

Reconnecting at Downstream

This update follows the conclusion of this year's Downstream conference, where it was great to reconnect with so many people and listen to many of the presenters. We have to acknowledge the effort and commitment of Freeman Media and all others involved in persevering in a challenging, disrupted year and making Downstream a reality.

Where is the consumer in our focus on the future?

A key theme at Downstream, in the wake of Rio Tinto's announcement that it was terminating its power agreement for NZAS with Meridian Energy, was how do we prepare for a low carbon future where there is an increased reliance on renewables amidst changing demand.

There was a strong focus on what we need to build as a country and where to build it. What was largely absent from much of the discussion was the consumer. Not in the sense of what will consumers need in the future to ensure the lights stay on, but in the sense of who will ultimately pay for this new build, how much will it cost them, what benefit they will derive, and if and when they can afford it (a critical issue in the post-COVID-19 economy).

In particular, many commentators made sweeping statements about NZAS but there was no space for the smelter's owners to comment about the circumstances which led to the termination of their power agreement. Similarly, there was no insight from Refining NZ or NZ Steel about the extent to which electricity prices and supply are factors leading to their respective strategic reviews.

We also need to do a much better job at communicating with consumers. Most consumers do not engage in the electricity sector – all most want to know is will the electricity be there when they want it, and how much will it cost them. Those who do engage in the sector also focus on price, e.g. how can I structure my demand to reduce high peak prices and reduce my overall bill?

MEUG has in recent years been asking the Electricity Authority and the Commerce Commission to publish information about regulatory change and its impacts in forms consumers can readily digest – particularly, what will any given change or project cost “an average household”.

When it comes to building new generation or upgrading the grid, those doing the building or upgrading need to do the same. The new transmission pricing guidelines make it clear beneficiaries must be identified for any transmission assets. But that information is noticeably absent from Clutha/Upper Waitaki and Onslow projects.

Calculating precisely who will benefit and how much they will have to pay is complex. But in New Zealand we do most things incrementally. We don't need perfection in identifying every beneficiary and how much a project will cost them down to the last cent. We can start at a

higher level and gradually improve the detail and quality of assessment as we go. But we should be able to say, e.g. “Project X will cost \$100m to build. It will cost households in the Waikato, Auckland and the western Bay of Plenty around \$5 a month for the next three years. For just \$5 a month, people will get the benefit of”

If we take the Clutha/Upper Waitaki project as an example, we know consumers in the North Island will benefit, as will Contact and Meridian Energy. Even stating that simple sentence would be an improvement over the quality of information provided now. We can do better.

Key dates

What's on	Who	When	Notes for members
Conference: 2020 NZ Downstream	Freeman Media	3-4 Aug	The premier annual energy conference in New Zealand.
Submission: Recommendations on new generation technologies	Market Development Advisory Group (MDAG)	4 Aug	Useful suggested incremental improvements and some longer-term options to consider. Devil-is-in-the detail to implement.
Submission: Top Energy corporate separation & arms-length rules exemption	Electricity Authority (EA)	4 Aug	This is a carry-over/adjustment of an existing exemption. No submission from MEUG necessary.
Briefing: Wholesale Market Information Disclosure	EA	14 Aug	Phase 1 of a multi-year work program to improve information flows. Submissions close 1 st Sept.
Submission: Undesirable Trading Situation (UTS) decision	EA	18 Aug	MEUG supports conclusion a UTS occurred, subject to considering the submissions of other parties. Cross-submissions close 1 st September.
Meeting: ENA Consumer Reference Panel	Electricity Networks Assoc. (ENA)	19 Aug	Useful meetings held 2 to 3 times a year for various consumer reps including MEUG.
Submission: CC Issues paper on Aurora CPP application	Commerce Commission (CC)	20 Aug	Aurora's Customised Price-Quality Path (CPP) application is necessary as safety & reliability needs improving due to prior neglect.
Pre-election event: 2020 Energy Panel, 2-hour panel discussion	BusinessNZ Energy Council & Chapman Tripp	26 Aug	Spokespeople from each of the Labour, the Greens, NZ First, National, ACT and TOP.
Tenders close: New Renewable Electricity Generation	Large users	31 Aug	Tender issued on 20 July.