



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

May 2016

What's on in May?

The key focus for MEUG this month is twofold. On 18 May MEUG will hold its annual general meeting, which will set both our strategic direction for the coming year and the business plan which will determine our focus and where we devote our time and resources. As an industry association, having the input and support of our members is of crucial importance and we look forward to engaging with our members on these issues.

In terms of substantive industry issues there will be great interest in the EA's draft decision on transmission pricing on Tuesday 17 May. In MEUG's submission on the EA's options paper earlier in the year, we argued strongly that whichever option the EA ultimately preferred, it needed to be backed by a robust cost-benefit analysis that provided a strong evidentiary basis for any proposed changes and which quantified the impacts on consumers of the EA's chosen option. This will remain our primary focus when reviewing the EA's draft decision.

The importance of effective, competitive markets

Ensuring effective, competitive markets is a continued area of focus for MEUG. Strong markets promote price competition, choice, innovation and improved transparency – all of which benefit consumers.

During May we will be participating in the ASX NZ electricity futures and options users' group meeting and also taking a close look at the NZX's FTR prudential requirements consultation paper.

Real time pricing

The EA is also consulting on real-time pricing in May. While changes to real-time pricing are not without cost – and we need to be mindful of these costs in considering how close to real-time pricing we might move towards – moving closer towards real-time pricing removes key barriers to allowing greater demand response by all consumers to high prices.

As we've observed previously, real-time pricing is also important for MEUG members who might want to participate in spot markets but don't want to buy hedges.

Budget Day

Thursday 26 May is the day when the Government will deliver its eighth budget. While we don't expect to see much in the budget directly affecting the electricity sector specifically, it's important that the Government continues along its current path of non-intervention and allowing the market to arrive at solutions for issues the sector faces – backed, of course, by pragmatic regulation that is mindful of the potential harm caused by unintended consequences.

Key dates

What on	Who	When	Notes for members
ASX NZ electricity F&O Users' Group meeting	ASX	4 May	Financial derivatives such as Futures & Options (F&O's) are essential for a competitive market. MEUG supports industry led initiatives such as those by ASX to improve liquidity of existing products and introduce new products.
Submission: FTR prudential requirements	NZX	5 May	FTR are part of a suite of financial derivatives needed for an effective market.
Draft decisions: On TPM and distributed generation (DG) pricing principles.	EA	17 May	Transmission Pricing Methodology (TPM) is important for efficient future investment in the grid and use of existing assets. Likewise for DG and Avoided Cost of Transmission (ACOT) payments.
MEUG executive committee monthly meeting and AGM	MEUG	18 May	Dr Brent Layton, EA Chair, is guest speaker at the MEUG AGM.
Submission: Real Time Pricing (RTP)	EA	24 May	Having final prices published closer to real time rather than currently 2 days afterwards will remove a key barrier to allow more demand response by all consumers to high prices.
Publication: Updated Transmission Tomorrow	Transpower	25 May	This will replace the first Transmission Tomorrow report of 2012. Transpower's views of the future are important given the costs of transmission (which are a greater proportion of larger user power bills than in household bills) and Transpower's central role as grid owner and system operator.