



Press Release

'Fundamental flaws' in NZ electricity market costing consumers

Wellington, 25 May 2009 – Fundamental flaws in the design of the NZ electricity market are costing consumers and reducing market competition, according to Murray Dyer, director of Simply Energy.

Dyer says Simply Energy, an independent electricity retailer operating outside the “club” of the large power companies since 2005, has had first-hand experience of the barriers to competition.

His comments follow the Commerce Commission’s findings that New Zealand’s major power companies have allegedly overcharged customers \$4.3 billion.

Dyer says if the Government wants to promote retail competition it should split the ownership of electricity generation and retailing, and simplify wholesale pricing

“Splitting the ownership of generation and retailing would drive the creation of a hedge market with far greater liquidity and depth than that which currently exists,” he says.

“Lack of availability of competitively priced hedges is the single biggest obstacle to retail competition in New Zealand.”

Simplification of wholesale pricing would also support the development of a hedge market, ensuring all consumers could benefit from competition because retailers would not be exposed to unmanageable risk.

This could be achieved by replacing wholesale pricing at 244 nodes with regional pricing (for perhaps 4 regions).

Dyer says implementation of those two steps would result in a transparent and responsive wholesale electricity market.



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“We would not see for example, Genesis withdrawing from the TOU market and thereby reducing competition because it would be able to obtain hedges to manage the balance between its sales and purchases.

“But more importantly, retail companies would not be simply trying to optimise the value of their vertically integrated generation business. They would start to compete on service and innovation which is a long time overdue in the New Zealand power sector.”

The Commerce Commission has completed its investigations into wholesale and retail market behaviour, and decided not to proceed with an inquiry into possible regulation of the wholesale market, which it says would be better considered by the Ministerial Review of electricity market design and governance now underway.

Dyer says Simply Energy is looking forward to engaging fully with the Ministerial Review and the consultation process which will determine the future shape of the electricity market.

End of Press Release

About Simply Energy – electricity generation, supply and transaction services

Simply Energy was established in 2005 as an independently owned and operated New Zealand Electricity Market (NZEM) registered generation and retail supply business. We are supplying and managing electricity to businesses throughout New Zealand, and have offices in Wellington and Auckland.

Our core business is developing, implementing and managing electricity generation, supply and network solutions for independent generators; commercial and industrial energy users; property companies; and electricity network companies.

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