



MAJOR ELECTRICITY USERS' GROUP

13th September 2016

Dr John Rampton
General Manager Market Design
Electricity Authority
By email to submissions@ea.govt.nz

Dear John

Consultation Paper – The Authority's changes to the FTR Allocation Plan

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority consultation paper, The Authority's changes to the FTR Allocation Plan, 2nd August 2016.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. The next paragraph considers the proposal. The concluding two paragraphs consider two other related topics. First if the Allocation Plan should be revised to allow urgent consideration of a new hub? Second who should pay for FTR market overheads?
4. Responses to questions in the consultation paper follow:

Question	MEUG response
1. Do you agree the proposed variation to the FTR Allocation Plan should be changed to address the issues identified by the Authority in paragraphs 2.7 to 2.12?	Agree provided there is a positive cost-benefit-analysis to support the proposed variation. In response to Q. 4 below MEUG agrees the CBA is likely to be positive.
2. Do you agree with the objectives of the proposed changes? If not, why not?	Agree with the objectives, or better referred to as potential policy issues, justifying the EA considering proposed changes to the FTR Allocation Plan submitted by the FTR Manager.

¹ Refer <http://www.ea.govt.nz/development/work-programme/operational-efficiencies/changes-to-the-ftr-allocation-plan/consultation/#c16152>

Question	MEUG response
3. Do you have any comments on the drafting of the proposed changes?	No comments.
4. Do you agree the benefits of the proposed amendment outweigh its costs?	Agree the benefits of the proposed amendment are likely to exceed the costs and the net benefit of the proposal is likely to exceed net benefits of the alternatives discussed in paragraphs 3.15 to 3.21 of the paper.
5. Do you agree the proposed amendment is preferable to the other options?	See response to Q4 above.

5. On 26th August 2016 Mercury Energy wrote to the Authority on implementation of a Central North Island FTR. On the same day MEUG sent a supporting letter to Mercury Energy addressed to the Authority. Clause 4.10 of the FTR Allocation Plan, Adding new FTR Hubs, has no specific mechanism for urgent consideration of a Hub. Pragmatically in this instance the FTR Manager may initiate the process for considering new Hubs earlier than the required bi-annual cycle. It may be worthwhile investigating if the FTR Allocation Plan should have a process specified for managing urgent requests for adding new FTR Hubs.
6. The paper discusses funding of services provided by the FTR Manager including those for considering new FTR Hubs. There is a related question on who should pay for FTR market overheads? The Authority does not have the statutory ability to set fees for specific participants for particular services such as those for the FTR Manager. On the other hand the Commerce Commission and the Gas Industry Company have the ability to set fees for specific costs. It appears the lack of the Authority to set fees was an oversight when the Electricity Industry Act 2010 commenced. The Authority consulted on a proposal to seek an amendment to the Electricity Industry Act 2010 to remedy this oversight in 2011.² MEUG supported that proposal.³ Since that date no further action has been taken because we understand this was seen as a low priority legislative change. Earlier this month the Minister of Energy and Resources announced that a Bill was to be introduced to enable EECA to be able to access funding through the Petroleum and Engine Fuels Monitoring Levy and the Gas Levy to use on initiatives it conducts in the transport and industrial sectors.⁴ It may be worth considering if an omnibus energy Bill could be introduced covering both energy levies as announced by the Minister and allowing the EA to set fees to cover costs from specific parties such as those for the FTR market.

Yours sincerely



Ralph Matthes
Executive Director

² Refer <http://www.ea.govt.nz/about-us/corporate-projects/proposal-to-amend-the-electricity-industry-act-to-enable-collection-of-fees-2/consultation/#c9231>

³ MEUG to EA, Consultation paper – Proposal to amend the Electricity Industry Act to enable collection of fees, 21st December 2012, refer <http://www.meug.co.nz/node/523>

⁴ Refer Ministers announcement, EECA funding focus to move beyond electricity, 1st September 2016, <https://www.beehive.govt.nz/release/eeca-funding-focus-move-beyond-electricity>