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By email to info@electricitycommission.govt.nz

Comments on Scarcity Pricing and Compulsory Contracting Options

Thank you for the opportunity to provide comments on the Scarcity Pricing and Compulsory Contracting Options consultation paper published by the Electricity Commission in October 2009.

Norske Skog Tasman (NST) agrees with much of the background reasoning behind the underlying problem.

NST agrees that:

1. Retailers should not be able to free load off the back of public conservation campaigns any longer and some mechanisms to reward consumers who conserve must be defined in advance of any shortage.
2. The Whirinaki Power Station should be disposed of forthwith. Please see our submission to MED on the matter of the Ministerial Review of Electricity Performance 2009 for more details.

NST believes that floor prices during shortages should not be necessary if the Whirinaki Power Station, and the relatively low price cap that it has created, is out of the picture.

NST strongly disagrees with the idea of compulsory contracting. In our case we may wish to manage the risk of high electricity prices in a number of ways including (but not limited to)

- increased co-generation output
- higher inventory holding
- options for alternative supply from sister mills

Forcing us to purchase electricity hedges would remove incentives for us to take the above actions. This would, quite obviously, make any hydro shortage situation worse.

Yours sincerely,

Graeme Everett
Energy Manager