



MAJOR ELECTRICITY
USERS' GROUP

EnergyManagement Association of New Zealand
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Energy Productivity and Partnerships

The next energy (r)evolution

Ralph Matthes, Executive Director, Major Electricity Users' Group (MEUG)

ralph@meug.co.nz www.meug.co.nz

Issues impacting on future electricity prices for commercial and industrial users

Background to MEUG members

Member (GWh ranked)	Grid connected	EDB with > 200 kVA sites	Generator	Direct market participant	IR provider	Dispatchable demand participant	Ultimate ownership
PacAl	Yes	-		Yes			Listed
NZ Steel	Yes	3	Yes	Yes	Yes		Listed
Fonterra		14	Yes		Yes		Co-operative
Oji FS		7	Yes		Yes		Listed
Pan Pac	Yes	1	Yes	Yes	Yes		Listed
Norske Skog Tasman	Yes	1	Yes		Yes	Yes	Listed
PEL (Countdown)		29					Listed
Refining NZ		2					Listed
Winstone Pulp Int.	Yes	-		Yes	Yes		Private
Oceana Gold		3					Listed
Whakatane Mill		1	Yes				Listed
Ravensdown		3	Yes				Co-operative
Lion Nathan		4					Listed
Business NZ							Trade Assoc.
WPMA ‡							Trade Assoc.

Generation fuels include gas, wood waste and geothermal.

‡ WPMA=Wood Processors & Manufacturers Assoc. of NZ

Costs as a driver to manage electricity costs

MEUG estimates		NZ	MEUG	Pct.
Gross Demand	GWh pa	41.0	10.6	26%
Energy costs (including retail margins)	\$b pa	3.25	> 0.5	> 18%
TPNZ charges (excluding paid by generators)	\$b pa	0.73	0.11	15%
EDB charges	\$b pa	1.73	0.02	1%
Total costs	\$b pa	5.76	> 0.60	> 10%

EECA levies	\$m pa	13	3	26%
EA levies (directly paid by consumers)	\$m pa	78	8	10%

MEUG members highly incentivised to keep costs low without risking reliability.

Use financial derivatives and demand response. Latter includes managing energy, ancillary services and transmission costs.

What about other consumers?

Above estimates by MEUG. A policy issue is poor data following non-publication since 2011 of ANZSIC disaggregated statistics.

What's changing in decisions to manage electricity use?

Factor	In the past		In the future
<u>\$ impact on future use:</u>			
½ hour volume data	Large users' only	↔	Almost everybody
½ hour energy prices	Large users' only	↔	Everybody could have a choice
Spot pricing	Ex post	↔	Real-time-pricing
Hedging	Supplier market	↔	More competition and choice of products
Service based monopoly charges and balanced contract terms and conditions	Nobody - large users' partially	↔	Almost everybody
Capability to analyse options and act on those	Large users' only	↔	New retailers and aggregator business models and even to level of individual households
<u>Price isn't everything:</u>			
Political stability	Prone to political opportunism	↔	Risk lessened as market develops
Intangible positive externalities	Eg climate change externality	↔	More realisable driver as policy develops
Partnerships	Have a role	↔	Will continue to have a role