



Update from the Chair

March 2018

The month ahead

March is shaping up to be a relatively quiet month in terms of regulatory submissions but we are looking forward to seeing the finalised terms of reference for the Government's electricity pricing review later in the month.

Also in March will be the Commerce Commission's final decisions on both the Powerco and Wellington Electricity customised price pathway (CPP) applications. MEUG is looking forward to the Commerce Commission's following review of the CPP process, drawing on any lessons learned from these applications.

We have some concerns about the process, both in terms of precedent-setting regards who pays for certain EDB activities and the decision-making process. For example, MEUG believes regulated monopolies should not be able to impose tens of millions of dollars of additional costs on consumers by way of a CPP on the basis of unidentified unquantified benefits.

MEUG will also be looking to the review to establish clear, consistent decision-making processes. For example, the Commission did not require a robust cost-benefit-analysis (CBA) for the Powerco application but then relied on Wellington Electricity's CBA in making its draft decision.

Changes to Transpower charges

Looking ahead, new annual Transpower charges start from 1 April and we'll be looking to see how any changes flow through to consumers. This year the charges will amount to around \$942m, of which approximately 70 per cent (\$659m) are interconnection charges paid by almost every consumer throughout the country. The remainder is made up of connection charges, paid by lines companies, generators, and large customers directly connected to the grid for bespoke assets, and HVDC charges paid for by South Island generators.

While there can be year-by-year volatility in interconnection charges depending on actual spend patterns and demand (last year interconnection charges rose by about 8 per cent, or \$56m), this year sees interconnection charges decrease by around 8 per cent. Hopefully we will see the decrease passed through to consumers.

MEUG strategic planning and priorities for the coming year

MEUG would like to thank the Electricity Authority, the Commerce Commission and MBIE for attending our February Executive Committee meeting to share their current thinking on their

respective priorities for the coming year. The ensuing discussions were informative and helpful for MEUG in developing our work programme.

As a result of the discussions, MEUG's priorities for the coming year are likely to be the Government's electricity pricing review, the Default Price Pathway (DPP) and Transpower's Individual Price Pathway (IPP) resets, distribution pricing, real-time pricing and the Commerce Commission's review of the Customised Price Pathway (CPP) process.

Key dates

What's on	Who	When	Notes for members
Cross-submission: Wellington Electricity Ltd (WELL) streamlined Customised Price-Quality Path (CPP) for earthquake readiness costs	Commerce Commission	1 March	WELL, Transpower and MEUG made submissions. We will cross-submit on this important precedent setting application, with final decisions due by the end of March. MEUG has concerns on this and Powerco CPP application and is seeking a comprehensive post-final-decision review in case improvements to the CPP process need to be implemented before another EDB makes a CPP application.
MEUG Executive Committee monthly meeting	MEUG	12 March	Lunch with the Electricity Authority Board. Assoc. Professor Golbon Zakeri and Professor Andy Philpott (Department of Engineering Science and the Electric Power Optimization Centre (EPOC)) attending to discuss University of Auckland research in the electricity sector.
Event: Meet the EA Board function	Electricity Authority	12 March	Evening function by invitation. An opportunity to hear from the Electricity Authority on "Where to next for electricity in NZ".
Event: Downstream Conference, Sky City Auckland	Conferenz and Energy News	13-14 March	The premier annual electricity conference in New Zealand. Mike Hensen, NZIER and advisor to MEUG, is on a panel discussion "Achieving distribution pricing nirvana". Several MEUG members are attending the conference. MEUG is a supporting organisation for this conference.
Decision: Powerco CPP proposal	Commerce Commission	By end of March	As noted above with WELL CPP this is precedent setting and lessons on improvements to CPP process need to be considered in a post-final-decision review.