



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

April 2017

This month it's all about prices

A major theme in April will be line charges charged by Transpower and the 29 Electricity Distribution Businesses (EDBs). The Electricity Authority (EA) estimate the total annual power bill for an average household includes around 11% for transmission and 30% for EDB charges. Over the last few years these two-monopoly line service related costs have, on average, been increasing at a greater rate than the combined other components of power bills (wholesale costs and retailer margins).

On 1 April Transpower's interconnection charge unit rate increases 8.1 per cent. Interconnection charges are passed onto the 29 EDBs and consumers directly connected to the grid. The EDBs then pass those higher transmission costs to retailers, and those in turn are passed onto mass market consumers. Large consumers connected to EDBs often have pure-pass through of transmission charges, so they also will have price increases.

Some EDBs will also have an increase in their own costs and pass those on to retailers and consumers along with the higher transmission interconnection charges. For example, Mainpower has advised an average household will see an increase in total line charges, bundled transmission and their own costs, of 8.7% effective 1 April 2017.

Monopolies, end consumers, retailers and regulators could consider how the regulatory framework might change to better mimic that of a workably competitive market. In such markets suppliers cannot dictate prices and are continually innovating to keep market share using cost-reflective and service-based prices.

Oji Fibre Solutions unveils \$30m investment in Penrose paper bag plant

Oji Fibre Solutions has unveiled a \$30m capital investment at its Penrose (Auckland) paper bag manufacturing plant, upgrading and expanding facilities to support the manufacture of additional value-added products.

A new conversion line will produce 48 million 25kg dairy and food powder bags per year, bringing total production to around 100 million bags per annum.

Purpose built and equipped to meet the Ministry of Primary Industries' guidelines for the design and construction of dairy facilities, the new facilities also comply with stringent customer engineering standards for food safety.



Key dates

What's on	Who	When	Notes for members
Workshops: System Operator (SO)	System Operator	3, 6, 7 April	Biannual workshops covering range of SO work. Grid owner will also discuss Performance Service Measures as part of developing proposal for next 3 rd Regulatory Control Period (RCP3, starts 01-Apr-20) Individual Price-Quality Path (IPP) to be tabled with the CC in Sept 2018.
Submission: Improving accuracy of hours ahead forecast prices	EA	4 April	Consumers, suppliers, the grid owner and system operator making operating decisions in, or a few hours before, real-dispatch-time will all benefit if forecast prices are more accurate.
Submission: TPM, comments on OGW Q&A session on technical aspects of CBA	EA	4 April	Online email session last week allowed parties to have Q&A with Oakley Greenwood (OGW) on their independent cost-benefit-analysis (CBA) for the EA.
Submission: Incremental Rolling Incentive Scheme	CC	18 April	IRIS mechanisms allows incentive regime for TPNZ to continue from one RCP to the next.
Submission: Transpower Capex Input Methodology (IM)	CC	26 April	This initial paper will seek comments on potential areas of focus. The TPNZ Capex IM is important because it sets out processes for TPNZ to prepare proposals for, and CC approval of, 5-yearly IPP regulation and specific Major Capex (< \$20m) and Listed Project approval processes including consumer consultation.
MEUG Executive Committee monthly meeting	MEUG	27 April	Gareth Hughes, Green Party list MP and spokesperson for Energy and Resources, will be attending the meeting. Graeme Peters, Chief Executive of the Electricity Network Association (ENA), will be attending to discuss EDB changing tariffs to be cost-reflective and service-based.
Applications: Demand Response trial	Grid owner	28 April	Demand side response (including distributed generation) can be a cost effective non-transmission solution instead of traditional lines and wires and substation assets, or to better manage outages.