether the electricity market is delivering fair and equitable prices to consumers. This includes possible improvements to ensure the market and its governance structures will continue to be appropriate into the future. The independent Expert Advisory Panel will submit its final recommendations to the Minister of Energy and Resources in May 2019. In my view, the recommendations of the EPR should be received and considered before commenting on the need for a broader review of market and governance structures of both the gas and electricity sectors.

MBIE is also supporting a wider range of cross-government work, including the setting of a 2050 emissions reduction target and the establishment of the Independent Climate Change Commission. MBIE is also leading a broad review of the Crown Minerals Act 1991.





Given the scope and breadth of work being currently undertaken, and the need for the EPR to deliver its final recommendations, I consider that now is not the appropriate time to initiate a strategic review of both markets. It is worth noting that the Minister of Energy and Resources and Cabinet would make any final decision on embarking on a strategic review of the gas and electricity sectors.

Yours sincerely

Chris Bunny
Deputy Chief Executive
Building, Resources and Markets
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