



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

August 2016

July was dominated by transmission pricing and with the new month our focus has moved quickly to input methodologies and a range of other submissions to the Commerce Commission, the Electricity Authority and Transpower. August is a busy month for members and our executive team.

Transmission Pricing

MEUG's submission on transmission pricing focused on two key issues and was supported by extensive advice from NZIER. The key issues for us were:

1. The long standing view of MEUG is that any changes to TPM must be supported by a robust Cost Benefit Analysis (CBA). Our submission noted our view, and that of NZIER, that the current CBA has shortcomings including:
 - Likely over-stating the positive net present value in the quantitative analysis
 - An attempt to estimate the value of claimed material qualitative benefits should have been made
 - As NZIER advised, "The CBA analysis does not provide compelling evidence that the best option has been chosen ..."
2. The proposed guidelines are overly prescriptive and stray into design of the TPM. MEUG argued that the guidelines should set out the outcomes the TPM should achieve and provide Transpower with the discretion to design a TPM that meets those outcomes without constraining how Transpower does that.

A number of MEUG members also made submissions, which more fully and accurately represent the views of those individual major users.

Distributed Generation

MEUG's submission on 26 July agreed with the EA's proposal to remove the Distributed Generation Pricing Principles (DGPP) from Part 6 of the Code and thereby end current Avoided Costs of Transmission (ACOT) payments. The EA estimated consumers are paying an extra cost of around \$25m to \$35m per annum in ACOT payments without receiving any associated benefit.

Other business

MEUG is pleased to be hosting the Minister of Energy and Resources, Hon Simon Bridges, at our August executive committee meeting and we look forward to a wide-ranging discussion with the Minister on a number of issues across the sector, such as the National Energy Strategy and Government energy targets, to the Minister's perspective on emerging or future trends within the sector.

Key dates

What on	Who	When	Notes for members
Submission: IPP amendment for exemptions from ID requirements	CC	1 August	Allowing Transpower to seek an exemption or modification from the Individual Price-Quality Path (IPP) determination for Information Disclosure (ID) requirements will lower compliance costs and benefit Transpower, the Commerce Commission and consumers.
Submission: Input Methodologies (IM) review	CC	4 August	IM are the building blocks used for ID that all line monopolies are subject to and setting Default Price-Quality Paths (DPP) and Customised Price-Quality Paths for EDBs that are not locally owned and for Transpower's IPP. Small changes in IM such as cost of capital assumptions can make material changes to line charges.
Submission: Waikato and Upper North Island Voltage Management Investigation	Transpower	11 August	This is likely to lead to a Major Capex request for approval application to the CC. The lowest cost option including non-transmission line solutions such as demand side management to reduce peak demand for new transmission services need to be considered. Under the current TPM the approved cost will be paid by all consumers in New Zealand and, as such, this requires careful scrutiny.
Submission: Transitioning Orion from CPP to DPP	CC	12 August	Orion was the first and so far only EDB to be subject to CPP. The transition back to DPP is also a first hence need to establish robust rules.
Cross-submission: IM review	CC	18 August	Cross-submissions on all matters except cost of capital.
Submission: Review of disclosure exclusions	EA	23 August	Disclosure rules in the wholesale market are important to facilitate competition. This proposal considers certain exclusions.
MEUG executive committee monthly meeting	MEUG	24 August	Hon Simon Bridges, Minister of Energy and Resources, will be attending the meeting to discuss a number of topical issues.
Cross-submission: IM review	CC	26 August	Cross-submissions on cost of capital.