Major Electricity Users' Group

Update from the Chair   February 2020

Looking forward to the year ahead

The General Election on 19 September shapes much the year. Parliament rises on 12 August, leaving just six months to progress government policy or legislative reform. The flurry of government consultations released over the last two months, particularly in the climate change space, have been challenging for business to respond to.

The political imperative to finish reforms prior to the election raises a real risk of rushing work with poor quality underlying analysis or consideration, leading to unintended consequences or negative impacts that are difficult to unwind.

The select committee process considering the Climate Change Response (Emissions Trading Reform) Amendment Bill is a case in point. In ensure fast passage of the legislation, submitters are being given no more than 10 minutes to cover all key points in the Bill, often before a select committee comprising just two Members of Parliament.

The election itself is shaping up to be a very close, bitterly contested affair. If New Zealand First get over the 5% threshold needed to return to parliament, or win an electorate seat, then the current governing parties will secure a second term in office. If NZ First fail to get 5%, or win an electorate, the election is too close to call. The most recent public polling suggests National and the ACT Party would narrowly defeat Labour and the Greens.

Electricity pricing a priority for MEUG this year

It remains hard to understand why the wholesale electricity price has remained as high as it is, given the volume of water in the hydro lakes – particularly given some generators are spilling water rather than generating cheaper electricity.

Persistently high wholesale prices are threatening the ongoing profitability of the productive sector. MEUG has commissioned Energy Link to look at market and trading behavior to help us determine whether there is any exploitation or gaming taking place to the detriment of consumers.

Transmission pricing progressing

The Electricity Authority is planning a short consultation on the cost benefit analysis underpinning its draft transmission pricing guidelines, as well as on peak pricing provisions in the draft guidelines.

MEUG's position remains any change in transmission pricing should result in greater benefit to consumers than the costs associated with any change, and we will be engaging in this process.

Key dates

What's on	Who	When	Notes for members
Meeting: MEUG Executive Committee	MEUG	4 February	Guests included staff from MBIE to discuss the paper on Accelerating renewable energy and energy efficiency
Cross-submission: Fibre Input Methodologies (IM)	Commerce Commission	12 February	Risk of detrimental precedents set in estimating cost of capital may flow into future IM for regulating electricity and gas monopolies
Event: Energy Trader Forum	Freeman Media	13 February	Quarterly forum involving electricity and gas traders and service providers
Submission: Accelerating renewable energy and energy efficiency	Ministry for Business, Innovation & Employment	28 February	Views sought on 28-options to complement the primary policy tool of the ETS. The paper seeks ideas on pros and cons to consider options. A common theme is market failure in information for businesses considering energy efficiency and renewable energy options. Possible solutions are a range of government interventions in the market for information. In most cases we will be rebutting the notion government knows best
Submission: ETS proposed settings	Ministry for the Environment	28 February	Subject to passage of the Climate Change Response (Emissions Trading Reform) Amendment Bill the Minister will be able to set regulations, amongst other things, for a carbon price cap. The details of how a cap is set and managed before the Climate Change Commission can give advice heightens the risk of unintended consequences. An underlying problem is a lack of good data and robust cost-benefit-analysis that can only be solved with time to allow that work to be completed