



MAJOR ELECTRICITY USERS' GROUP

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For Immediate release

Media release by the Major Electricity Users' Group (MEUG)

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Clarifying claims by Meridian over HVDC charges

“Recent comments by Meridian Energy regarding the Electricity Commission decision last year to require South Island generators to pay for the HVDC and any upgrade are misleading,” said Ralph Matthes, Executive Director of the Major Electricity Users' Group (MEUG). This is an old story that Meridian continue to re-litigate at every opportunity using all sorts of arguments – none of which have substance.

“A copy of a previous MEUG media release dated 20th March 2006 sets out the arguments and the reason why we believe the decision of the Electricity Commission was acceptable.

“Meridian is persistent because they stand to gain a significant windfall in the profitability and value of their business. For their gain, the offset is that prices to consumers will rise by an equivalent amount. The sum of the value shift to South Island generators, of which Meridian is the largest, would be about \$80 million per annum. This is the additional amount that electricity consumers, in both the North Island and South Island would have to pay if the lobbying by Meridian to overturn the decision of the Electricity Commission were successful.

“Meridian has tried to use the Prime Ministers call for carbon neutrality as another point of leverage to re-open the debate. Meridian reportedly said if the government wants to promote renewable generation then policy on who should pay for the HVDC should be overturned otherwise such plant won't be built in the South Island. This is nonsense. A number of consent applications for renewable generation in the South Island are currently being processed despite the Electricity Commission decision and we expect more consents will be sought as projects become economic.

“Charging South Island generators will lead to renewable generation projects in the North Island becoming economic earlier than equivalent South Island renewable generation. The difference between the two being the HVDC charge. This intuitively seems the correct outcome because generation which is otherwise equivalent that is closer to the largest centres of electricity demand will be built first thereby reducing the additional transmission grid costs required and minimising electricity losses over the grid¹.

“Decision makers need to untangle the self-interest of Meridian Energy from the national interest when it comes to who should pay for the HVDC. Meridian have arguably had more opportunity than anybody else to put their case to the Electricity Commission – it’s time for Meridian to move on and focus on competing for customers with better retail service and lower prices as well as driving the costs of their investment proposals down so they are competitive rather than continual lobbying for a wealth transfer,” concluded Mr Matthes.

Attachment:

MEUG media release, *Untangling the debate on who pays for the HVDC link*, 20th March 2006

¹ All transmission (high voltage) and distribution (low voltage) lines lose electricity that is transported. The longer the line, given everything else equal, the greater the electrical losses.