



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

March 2017

We're looking forward to the Downstream conference in March, where MEUG and MEUG members will be well represented on panels and presentations. With a focus on the new energy future and the disruption from the continuing technology and consumer revolutions, Downstream promises to be an interesting affair. The conference itself is also great opportunity to network with others in the sector and to learn what people are doing.

Transmission pricing

With consultation finished on the Electricity Authority's (the EA) TPM refinements paper, we look forward to seeing how the EA responds to submissions.

A key issue for MEUG in our submission is that the draft Guidelines are silent on expectations that Transpower will reduce the residual, the reduction of which is an important design outcome. Under the current Guidelines the area of benefit covers just one third of transmission pricing costs. It defies belief to think Transpower could only determine beneficiaries for one third of its costs. Accordingly, we think the Guidelines should explicitly require Transpower to actively seek to minimize the residual over time – and enhance transparency and accountability by publicly reporting on progress in doing so.

EDB terms and conditions

In addition to transmission pricing, work on Electricity Distribution Business (EDB) pricing and terms and conditions looms as the other priority for MEUG this year.

We are looking for the Electricity Network Association (ENA) to show real leadership in this area. A number of MEUG members have relationships with multiple lines companies around the country and default distribution agreements with consistency in terms and definitions will significantly reduce business costs. For example, in a country the size of New Zealand, the fact that a number of EDBs have different definitions of day time and night time is an impediment to the efficient management of business operations.

That real leadership extends beyond stating an expectation or drafting voluntary guidelines without working to actually achieve implementation. If the sector isn't pro-active, then MEUG will be looking to the EA to involve itself.

Current timeframes being discussed for achieving commonality in basic terms and definitions, namely 10 years, is equally unacceptable in a sector that should be contributing to reduced compliance costs, enhancing production efficiency and making New Zealand as internationally competitive as possible. That is, working in the interests of NZ Inc.

Key dates

What's on	Who	When	Notes for members
Submission: Customised Price-Quality Path (CPP) proposal	Powerco	3 March	<p>16 of the 29 lines companies are subject to a Default Price-Quality Path (DPP) but can apply for a Customised Price Pathway (CPP) for up to 5 years where a DPP does not fit their circumstances. Only Orion, post the 2010-11 earthquakes, has had a CPP.</p> <p>Powerco is consulting on a proposed CPP that will increase near term prices for the 332,000 consumers connected to their network relative to prices had Powerco continued to be subject to DPP. The question is whether the proposed improved network reliability work to be undertaken if a CPP is approved is worth the higher cost over the 5 years of the CPP.</p>
Conference: Downstream	Industry and regulators	7-8 March	<p>There will be several MEUG members attending and on discussion panels, delivering speeches or facilitating panels, including: John Harbord, MEUG Chair; Gretta Stephens, CEO NZ Aluminium Smelter; Jen Nolan also of NZAS, John Carnegie, BusinessNZ; and Ralph Matthes, MEUG Executive Director.</p>
Meeting: ASX NZ Electricity Users' Group	ASX	9 March	<p>Regular quarterly ASX meeting on progress in continuous improvement and product development in futures & options market. The big news this year will be the mid-year launch of 4 cap futures products (\$130/MWh and \$300/MWh both at Otahuhu and Benmore).</p>
MEUG Executive Committee monthly meeting	MEUG	22 March	<p>EA will be attending to discuss the soon to be published consultation paper on Real Time Pricing and the current paper on making hours-ahead price forecasts more accurate.</p>