



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

October 2016

In September, the MEUG Executive Committee hosted the Labour Party spokesperson on Energy and Resources, Stuart Nash, and we would like to thank Mr Nash for his time and ongoing interest in MEUG's activities. This month, the MEUG Executive Committee is being hosted onsite at Oji Fibre Solutions' Kinleith plant. We are also visiting Mercury Energy's Ngatamariki geothermal power station and I would like to thank both Mercury and Oji Fibre Solutions for their hospitality and support. We'll also be taking the opportunity to do a mid-year review of our strategic and business plans.

Nova's Waikato power plant consent application

In June, Nova lodged a consent application with the Otorohonga District Council to enable the commissioning of their Waikato Power Plant before or soon after 2020. The plant itself will be a staged gas-fired "mid-merit" plant (i.e. capable of being a peaking plant or base-load, commissioned in between 50 to 120 MW capacity increments with a maximum size of 360MW).

The consent process is not a publicly notified consent process and only notified parties can make submissions, otherwise MEUG would be submitting in support.

Long term demand will require new supply to either replace existing power stations as those are retired (e.g. the coal-fire Huntly Rankine units) or to cater for demand growth. MBIE's August *Electricity Demand and Generation Scenario* report models five scenarios, each of which assumes one or two new reasonably sized gas fired peaking power stations are built before 2025.

It is one thing to have models of future demand scenarios and lowest cost supply forecasts to meet those; the real test is whether investors in new generation have confidence in the consenting and investment decision-making processes to pro-actively develop new generation. With the Huntly Rankine units being retired in 2022, Nova's new generation plans are a welcome development.

MEUG perceptions survey

This week marks the 20th anniversary of the wholesale electricity market reforms. Just as we reflect on the developments of the last 20 years, at MEUG we have been reflecting on how we continue to evolve and improve.

To help inform this process, in September MEUG commissioned a Perceptions Survey of internal and external stakeholders. Participation was high, pointing towards strong levels of engagement, and I would like to thank everyone who participated in the survey.

The early results point to strong levels of confidence in MEUG governance, what we do, and in the results MEUG delivers to members. Equally there is constructive feedback for us to consider going forward. The challenge for us now is to analyse the results and translate them into action that continues to improve our effectiveness and accountability to members over time.

Key dates

What on	Who	When	Notes for members
Submission: Extended Reserve operational amendments	EA	4 October	Tidy-ups apart from proposal to codify ability to request information for transition implementation. MEUG has concerns on the latter and prefers the status quo, i.e. a voluntary approach to provide information with controversial information requests subject to a Code amendment request process.
Submission: IM review - bond to swap spread analysis, and debt beta	CC	5 October	One of the last policy details of the Input Methodology (IM) review being consulted on before final decisions are announced ~15 December.
Submission: Pricing guidelines for electricity distributors	Electricity Network Association	6 October	Good initiative by ENA. Should, along with other actions, help EDBs rationalise plethora of line tariffs. Fewer and more standardised EDB tariffs will help retail competition and assist a change to service based and cost reflective pricing for all consumer classes. The next initiative by ENA will be publication of a distribution pricing options paper.
Submission: IM review – cost allocation	CC	13 October	The last policy detail of IM review being consulted on before final decisions announced ~15 December. Cross submissions close 25 October.
Submission: Bunnythorpe to Wilton 220 kV line (Judgeford to Wilton section) re-conductoring investigation	Transpower	19 October	This line needs re-conductoring as it is nearing the end of its economic life. Unlike some other major capex proposals, demand response is not expected to be a long-term viable alternative. Like all major and base transmission capex the thorny question of who should pay for this re-conductoring awaits the EA announcements on next steps in the review of TPM.
MEUG executive committee monthly meeting	MEUG	26 October	Monthly meeting and site visit at Oji Fibre Solutions Kinleith plant. We are also having a site visit to Mercury Energy's Ngatamariki geothermal power station.