

# MAJOR ELECTRICITY USERS' GROUP

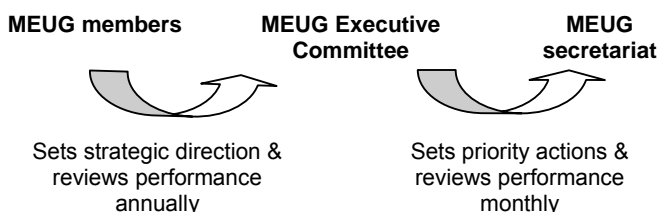
15 September 2008

## Briefing for Meridian Energy Ltd

MEUG member (GWh pa)	Gross	Gen.	Net	Peak	Location	Sector
RTNZ	5,000	-	5,000	580 MW	Southland	Industrial
Norske Skog	1,300	230	1,070	170 MW	BOP	Industrial
CHH	1,105	260	845	130 MW	NZ wide	Industrial
NZ Steel	1,045	600	445	106 MW	South Auckland	Industrial
Pan Pac	550	66	550	78 MW	Hawkes Bay	Industrial
FBL	454	-	454		NZ wide	Industrial
WPI	330	-	330	48 MW	Ohakune	Industrial
NZRC	235	-	235		Whangarei	Industrial
Telecom	190	-	190		NZ wide	Commercial
Oceana	152	-	152	16.5 MW	South Island	Industrial
Holcim	70	-	70		West Coast	Industrial
Dongwha Patinna	58	-	58	9 MW	Southland	Industrial
Heinz Wattie's	56	-	56		Hawkes Bay	Industrial
Tegel	56	-	56		NZ wide	Industrial
ANZCO	41	-	41		NZ wide	Industrial
Solid Energy	29	-	29		NZ wide	Industrial
Ravensdown	28	22	6		NZ wide	Industrial
AIAL	23	-	23	13 MVA	Auckland	Commercial
Lion Breweries	23	-	23	6.5 MW	NZ wide	Commercial
POAL	23	-	23	5.5 MW	Auckland	Commercial
Business NZ						
WPA						

**MEUG Mission Statement:** "The members of the Major Electricity Users' Group are committed to ensuring the continuing availability of electricity services, at the lowest cost to the economy as a whole, consistent with sustainable development. Within this framework, the Group seeks to ensure competitive electricity prices and security of supply to the members of MEUG."

### Governance:



### Implementation:

- Change what? And by whom?
- Opportunity or risk?
- Process or CBA focus?
- Pro-active or reactive?
- Leader or follower?
- Public debate or not?
- Options to cooperate?

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<p><b>Five external strategic objectives for 2008/09</b></p>
<p><b>(1) Improve competition</b></p> <p>Context: ≈\$3.8b pa cost to consumers subject primarily to the Commerce Act (Part 2), Electricity Act and EGR Parts C and G (less relevant to MEUG are Parts D, E, G, H and J). Secondary influences monitored include EIRA, SOE Act, Fair Trading Act and GIS co-regulatory model. Focus areas:</p> <ul style="list-style-type: none"> <li>▪ Repeal of legislative restriction on new thermal power stations.</li> <li>▪ Lessons from winter 2008 (c.f. Market Design Review work now of secondary interest). Review needs to be comprehensive including decisions made by the EC and security of supply policy including role of Whirinaki.</li> <li>▪ A comprehensive review of market structure including regulatory structure.</li> <li>▪ Various incremental improvements led by suppliers, the EC and other agencies.</li> <li>▪ LT preference for voluntary industry solutions (eg energyhedge) rather than through rules and regulations, and to remove opportunity for ad hoc political interference.</li> </ul>
<p><b>(2) Environmental policies that support the primary goal of economic growth</b></p> <ul style="list-style-type: none"> <li>▪ Climate change policy (\$50/t CO<sub>2</sub> ⇒ +2.9 c/kWh ≡ +\$1b pa)</li> <li>▪ EC electricity efficiency work programme (\$18m for 2008/09)</li> <li>▪ {Improving the RMA}</li> </ul>
<p><b>(3) Adequate security of supply margins are maintained at least cost to the country</b></p> <ul style="list-style-type: none"> <li>▪ Lessons from winter 2008 (refer first strategic objective)</li> <li>▪ BAU on annual EC consultation rounds ahead of next winter. Also SO NWG process.</li> </ul>
<p><b>(4) Most cost efficient transmission</b></p> <p>Context: ≈\$ ½ b pa total transmission costs subject to Commerce Act (recent settlement) and EGR Part 4. Focus areas:</p> <ul style="list-style-type: none"> <li>▪ Engage on individual GUP as appropriate and improve processes (eg make GUIRP work).</li> <li>▪ Continuous improvement of TA (+ New Investment Contracts), GIT and GRS.</li> <li>▪ Start TPM review process. Priority to consider locational pricing to improve dynamic efficiency.</li> <li>▪ Resist propensity for regulatory solutions (or reverse prior decisions, eg change ICR back to TA). LT shift the industry onto a more contractual relationship basis.</li> </ul>
<p><b>(5) Most cost efficient distribution</b></p> <p>Context: ≈\$1b pa cost to consumers primarily subject to Commerce Act (Part 4A). Focus areas:</p> <ul style="list-style-type: none"> <li>▪ Minimise risks from recent and any more changes to Commerce Act, Electricity Act and EIRA.</li> <li>▪ Precedents from control regime for gas monopolies.</li> <li>▪ EC model distribution contracts and pricing.</li> </ul>