



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

May 2017

Election year powers up

The September general election was brought into focus last month with the Green Party releasing their electricity policy, *Empowering NZ*. Green Party Energy & Resources spokesperson, Gareth Hughes, attended the MEUG Executive Committee to discuss the policy.

The policy is a welcome step-change, abandoning last election's NZ Power proposal in favour of setting clear, aspirational goals and laying out collaborative processes to arrive at how to achieve those goals. Mr Hughes was particularly interested in industry insights that would help detailed policy formation and implementation, and we had a really constructive discussion.

Setting the direction for the coming year

Next month MEUG hosts its AGM where we will agree our strategic and business plans for the coming year. We are pleased the Minister of Energy and Resources, Hon Judith Collins, is attending and look forward to hearing her perspective on the sector and National's policy thinking.

Distribution pricing

We also hosted Ken Sutherland and Graeme Peters from the Electricity Networks Association (ENA) in April. The ENA is doing a lot of good work on distribution pricing, and terms and conditions, and it was great to get an update on this work.

Many major users who connect directly to lines company networks have bespoke arrangements with distributors, which are tailored to their individual needs and which work well for both parties.

However, major users are often dependent on lines companies' willingness to negotiate tailored agreements and the experience of individual MEUG members in regards this is mixed, with some members enjoying very good and constructive relationships with lines companies and others less so.

For this reason, MEUG continues to favour a default distribution agreement for major users connecting directly to lines company networks which the parties can contract out of. This means if the parties cannot agree bespoke terms and conditions there is certainty about the minimum terms and conditions that will apply.

Transmission pricing

April saw the Electricity Authority announce a delay in the TPM process while a new cost-benefit-analysis is completed. A robust cost-benefit-analysis is crucial to confidence in the methodology and it was good to see recognition of that by the Authority.

Key dates

What's on	Who	When	Notes for members
Submission: Central Park Wilton B reconductoring	CC	4 May	First ever application by Transpower for approval of a listed project (listed in current RCP2 IPP) so important precedent even though quantum CC propose to approve is just under \$10m.
Submission: FTR enhancements	EA	9 May	Financial Transmission Rights (FTR) are an important component of the hedge market; continuous improvements and enhancements need to be considered.
Submission: Normal frequency management – strategic review	EA	9 May	Changes in technology continuously create alternative ways to manage frequency and those that are economic should be adopted.
Energy Trader Forum	Freeman Media	10 May	Quarterly forum covering energy markets and trading. May meeting (in Auckland) covers carbon market, options trading and trading strategies plus the usual energy market updates.
Report-back: Energy Innovation (EV and other matters) Amendment Bill	Select Committee	10 May	Proposed amendments will decrease electricity levy and improve accountability on EECA for managing levy funded work.
Submission: Related Party Transactions	CC	17 May	This topic has been carried over from CC review of Input Methodologies completed end of 2016. Hopefully this round will cover evidence to assist next consultation phases in better defining policy problems and then considering solutions.
Workshop: Transpower Capex Input Methodology (IM)	CC	24 May	Knowledge sharing workshop to bring every-up up to speed ahead of next phase of TPNZ Capex IM review to be completed by end of year.
MEUG Executive Committee monthly meeting	MEUG	24 May	Shorter meeting this month to allow members to attend CC workshop above. Guest speakers from Transpower invited to discuss their Demand Response Programme.
Budget day	Government	25 May	Not expecting to see much directly affecting the electricity sector, but important to watch closely given potential impact on the sector.