

# MAJOR ELECTRICITY USERS' GROUP

5 May 2017

## Background to MEUG and 2017-18 policy topics

The mission statement of MEUG is “to add value to MEUG members’ management of electricity costs and risks achieving outcomes consistent with competitive markets for the long-term benefit of electricity consumers.” Members of MEUG are listed below:

Member ranked by Gross GWh pa	Sector	Generator	Direct purchaser	IR provider	Grid connected	Main EDB connected
Pacific Aluminium	Aluminium		Yes		Yes	-
NZ Steel	Steel	Yes	Yes	Yes	Yes	3
Oji Fibre Solutions	Wood processing	Yes		Yes		7
Fonterra	Milk	Yes		Yes		14
Pan Pac	Wood processing	Yes	Yes	Yes	Yes	1
Norske Skog Tasman	Paper	Yes		Yes	Yes	1
Refining NZ	Oil refining					2
Progressive Enterprises	Groceries					29
Winstone Pulp Inter.	Wood processing		Yes	Yes	Yes	-
Oceana Gold	Gold mining					3
Whakatane Mill	Wood processing	Yes				1
Ravensdown	Fertilisers	Yes				3
Lion	Brewing					4
Cold Storage Nelson	Cool stores		Yes	Yes		4
BusinessNZ	Trade association					-
Wood Processors & Manu.	Trade association					-

Onsite large generators use gas, wood-waste and geothermal for fuel.

Direct purchaser is a defined term in the Code referring to end consumers purchasing from the wholesale market Clearing Manager.

IR refers to Instantaneous Reserves.

Another feature of member’s participation in the physical market is Norske Skog Tasman’s participation in the Dispatchable Demand regime.

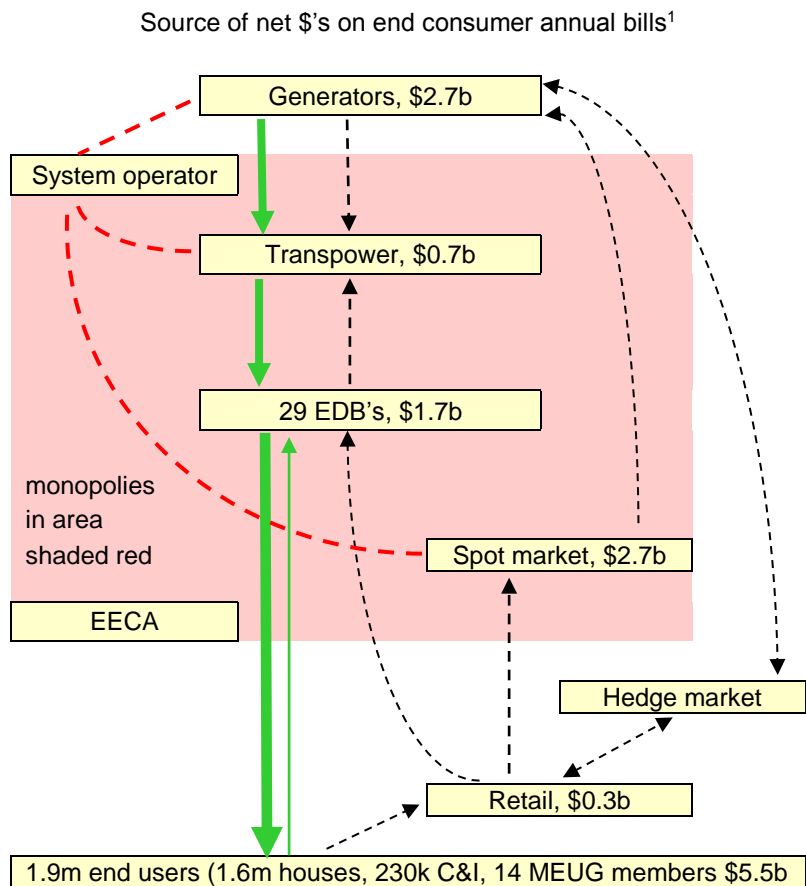
Across all members a range of risk management options are used such as F&O’s, CfD’s and fixed price variable contracts.

The share of MEUG member aggregate gross demand and costs to NZ totals follows:

MEUG estimates		NZ	MEUG	Pct.	
Gross Demand	GWh pa	39.0	10.8	28%	
Energy costs (wholesale and retail)	\$b pa	3.25	> 0.60	> 18%	⇐ Continuous improvement
Transmission charges (paid by consumers)	\$b pa	0.71	0.12	15%	
Distribution charges	\$b pa	1.74	0.02	1%	⇐ Greatest opportunity for productivity & innovation gains
Total costs paid by consumers	\$b pa	5.50	> 0.74	> 12%	

Level 1, 93 The Terrace, Wellington 6011, New Zealand

PO Box 8085, The Terrace, Wellington 6143, T +64-4 472 0128, [info@meug.co.nz](mailto:info@meug.co.nz), [www.meug.co.nz](http://www.meug.co.nz)



### MEUG policy topics 2017-18

Power flows Cash flows Key relationships

- ~ Consider if long-term security policy settings need improving.
- ~ Assist members implement new North Island extended reserves regime.
- ~ Transmission Pricing Methodology (TPM) changes only if Cost-Benefit-Analysis (CBA) positive.
- ~ Transpower (TPNZ) Capex Input Methodology review.
- ~ Preparatory steps towards new Individual Price-Quality Path (IPP) from Apr-20 for TPNZ.
- ~ Transparent EDB pricing and implementation of a Default Distribution Agreement (DDA).
- ~ Powerco Customised Price-Quality Path (CPP) application to replace Default Price-Quality Path (DPP).
- ~ Improved information disclosure and understanding by consumers ahead of DPP reset in Apr-20.
- ~ Positive changes in spot market design, eg Real-time-pricing.
- ~ Reduce EECA levy and or improve value from EECA.
- ~ Support new entry, products & education to improve hedge market.
- ~ Once DDA in place re-fresh MEUGs direct participation guideline.
- ~ Emerging technologies assist consumer choice and lowest cost outcomes.
- ~ Consumer input in EA's Innovation & Participation and Market Development Advisory Groups.

<sup>1</sup> Net refers to incidence on consumer invoices. e.g. Transpower's regulated revenue is ~\$1b pa but generators pay some and recover those costs through energy offers.