

26 February 2014

Mr John Hancock  
Chair  
Wholesale Advisory Group  
1 Wadestown Road  
Wadestown  
Wellington 6012

Dear John

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**Wholesale Advisory Group**

The Board received your report reviewing the last six months of the WAG's work from 1 July to 31 December 2013 and I was asked to convey the Board's thanks to you and the members for your accomplishments during the period.

The Board appreciates the efforts required by the WAG as a group to complete both projects (improving the efficiency of prices during pivotal supplier situations and alignment of forecast and settlement prices) toward the end of last year. The papers received by the Board on each topic demonstrate the group has a comprehensive understanding of the problem and the recommendations contain well-reasoned and practical solutions.

In particular, you and the group are to be commended for the innovative approach for improving the efficiency of prices in pivotal supplier situations. The approach is to form the base for a draft Code amendment proposal.

The Board was also impressed with the WAG's innovative approach to recommend the Authority develop a National Instantaneous Reserve Market without preparing a discussion paper – an appropriate decision given the net benefit was already sufficiently clear.

Finally, the Board is pleased to note that the design details of the settlement and prudential arrangements are almost as the WAG recommended. WAG has contributed hugely to the success of this outcome and we expect it to be significantly beneficial in promoting competition and efficiency in the retail market.

The Board looks forward to receiving similarly pleasing reports of the group's achievements in the future.

Yours sincerely



Dr Brent Layton  
Chair