

Unless I am mistaken you are proposing to split generation and retailers. My recollection is that 20 or so years ago when people started using "markets" for the first time a number of "merchant generators" were set up and many of them failed to make a profit because they had no secure income and went to bankrupt. Also, many of the merchant generators relied on combined cycle plants specified by bankers rather than engineers with boilers designed for continuous operation not intermittent operation on a real power system. So there were many early boiler failures from metal fatigue and, also, stations were designed down to a price not for long life and so they also failed because they were cheap and nasty.

But there is a bigger issue – which I mentioned at the meeting – the Electricity Authority need to carefully consider the possibility that the market is fatally flawed. The evidence is that it has failed to deliver a reliable and economic supply. This is indicated by the shortage we experienced last year when we had to shut down to industrial entities to avoid rotating blackouts.

I believe this is basically because electricity is not a market commodity because it does not have price elasticity or an alternative good. This shows up in the market results over the last five weeks or so when the price has been very high but there is no detectable drop in demand. Other market structures are available and need to be considered. An article I have written on electricity markets is can be found here: [http://www.bryanleyland.co.nz/uploads/2/9/7/1/29710909/leyland-single-buyer-market\\_gwpf.pdf](http://www.bryanleyland.co.nz/uploads/2/9/7/1/29710909/leyland-single-buyer-market_gwpf.pdf)

Another fact that that needs to be considered is the logic of paying the same price to an intermittent generator that requires backup (paid by for the consumer) and, for instance, a geothermal generator that generates a steady and predictable amount or, a thermal station with adequate fuel that can be relied on when support is needed.

Kind regards,

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