

When price and security of supply meet

October saw MEUG and many others in the sector submitting on the Government's electricity pricing review. We also appeared before the Select Committee submitting on the Crown Minerals (Petroleum) Amendment Bill.

Both matters touch on the nexus of aspiration and the impact of price.

The big issue affecting MEUG members, other commercial and industrial consumers and retailers like Flick at the moment are the high spot electricity prices, constrained gas supplies and high gas spot prices.

If the current situation is a window to a future with constrained, or no, domestic gas production and supply and higher energy prices whether due to intermittent renewable electricity supply, higher carbon costs, or some other reason, then the view is not particularly attractive.

With hydro and wind generation limited, we have seen Genesis having to import coal and in turn produce twice the emissions than if they had a secure supply of gas.

The economic costs and potential consequences are high too. MEUG members generate \$30 billion in revenue for the economy and directly employ over 25,000 people.

For process heat there are few, if any, viable alternatives to gas. But many members are now on reduced gas supply, with some having had contract gas quantities halved.

The high spot electricity prices are also biting. The spot price is typically around \$70 per megawatt hour (MWh), but it has consistently been between \$300 and \$500 MWh for much of October. The combination of price and constrained supply has seen some members having to cut production by up to 50 per cent. That will have flow-on effects to local communities and to the economy generally.

MEUG visits Mercury's R&D facility at Southdown

MEUG would like to thank Phil Gibson and the team at Mercury Energy for hosting us at their Southdown R&D facility in October. The site tour and discussion on the potential of different renewables, storage and energy mixes required for a lower carbon economy were of great interest to members.



John Harbord, Chair

Key dates

What's on	Who	When	Notes for members
Workshop: Distribution Pricing	Electricity Networks Association	12 November	Good industry led initiative by ENA on one of the EA's and MEUG's top priorities for 2018/19.
Stakeholder briefing: CC in Wellington (Auckland 8 th)	Commerce Commission	12 November	ComCom work important for regulated suppliers and competition law across all competitive sectors of the economy.
Submission: Omnibus #1 (4-separate detailed topics)	Electricity Authority	13 November	Most relevant to mass market. No material impact on MEUG members.
Training: ASX Training Day	ASX	13 November	Wellington
Forum: Energy Trader Forum	Freeman Media	14 November	Quarterly forum with speakers this month from Contact Energy, Energy Link, EMS, YouDo, CentrePort, NZ Post, First Gas, NZX, ASX and the EA.
Submission: Individual Price-Quality Path (IPP) process, approach and framework	Commerce Commission	15 November	Setting framework for 2 consultation rounds next year for deciding IPP for Transpower for 5-years starting April 2020 (~\$1b pa transmission charges).
Submission: Evaluation of National Policy Statement on Electricity Transmission	MBIE	15 November	Work has been on hold and now restarted. Includes review of standards since NPSET came into effect in 2008.
MEUG Executive Committee meeting	MEUG	21 November	Regular monthly meeting of the Executive Committee
Request for Information: Non-network options for Hinuera area (Putaruru, Tirau, Matamata and surrounding areas)	Powerco	21 November	Non-network options expected to become economic in the future. We are interested in precedents being set each time EDB and Transpower consider such. Powerco keeping MEUG informed of progress.
Submission: Brunswick to Stratford Line B long-list consultation	Transpower	23 November	Transpower canvassing all possible options. Subject to any better viable options, probable capex ~\$50m to be added to interconnection charges.
Workshop: Dispatch Service Enhancement	System Operator	30 November	Important with implementation costs affecting dispatch parties & Transpower. Completion by end 2020 will facilitate real time pricing after that.