

Update from the Chair

November 2020

Key themes for MEUG during the next three years

Looking ahead post-election at the next three years MEUG has identified four themes which we expect to be the focus of much of our efforts. These are:

1. Electricity wholesale price competition

The high wholesale electricity price environment since Spring 2018 has eroded the confidence of members that competition in the electricity market is effective or will improve. On the ground in MEUG member sites where day to day operational decisions are made and in boardrooms where investment decisions are made, there is a massive gap between speculation by some that lower technology supply options will see prices fall significantly and prices actually offered in the market.

The Electricity Authority and MBIE are working on multiple projects to deliver on agreed recommendations of the Electricity Price Review. This will help but it is uncertain if the speed of improving competition and decreasing prices will be as fast as it might be.

2. Climate change policies

For MEUG's emissions intensive trade exposed (EITE) members, the planned review of industrial allocation settings introduces a high degree of uncertainty. MEUG believes Government should be mindful that industrial allocation settings should not be viewed solely through a climate change lens, but also against wider economic and strategic imperatives. Many industrial employers are struggling in challenging economic times, coupled with widespread disruption to international markets and supply chains. For many, their international competitors face little or no carbon costs. MEUG does not argue New Zealand should not progress climate change policies, just that decision-makers remain mindful that New Zealand does not exist in a vacuum.

3. Line monopoly costs

Transmission pricing has been an evergreen contentious policy topic. One underlying problem has been transmission charges include recovery of costs for assets where no end user who gains a benefit has been identified. In a well-functioning market, businesses do not charge consumers for assets consumers do not use or do not benefit from in any way. The inability to demonstrate a fair, reasonable allocation of costs has led to conflict within the sector on the Transmission Pricing Methodology (TPM). MEUG members have been materially affected, e.g. Rio Tinto overpaying for transmission services even though it is located near its main source of power. In the North Island members such as NZ Steel will in the new TPM regime pay a "residual" charge that includes recovery of asset costs for which NZ Steel receives no benefit from.

4. Impact on individual households and businesses matters

An important step to improving understanding by consumers is clear articulation of the benefits consumers will receive from any decision, and the added costs they will face. The sector could be better at this. All decision-makers, including regulators and Transpower, should detail the costs and benefits across a range of representative households, SME's and large users of any proposed action.

Key dates

What's on	Who	When	Notes for members
Submission: Revised Wholesale Market Information Disclosure (WMID) Guidelines	Electricity Authority (EA)	3 November	Stage 1 of WMID work on thermal fuel disclosures. Good consultation by EA using many channels ahead of this formal written consultation.
Submission: Review of High Standard of Trading Conduct (HSOTC) rule by MDAG	Market Development Advisory Group	5 November	The revised proposal is a positive step forward to making a recommendation to the EA Board on this complex long standing issue.
Submission: Publication titled "EV Connect" co-funded by EECA	Wellington Electricity Lines Ltd (WELL)	6 November	WELL perspective adding to work by the EA, IPAG, Electricity Networks Association, Transpower and others on opportunities and risks with new technologies. There is no one-size-fits-all solution to improving tariff design and asset investment and management for all EDB's.
Publication: Transmission Pricing Methodology (TPM) options paper	Transpower	9 November	One of multiple work streams on implementing Transmission Pricing Methodology (TPM) Guidelines.
Publication: Draft decision on Aurora CPP	Commerce Commission	12 November	The Customised Price-Quality Path (CPP) will take effect 1 st April 2021.
Submission: Prudent Discount Policy (PDP)	Transpower	18 November	Part of implementing TPM. Cross-submissions due 25 th November.
Submission: First Mover Disadvantage (part of implementing TPM)	Transpower	18 November	Supplementary to prior connection charges consultation. Cross-submissions due 25 th November.
Submission: Undesirable Trading Situation (UTS) short consultation	EA	20 November	Announced 29 th October with paper to be published 6 th November. Final decision in December.
Monthly meeting	MEUG	25 November	Guests to be confirmed.