



MAJOR ELECTRICITY USERS' GROUP

26 February 2009

Notes for discussion with APEC Peer Review on Energy Efficiency (PREE) review team

MEUG members use in excess of ¼ of total New Zealand electricity generation (refer list on next page). The largest four companies in New Zealand use over 20% of total generation.

Broader context

1. Electricity intensive enterprises through to SMEs are focussed on managing price risk, ensuring reliability and increasingly related services (eg improved information on unplanned outages). Energy efficiency can help manage price and reliability risks, but the primary mechanisms are deciding the ratio of spot to financial derivative in contract portfolio, managing Maximum Demand because it is a driver of transmission costs and or to invest in cogeneration.
2. Electricity efficiency is a second order objective. In most cases it is already a business-as-usual practice for existing operations. For new investment proposals, energy efficiency versus cost trade-offs are important.
3. Demonstrating that products are manufactured efficiently is important to varying degrees by businesses when marketing those products.

Energy efficiency opportunities

4. Very large electricity intensive consumers are on or near world best practice for energy efficiency for the scale and age of their plant. Typically these manufacturers compete in international commodity markets and are price takers. They have been and will remain highly incentivised to identify and invest in profitable energy efficiency opportunities. There are some exceptions to this and some plant still has room to become more efficient.

The energy efficiency “market” in New Zealand

5. There are two opposing views by users on EECA:
 - Work by EECA has helped raise the profile of energy efficiency opportunities and the skill base (eg specialist workshops and the EnergyWise awards); and
 - EECA has crowded out the market for consultants, ie competes with the private sector.
6. Some existing energy efficiency programmes likely to be shed as those that were politically inspired rather than being based on sound policy are removed. This may involve better understanding the market failures that only government intervention can solve. For example improving energy pricing signals (including pricing externalities) may be a better strategy to overcome market failures. Other interventions that put a renewables and or sustainability objective ahead of economic growth are also likely to be reviewed, eg the change last year to the Commerce Act Part 4 (regulatory control) requiring energy efficiency to be taken into account by the regulator.
7. At an individual large TOU consumer level there is a very negative view from those businesses having to pay EC levies to subsidise less energy efficient consumers.

MEUG member	Gross GWh pa	Co-gen GWh pa	Net GWh pa	Peak	Location	Main sector
Rio Tinto	5,000	-	5,000	580 MW	Southland	Aluminium
Norske Skog	1,300	230	1,070	170 MW	BOP	Paper
CHH	1,105	260	845	130 MW	NZ wide	Paper
NZ Steel	1,045	600	445	106 MW	South Auckland	Steel
Pan Pac	550	66	550	78 MW	Hawkes Bay	Pulp
FBL	454	-	454		NZ wide	Steel, cement
WPI	330	-	330	48 MW	Ohakune	Pulp
NZRC	235	-	235		Whangarei	Oil refining
Telecom	190	-	190		NZ wide	Commercial
Oceana	152	-	152	16.5 MW	South Island	Gold mining
Holcim	70	-	70		West Coast	Cement
Dongwha Patinna	58	-	58	9 MW	Southland	MDF
Heinz Wattie's	56	-	56		Hawkes Bay	Food processing
Tegel	56	-	56		NZ wide	Food processing
ANZCO	41	-	41		NZ wide	Meat
Solid Energy	29	-	29		NZ wide	Coal mining
Ravensdown	28	22	6		NZ wide	Fertiliser
Auckland Airport	23	-	23	13 MVA	Auckland	Commercial
Lion Breweries	23	-	23	6.5 MW	NZ wide	Brewing
Ports of Auckland	23	-	23	5.5 MW	Auckland	Commercial
Business NZ						Business group
Wood Processors						Business group

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