



MAJOR ELECTRICITY USERS' GROUP

23 November 2006

Chief Executive Officer
Central Otago District Council
PO Box 122
ALEXANDRA 9340

Dear Madam/Sir

Submission on Resource Consent application by Meridian Energy Limited for Project Hayes wind farm on the Lammermoor Range

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Resource Consent application (RC 060222) by Meridian Energy Limited for development of a wind farm (Project Hayes) on the Lammermoor Range. MEUG is a trade association representing large power users'. A list of members of the group is set out in the appendix. Collectively MEUG members use approximately 29% of power in New Zealand. The household sector consumes approximately 35% and commercial and other industrial that are not members of MEUG use 36%.
2. MEUG supports new generation proposals, such as Project Hayes, where robust cost benefit analysis demonstrates positive economic welfare effects. MEUG, at this stage, has no knowledge of the local environmental effects of the project but is aware that the applicant has lodged an assessment of environmental effects. This will enable the trade-off between local environmental effects and national economic welfare to be made. This is a common dilemma for consenting authorities when considering new, replacement or enhanced generation consents. MEUG will be interested in how the District Council balances these effects.
3. MEUG does have expertise and knowledge on the benefits and costs of new generation being built and we offer the following comments for consideration by the District Council:
 - a) For the foreseeable future the demand for electricity in New Zealand will continue to increase as long as GDP and population grow.
 - b) Increasing electricity demand can be met by a range of generation sources. There is also increased recognition that some demand for electricity can be offset by improved use of electricity. Energy efficiency and demand side management is expected to be an important partial substitute to growing electricity demands although overall there will still be a net increase in demand for new generation. Another complication is that as households become wealthier their electricity consumption can increase to support warmer (or cooler) homes and a greater range of appliances.

As an aside members of MEUG are already highly incentivised to use electricity efficiently. We think the greatest electricity efficiency improvements are likely to be in the household and commercial sectors once better metering technology is introduced to allow tariffs to reflect true costs and thereby change consumer behaviour.

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- c) Improving the diversity of generation sources is useful to ensure security of supply for New Zealand. The more diverse generation supply, then the less the risk of failure of one or two critical generation sources materially affecting supply to consumers. MEUG supports existing and new hydro, wind, biomass, gas fired, coal fired and diesel fired generation. Some are base load, others intermittent (like Project Hayes) and other generation is designed just to meet periods of peak demand or emergency back up. No single type of generation can be viewed as being better than any other and equally no generation option can be discounted. For example MEUG does not support the suggestion that all future generation projects be limited to "renewables." Project Hayes will add to the supply diversity that New Zealand needs because of its geographical location.
- d) In the past one of the clear competitive advantages for New Zealand manufacturers has been lower cost generation than competing countries. That cost advantage has been squeezed recently and in some cases other countries, such as Australia, Canada and several Scandinavian countries now have lower average power prices than New Zealand. New Zealand needs to do everything it can to ensure the next suite of generation proposals are as lowest cost as possible.

Therefore every generation proposal, including Project Hayes, should be commercial in its own right without subsidies on the one hand, or economic barriers on the other. As far as MEUG are aware Project Hayes is a stand alone commercial proposal by Meridian Energy and therefore should have a positive economic impact on future electricity supply for New Zealand. Ideally it should be a low cost option from a national economic point of view and if it is not it is questionable whether it should be built.

As an aside MEUG is active in other forums to ensure there is a level playing field for all generators and non-generation alternatives such as energy efficiency and demand-side-management. At this stage we are not aware of any explicit subsidy being sought to favour Project Hayes. If MEUG becomes aware of such we will advise the District Council as it may alter our support, at least from a national economic viewpoint, on the benefit of the proposal. One aspect that might materialise that would change the view of MEUG is the possibility of some South Island generators using the construction of renewable generation, ie Project Hayes, as grounds to re-litigate the Electricity Commission decision that they (the generators) pay for the HVDC cable. A media release by MEUG on 20 March 2006 titled, "Untangling the debate on who pays for the HVDC link," is attached as a concise summary of that issue.

4. MEUG does not wish to be heard in support of this submission.

Yours sincerely



Terrence Currie
Chair

Appendix: MEUG member electricity use and own generation as at November 2006					
MEUG member ¹	Load GWh/y	Gen. GWh/y	Net GWh/y	Peak	
Auckland International Airport Ltd	23	-	23	13 MVA	www.auckland-airport.co.nz
Business NZ	n.a.	n.a.	n.a.		www.businessnz.org.nz
Canterbury Meat Packers Ltd.	41	-	41		www.cmp.co.nz
Carter Holt Harvey Limited	1,105	260	845	130 MW	www.chh.co.nz
Dongwha Patinna NZ Ltd	58	-	58	9 MW	www.patinna.com
Fletcher Building Limited	454	-	454		www.fletcherbuilding.com
Heinz Wattie's Ltd	56	-	56		www.watties.co.nz
Holcim (New Zealand) Ltd	70	-	70		www.holcim.com/nz
Lion Breweries	23	-	23	6.5 MW	www.lion-nathan.co.nz
Methanex New Zealand Ltd	18	-	18		www.methanex.com
New Zealand Steel Ltd	1,045	600	445	106 MW	www.nzsteel.co.nz
Norske Skog	1,300	230	1,070	170 MW	www.norske-skog.com
Oceana Gold Ltd	152	-	152	16.5 MW	www.oceanagold.com
Pan Pac Forest Products Ltd	550	66	550	78 MW	www.panpac.co.nz
Ravensdown Fertiliser Co-op	28	22	6		www.ravensdown.co.nz
Rio Tinto Aluminium New Zealand Ltd	5,000	-	5,000	580 MW	www.riotintoaluminium.com
Solid Energy New Zealand Ltd	29	-	29		www.coalnz.com
Tegel Foods Ltd	56	-	56		www.tegel.co.nz
Telecom New Zealand Ltd	190	-	190		www.telecom.co.nz
The New Zealand Refining Co. Ltd	235	-	235		www.nzrc.co.nz
Winstone Pulp International Ltd	330	-	330	48 MW	www.wpi-international.co.nz
Wood Processors Assoc of NZ	n.a.	n.a.	n.a.		www.wpa.org.nz
	<u>10,763</u>	<u>1,178</u>	<u>9,585</u>		
NZ total demand ²	36,898				
MEUG as percentage of total ³	29%				

¹ Load, generation and peak load data may not be up to date because of changes in operations by individual companies since last surveyed by MEUG.

² Refer Ministry of Economic Development, Energy Data File, January 2006, p139, demand for year ended 30 March 2005

³ Excluding demand by non-MEUG members of Business NZ and Wood Processors Association