



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

July 2017

Effective markets and business resilience

This week saw the release of MBIE's *New Zealand market financial performance study* into pricing and competition in the retail petrol market. While the authors of the report couldn't make definitive findings in many areas partly due to a lack of information, the report does suggest some parts of New Zealand could be paying more than they might need to, or that some of the features of a workably competitive market might not be present.

While the petrol and electricity sectors are very different, what they do have in common is both power business and economic growth. Both also comprise significant costs for many industrial and commercial businesses and, if we don't get the settings right, can make a real difference to business resilience.

If New Zealand is to prosper, decision-makers need to take a NZ-Inc approach that weighs long-term national interests alongside short-term solutions. It is not helpful if, for every step forward a business makes in reducing cost to remain sustainable, decision-makers increase existing costs, add new costs or fail to act on issues that tilt the playing field. Costs imposed by regulators and monopolies in the electricity sector are a key focus for MEUG in this respect.

Part of the solution is for industry to tell its story more effectively, both to decision-makers and to the public. New Zealand and the New Zealand economy are well-served by having healthy, diverse industry investing in capital, generating export revenue, employing skilled workers in well-paying jobs, and contributing to the communities in which they operate. This will be a focus for MEUG heading into the new financial year.

The best defence against political risk

While regulators and companies must follow relevant legislation or do what is best for their shareholders, they also require a social license to operate – if they undermine or lose their social license, consumers (or voters) will respond and they face increased risk of political intervention.

A case in point is New Zealand First's hardening attitude towards the Electricity Authority across multiple issues, which has seen the party questioning the regulator's continued future independence.

Voters typically don't make decisions on the basis of carefully considered logic – Brexit and President Trump's election are often cited as examples of this – and New Zealand is not immune to international trends towards more radicalised politics and demands for both change and a return to some nostalgic golden yesteryear.

With the odds being on New Zealand First occupying the kingmaker role after September's election, there is a potential salutary reminder that one thing all voters have in common is that they are all consumers. A consumer- or customer-centric approach is the best defence against political intervention.

MEUG engagement with political leaders

MEUG would like to thank the Minister of Energy and Resources, Hon Judith Collins, for attending our AGM in June for what proved to be an engaging discussion about the sector and the future. This month we look forward to again hosting Dr Megan Woods, the Labour Party spokesperson for Energy and for Climate Change.

Key dates

What's on	Who	When	Notes for members
Training: ASX education event, Auckland	ASX	07 July	Several MEUG members attending this event that is being held in collaboration with the EA.
Submission: Proposal for TPM operational review	Transpower	10 July	An initiative by Transpower which MEUG is submitting in support of.
Nominations: Innovation & Participation and Market Development Advisory Groups	EA	11 July	MEUG has been encouraging and supporting members to self-nominate for both of these important new advisory groups.
Submission: Enabling mass participation (technology will lead to more sellers and buyers)	EA	11 July	Well designed and coordinated regulatory changes (EA, CC and MBIE) to enable mass participation will add value to mass market and large end users; poorly designed will not.
Survey: Sensitivity of forecast spot prices to changes in D & S	System Operator	14 July	A useful initiative by the SO as MEUG members and others have suggested this could improve demand side response.
MEUG Executive Committee monthly meeting	MEUG	26 July	Visitors include: <ul style="list-style-type: none"> • Dr Megan Woods, Labour Party Energy and Climate Change spokesperson • MBIE on a range of topics • Commerce Commission for CPP re-fresh.
Transpower stakeholder forum	Transpower	27 July	Continuation of System Operator and Grid Owner occasional forums in combined new format.
Panel discussion: Energy Panel 2017, Wellington	BusinessNZ Energy Council	2 August	Panelists are Hon Judith Collins (National), Dr Megan Woods (Labour), Gareth Hughes (Greens), Fletcher Tabuteau (NZ First), David Seymour (ACT) and Geoff Simmons (TOP).