

**Looking ahead to 2021**

Looking forward to 2021 there is little doubt COVID-19 will continue to impact society and how we interact. 2021 will also be a crucial year for the electricity sector with significant issues, reforms and developments progressing. The following are shaping up as MEUG's top priorities.

**1. Spot and hedge markets**

The Electricity Authority has multiple workstreams under way to improve the spot and hedge markets, and MBIE has residual work following on from the Electricity Pricing Review. However, MEUG remains of the view that ongoing high wholesale prices are not in the long-term interests of consumers and more needs to be done. This work will be MEUG's top priority for 2021.

We think there is a lack of meaningful competition in the sector. While high wholesale prices have not yet been passed onto residential consumers, continued high wholesale prices place large commercial and industrial users at risk, as well as smaller independent retailers. MEUG has commissioned a pilot economic profitability analysis of Meridian Energy and is considering widening that to other large gentailers.

**2. Transmission and distribution pricing**

Transmission pricing will be a resource intensive workstream for MEUG in 2021. Ongoing engagement with Transpower will continue and we expect the intensity of work will only increase when the Electricity Authority starts consultation in the second half of the year.

The Climate Change Commission also proposes numerous policies that will increase electrification and therefore need more network investment. Monopoly pricing is important to ensure investment reflects growing needs and those that benefit pay for it.

**3. Greenhouse gas emissions policy**

The Climate Change Commission's draft emission budgets will be a strong focus in early 2021. There is a lot of complexity to work through. The Commission should make its modelling and underlying data publicly available to assist with this. MEUG's focus will then shift to ministerial and Cabinet consideration in the second half of the year. MEUG's focus remains on potential impacts and ramifications for the electricity sector.

MEUG will also continue to engage with MBIE and other public sector agencies on other emissions reduction policies and interventions. Policy developments could move quickly given the ambitious timeframes in the Climate Change Commission's draft emission budgets and it is important to be engaging early. MEUG's focus here remains policy

interventions aimed at delivering the greatest possible emissions reduction at the least possible cost.

## Key dates

What's on	Who	When	Notes for members
Consultation starts: Draft emission budgets and advice to government on mitigating climate change and adapting to its effects	Climate Change Commission	1 February	Submissions close 14 March. The Commission must deliver advice by 31 May 2021. Government considers advice and must gazette emission reduction plan end of 2021.
Event: Energy Trader Forum, Wellington	Freeman Media	11 February	Quarterly forum of electricity and gas traders, service providers, regulators, and consumers.
Submission: Review of Commerce Commission's funding for regulating electricity and gas networks	Commerce Commission (CC)	12 February	This CC work is funded on a multi-year basis, whereas EA (~\$77m pa) and EECA electricity levy (\$5.5m pa) funding is reviewed annually. The last CC funding review was in 2013. For electricity networks CC propose \$9m pa for each of 5-years and Input Methodologies review budget of \$8m over 2-years. CC levies are paid by monopolies and passed through to consumers.
Monthly meeting	MEUG	24 February	Guests include the Climate Change Commission, Electricity Authority and Barbara Kuriger (National Party spokesperson for Energy and resources).
Submission: Net Zero Grid Pathways, scenario development, EDGS 2019 variations	Transpower	26 February	MBIE last published Electricity Demand and Generation Scenarios (EDGS) in 2019. Transpower are proposing variations to those. EDGS or variations must be used by Transpower when seeking CC approval for major capex proposals.