

26 February 2021

Dave Smith  
System Planning Manager  
Transpower  
By email to [demandforecasting@transpower.co.nz](mailto:demandforecasting@transpower.co.nz)

Dear Dave

### **Draft EDGS 2019 variations consultation**

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Transpower consultation paper "Net Zero Grid Pathways, Scenario Development – Electricity Demand and Generation Scenarios (EDGS) 2019 variations consultation," December 2020.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may also make separate submissions.
3. The use of a panel to assist Transpower prepare proposed variations to MBIE's 2019 EDGS is a welcome initiative. The consultation paper is well constructed to make it easy to understand Transpower's proposal to the panel and the feedback by the panel.
4. The proposed pre-model approach (p34) involves a degree of judgement on the future supply investment stack that could have unintended consequences. For example, Transpower may have a view a particular proposed generation investment has high consenting barriers. However, Transpower is not in the generation investment business and may be unaware of aspects of the commercial value an investor has or innovative solutions to addressing consenting barriers. Another risk is that opponents to a project may use Transpower's subjective view as evidence the project has risks leading to investors shying away from what is the lowest cost option for New Zealand because Transpower's subjective views are incorrect. In other words, Transpower's subjective view of a project becomes a self-fulfilling prophecy. MEUG prefers the supply stack to be based on objective data as far as possible and to leave consideration of subjective views of generation projects to be tested with sensitivities.

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<sup>1</sup> Refer document URL

[https://www.transpower.co.nz/sites/default/files/uncontrolled\\_docs/TP%20Net%20Zero%20Grid%20Pathways%20%E2%80%93%20Consultation%20-%20Final%2013%20Jan%2721.pdf](https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/TP%20Net%20Zero%20Grid%20Pathways%20%E2%80%93%20Consultation%20-%20Final%2013%20Jan%2721.pdf) at <https://www.transpower.co.nz/net-zero-grid-pathways-latest-updates> .

5. We are not sure why Transpower need to develop EDGS variations in the first half of 2021 as we are not aware of any application to be made to the Commerce Commission for approval of a Major Capital Proposal for at least 18-months that may have some uncertainty on being beneficial depending on whether EDGS 2019 or EDGS 2019 variations are used. In other words, in the near to medium-term (at least next 1 ½ years) there is no need to update the EDGS.
6. MEUG's preference is for MBIE to publish a new EDGS 2021. We think that is feasible because MBIE is tasked with reviewing the energy aspects of the Climate Change Commission final advice to the Minister for the Environment. The Commission must table its final advice by the end of May. Departments will then comment on that advice to allow government to set the inaugural set of emission budgets by 31<sup>st</sup> December 2021. Hence MBIE will be intensively considering scenarios for the entire energy sector and a new EDGS 2021 could be extracted as a subset of that broader advice to Ministers. A new EDGS 2021 would then align with the advice on scenarios provided by MBIE leading to the emission budgets to be finalised at the end of this year.
7. The risk of misalignment of EDGS and the assumed pathway underpinning the emission budgets is illustrated by differences in forecast electricity generation between the Climate Change Commission and EDGS variations 2019. The Current Policy Reference case (CPR) in the Climate Change Commission ENZ model run predicts generation between 2019 and 2050 to grow 38% and by 41% in the C-Plan model. In the EDGS 2019 variations proposal (Table 1, p5) the growth is 43%.
8. MEUG suggests the EDGS 2019 variations project be put on hold and resumed only if MBIE do not complete a new EDGS 2021 later this year. In that case MEUG recommends the panel be reconvened to provide feedback on an update of the EDGS 2019 variations that are the subject of this consultation.

Yours sincerely



Ralph Matthes  
Executive Director