

20 July 2007

Jenny Walton
Electricity Commission
PO Box 10041
WELLINGTON

Dear Jenny

CONSULTATION ON THE MARKET DESIGN REVIEW ISSUES PAPER

This letter constitutes WEL Networks submission on the Electricity Commission's consultation paper *Market Design Review Issues*.

WEL appreciates the opportunity to make this submission.

Background

WEL is a lines company operating in Hamilton and the surrounding Waikato. We provide line services to approximately 80,000 customers.

The Company is owned by the WEL Energy Trust, a consumer Trust.

As a participant in the ancillary services market as well as being active in demand side management WEL Networks is particularly interested in these aspects of the Market Design Review.

Submission

WEL Networks would like to make comments in the following areas:

Instantaneous Reserves Market

WEL concurs with the Commissions that the market is reasonably effective.

Demand Side Management

WEL networks broadly agrees with the Commissions observations

Issues that WEL believes should be considered in future work streams are:

The ability to send appropriate pricing signals to market participants, in particular the residential market.

Place for energy efficiency in the mix of DSM techniques.

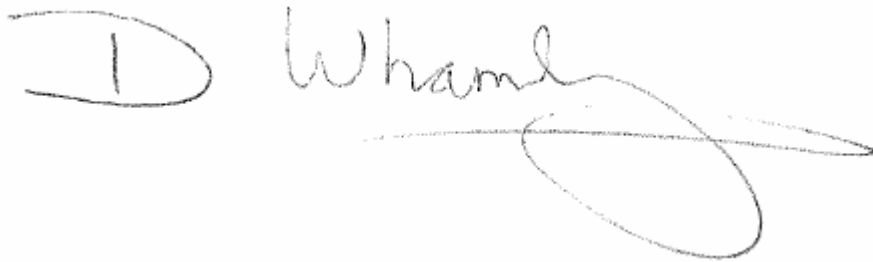
The impact of sophisticated metering on existing demand side management. Ripple control, smart meters and AUFLS are all effectively competing for the same interruptible load, how will this dynamic interaction impact upon security of supply etc.

How to incentivise network companies to reduce technical losses within the distribution system.

WEL thanks you for considering this submission and advises that any questions regarding the above issues may be directed to David Wharmby, 07 858 1444.

Yours sincerely

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A handwritten signature in black ink. The first part is a large, stylized capital letter 'D'. To its right, the name 'Wharmby' is written in a cursive script. The signature ends with a long, horizontal flourish that loops back under the name.

Julian Elder
Chief Executive