

14 February 2019

MEUG response to Commerce Commission questions at meeting 30 January 2019

- Question 1: What areas of performance for EDBs and Transpower concern you most and why [efficiency, innovation, pricing, profitability, quality, investment]?

MEUG: Quality measures that do not consider value of lost load and are not sensitive to brown outs/power flicks. Also, independent analysis of EDB's asset management plans to ensure assets are being maintained with in the DPP so that a CPP is not required. Historic long-term price escalation greater than PPI due to CPP and DPP resets.

Transpower/EDB value risk differently to how a manufacturing plant values risk and the cost of lost production and downtime, i.e. Transpower/EDB commercial drivers don't match large commercial customers commercial drivers.

The impact of constraints (i.e. planned & unplanned outages – gas – electricity – transmission lines) not being assessed on a NZ wide basis. Where in the regulation lies responsibility for a NZ wide approach?

- Question 2: What issues matter most to you currently, e.g. what is taking up most of your time at Board level discussions?

MEUG: Gas supply constraints going forward, capital spending on sustainability change vs manufacturing capital spend.

The extreme volatility in electricity pricing through the Spring 2018 period exposed the fragility of the electricity supply system, and yet there is greater change coming in the future in a low carbon economy, without clear plans on how the volatility will be mitigated.

The potential disruption to production (both cost of electricity or the cost of downtime & supply of electricity) does not match the manufacturing plants need to operate 24/7 in a continuous planned sustainable manner.

- Question 3: How do you see the DPP evolving over the long-term? As part of the current re-set we are trying to take a long-term view of issues such as quality, taking account of what might be achievable in the short-term, and putting firm plans in place to progress work towards greater change in future resets. We are interested in your view of what is achievable now and what can be realistically achieved with work towards DPP4.

MEUG: See response to Question 1.

- Question 4: How effective have the EA and us been at providing a combined presence in the regulatory space? We want to understand where we could do more to join up our thinking and how we present ourselves together more generally.

MEUG: Slow response to the spring electricity and ongoing high electricity market prices and asymmetrical information disclosure in the gas market which is linked to the electricity market and subsequent hedging action.

- Question 5: What role do you think MEUG should play in promoting and coordinating a wider consumer perspective?

MEUG: That's for MEUG to decide but there should be no expectation that MEUG would be tasked with doing the work of the government departments, our member funding is used to ensure policy and regulation is fit for purpose for the members. It has become apparent that other government agencies are using interest groups unfunded to be the communication conduit to the wider community instead of doing it themselves.

- Question 6: How can we reduce barriers for MEUG and other consumers to engage with us to better inform our work?

MEUG: Regular update sessions with MEUG which allows the members to discuss what issues they are facing.