



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

June 2016

What's on in June?

This month MEUG's primary focus will be on assessing the potential impacts on members, and on NZ Inc, of:

- the EA's draft Transmission Pricing decision, and
- the Commerce Commission's draft Input Methodologies review decisions.

Both issues are complex and have far-reaching consequences of members, with TPM directly impacting future investment in the grid and use of existing assets, and Input Methodologies affecting the long-term price and quality of service from Transpower, and from electricity and gas transmission and distribution businesses.

Submissions on both are due in July. MEUG has commissioned NZIER and Ireland, Wallace & Associates to help inform our work and through June we'll be working closely with our expert advisors to fully understand the implications of both and to support the submissions we will be making.

An industry led and EA facilitated development of a cap product

This month an ASX cap product working group is meeting to finalise the specifications for the New Zealand electricity ASX Cap product. The ASX is planning on listing a Cap product by the end of the year. Genesis Energy in conjunction with the ASX and the EA are leading the working group, with MEUG member Winstone Pulp the large industrial user representative involved.

This is an important milestone in the ongoing evolution of the hedge market and reflects the valuable joint industry led and EA facilitated approach to improving competition and choice.

It's great to see a MEUG member on the working group and is consistent with MEUG representation on all major industry groups such as the EA's Security and Reliability Council, the Wholesale Advisory Group, and the joint MBIE/ENA Smart Grid Forum.

The EECA energy efficiency levy

The Ministry of Business, Innovation and Employment are consulting on options for expanding the purpose of existing energy efficiency levies.

MEUG members are materially affected by the existing levy, paying around 28 per cent of the money collected. Accordingly, any continuation or change in the levy will directly impact members.

MEUG has long argued that members – and consumers – derive little or no net national benefit from EECA work funded from the existing levy. If there is scope for EECA to undertake other work that will benefit consumers then that should be looked at.

However, we are concerned by the proposal to use an energy efficiency levy for ad hoc purposes such as reducing climate change emissions.

As a general principle, using targeted levies for ad hoc purposes should be avoided. To give EECA or the Government discretion to tax by way of an energy levy for unspecified activities is an outcome that should be avoided and runs counter to Treasury guidelines. Efforts to support emissions reductions should be funded through Vote Climate Change.

Key dates

What on	Who	When	Notes for members
Submission: Options for expanding the purpose of existing energy levies	MBIE	7 June	To fund an expanded role for EECA, such as the recently announced \$6m pa contestable fund for Low Emission Vehicles, MBIE is considering options including expanding use of funds from existing \$13m pa electricity efficiency levy or allowing other energy levies (on fuels and gas) to be used.
Submission: Scarcity pricing amendments	EA	7 June	Various tidy-up amendments to the Code.
Registration: Dispatch management	Transpower	10 June	TPNZ are undertaking this work as part of EA investigating changing from using GENCO software for dispatch communications to alternative protocols. Depending on the costs of changing there could be substantial net benefits to competition.
ASX Cap product working group	GNE, ASX and EA	Week starting 13 June	David Reid is the large industrial user representative. The working group will report progress to the next ASX User's group meeting in August.
Publication: Draft Input Methodologies review decisions	Commerce Commission	16 June	Affects long term price and quality of service from Transpower, and electricity and gas transmission and distribution businesses. Submissions close 28 July and cross-submissions due 11 August.
MEUG executive committee monthly meeting	MEUG	22 June	Meridian Energy Ltd are guest visitors for a general discussion on the state of the market. The EA are attending for Q&A with members on detailed issues regards Transmission Pricing Methodology (TPM) and Distributed Generation Pricing Principles (DGPP). Submissions on these topics close 26 July.