

# MAJOR ELECTRICITY USERS' GROUP

## Update from the Chair

June 2017

### **MEUG discussing with Transpower how to facilitate development of battery storage trials**

This week MEUG commenced discussions with Transpower on how to facilitate the development of battery storage trial projects in New Zealand.

Transpower will soon be publishing a report on “Value of Battery Storage in the NZ electricity system – Where do batteries offer the highest value?” The report promises to be very helpful in putting into perspective, both in terms of cost and value, the use of batteries in the commercial and industrial context. I expect it will also assist all parties and regulators consider which parts of the Code (energy trading Part 13 and ancillary services Part 8) and the Commerce Act regulatory framework could change to ensure a level playing field for batteries, PV and other technologies in the future.

MEUG is likely to act as a facilitator of information to members and assist in bringing members together to give collective views back to Transpower. We may also assist Transpower in finding candidate trial battery sites and with reporting back and discussing with parties the findings of those trials.

With battery technology rapidly evolving, MEUG members are well placed to demonstrate at a practical level the extent to which technology can provide viable alternatives to traditional transmission solutions.

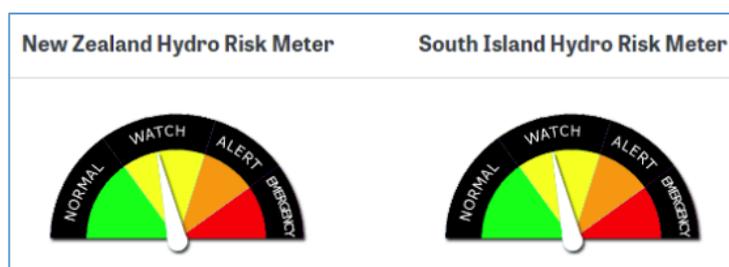
### **Security of supply settings**

On 23 May the System Operator published a Daily Security of Supply Update in response to hydro storage levels approaching the 1% Hydro Risk Curve. The System Operator noted:

*“Although we don’t expect storage to pick up in the short to medium term, we do not anticipate that any conservation campaigns will be required. This is because we are relatively late in the year in terms of winter energy risk and it’s likely we have sufficient water in the storage lakes to make it through to spring inflows.”*

While we can never rule out the potential for multiple unexpected events, such as failure of large thermal stations and failure of the HVDC line, the probability of such events coinciding together and rain not returning to near average weather patterns over the next 4 months is very low.

Publication of information on the state of lake levels and inflows, as well as requirements on market participants to plan for contingencies, means the sector is well placed to further reduce risk. An example is the following hydro risk meters for New Zealand and the South Island:



Should the current drier than usual sequence of inflows continue, and lake levels fall further, the meters may shift to “Alert”. That would not be a reason for alarm for consumers, rather it indicates an active monitoring regime is going on. The sector is familiar with the various forecast models and assumptions that inform future near term risks, and individual suppliers and retailers will modify their behavior. That itself will reduce the likelihood of reaching the “Emergency” setting.

### MEUG annual general meeting

MEUG is holding its AGM later this month and we look forward to hosting the Minister of Energy and Resources, Hon Judith Collins. The AGM is always a good opportunity to refocus MEUG’s work plan and to look forward at the strategic issues facing major users and consumers generally.

### Key dates

| What’s on                                | Who  | When    | Notes for members   |
|--|------|---------|---|
| Submission: Capex Input Methodology (IM) | CC   | 14 June | Changes to the Capex IM by Q1 2018 will apply to Transpower’s preparation and submission to the Commerce Commission of their RCP3 (2020-2025) proposal in late 2018. Finding improvements in the Capex IM along with the other regulatory tools governing Transpower to promote efficiency and innovation is important because of the large size of initial forecast RCP3 expenditure for base capex of \$1.4b (in aggregate over the 5-years of RCPs), opex \$1.2b, listed projects \$0.3b and major capex (ranging from \$0.2b to \$0.9b depending on market scenarios) |
| Cross-Submission: Capex IM               | CC   | 28 June | Given Transpower operates within the Capex IM framework, we expect they will have many suggestions for improvement. MEUG will respond to those as appropriate   |
| MEUG Executive Committee monthly meeting | MEUG | 28 June | A shorter meeting this month because followed by the AGM  |
| MEUG Annual General Meeting              | MEUG | 28 June | Guest speaker: Hon Judith Collins, Minister of Energy and Resources   |