



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

Presentation to MEUG on MBIE energy markets work programme

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Key topics

- **Electricity Price Review**
- Electricity resilience
- Climate Change policies
- Regulatory system stewardship
- Liquid fuel markets



Electricity Price Review (EPR)

- Targeted consultation on draft terms of reference earlier this year.
- 19 submissions received from a range of stakeholders. Overall broad support for the review.
- We are currently in the process of considering the submissions and finalising the terms of reference.
- The Minister of Energy and Resources is currently considering candidates for appointment to an expert panel for the Review. Expected to be finalised this month.
- *Note that consideration of the Low Fixed Charge Regulations will be included in the Review (i.e. no outside work stream at this point).*
- *Also note that the Review has the scope to consider EDB productivity, to complement EA and ComCom work programmes.*
- *We welcome comments on the best way to engage with stakeholders throughout the Review process.*

Electricity Resilience

- Following the Kaikoura earthquake, the September RAP outage, and the more recent RAP shut down, the government continues to take an interest in the resilience of our energy infrastructure.
- MBIE has commenced a project to review the incentives and disincentives on electricity and gas distribution businesses to improve resilience and accountability mechanisms.
- This project could also potentially consider transport fuels, if that is not included in the RAP review (Government inquiry into the September RAP outage).

Climate Change Policies

- The Government has committed to action on climate change, and this includes establishing a Climate Change Commission and setting out a new 2050 target for greenhouse gas emissions.
 - A Zero Carbon Bill is planned to be introduced to Parliament in 2018 that will set the framework for this action, and there will be public consultation on the development of the Bill.
 - The Confidence and Supply Agreement between Labour and the Green Party states that the (soon to be established) Climate Change Commission will be asked to plan the transition to 100 per cent renewable electricity by 2035 (which includes geothermal) in a normal hydrological year.
- Cabinet has agreed to establish an interim Climate Change Committee that will prepare evidence and analysis for the Climate Change Commission, which is expected to be established mid-2019.
 - MBIE is engaging with the Ministry for the Environment on the development of the terms of reference for the interim Committee.
- *How are MEUG members responding to Government's climate change policies and the wider transition to a low emissions economy?*

Regulatory System Stewardship

- Council of Energy Regulators has now been in operation for one year (established early 2017).
 - Includes CEOs from MBIE, EA, ComCom and GIC – primarily a forum for information sharing and coordination.
- We are now reflecting on how operation has gone to date and how it can be improved going forward.
- An Energy Markets Regulatory Charter is currently being finalised – looking to publish by the end of Q1 2018.
 - Purpose of the Charter is describing the roles and functions of the various parts of the regulatory regime, and setting out how actors will work together to address gaps and overlaps.
- *The Council is about ensuring a shared understanding between agencies, rather than driving work programmes or monitoring performance.*
- *What do MEUG members consider to be the main regulatory system issues?*

Liquid Fuel Markets

- Fuel Market Financial Performance Study completed June 2017.
 - “We cannot definitely say that fuel prices in New Zealand are reasonable, and we have reason to believe that they might not be.”
- MBIE report back November 2017.
 - Collected further information and analysis on the borrow and loan system, and the wholesale market.
 - Agree with the Study that further examination of the sector is warranted, and that a market study led by the Commerce Commission, alongside supporting information gathering powers, would be the most appropriate vehicle to undertake this examination.
- Cabinet has agreed that the a market studies power be granted to the Commerce Commission.
- MBIE currently considering changes to the Commerce Act for the market studies power to be introduced.

Other related work?

