

# MAJOR ELECTRICITY USERS' GROUP

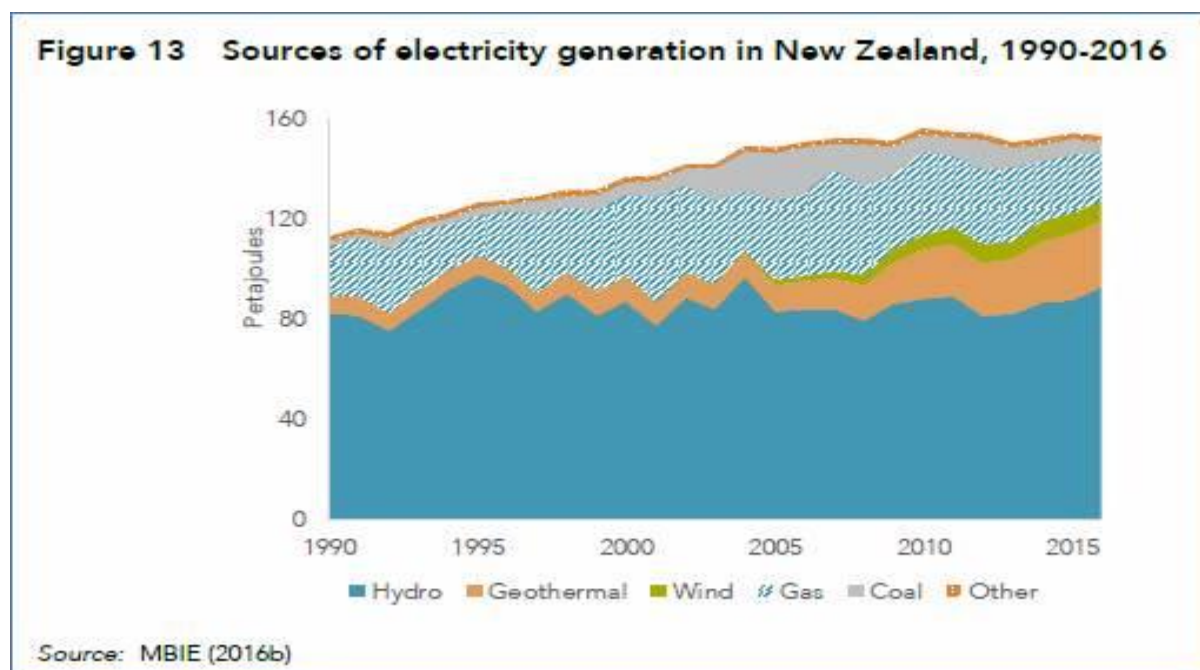
## Update from the Chair

October 2017

### Towards a low emissions economy

With the election now over, one issue that will see further development and change over the next three years is climate change. In this context the inquiry of the Productivity Commission on transitioning to a low-emissions economy will be important in framing the debate over going forward.

MEUG's submission to the Commission concentrated on the electricity sector specific questions. However, election debate on when to bring agriculture into the ETS highlights a key consideration for the Productivity Commission – how to manage the transition to a lower-carbon economy in a small, globally connected and trade dependent country.



In 2016, 85% of New Zealand's electricity was produced from renewable sources

MEUG members, like many businesses, have had a sharp focus on reducing costs since the Global Financial Crisis. Any increase in production costs, including the cost of carbon, could have significant effects for some companies as well as across the economy. In some scenarios, electricity intensive industries could close in New Zealand and re-open in more benign carbon price regimes overseas. This is a well-known risk leading to global carbon emissions increasing as electricity in New Zealand has one of the lowest carbon footprints anywhere in the world.

The policy response to date has been to recognise the risk and have targeted policies for emission intensive trade exposed businesses. MEUG supports the continuation of such targeted policies. There is little to be achieved by unilaterally imposing high carbon prices within New Zealand if the net result is a loss of jobs in New Zealand and a net increase in global emissions.

The impact does not just fall on trade exposed businesses. Households and other businesses would be affected by a price shock at the margin in the wholesale electricity market. Some households would be affected twice, once with higher household power bills and second with decreasing working hours or loss of employment as businesses cut production due to higher spot prices.

### Key dates

What's on	Who	When	Notes for members
<b>Submission: Low emissions economy</b>	Productivity Commission	2 October	See front page of this update for summary of MEUG submission
<b>Submission: Wholesale market disclosure regime</b>	EA	3 October	Important because MEUG members that are participants are required to comply with the disclosure regime. We will seek to lift MEUG member participation in voluntary Planned Outage Co-ordination Policy (POCP)
<b>Cross-submission: Related party transactions</b>	CC	4 October	Details of CC proposals queried by EDB. We prefer getting the proposal right rather than rushing. However, emerging technologies such as batteries are fast becoming economic, therefore we urge CC in conjunction with EA to act fast & nimbly
<b>Submission: Real Time Pricing (RTP)</b>	EA	10 October	Detail of EA proposal tested and step towards RTP agreed. A few implementation tidy-ups left. High NPV to NZ expected
<b>Function: Electricity Retailers Assoc. of NZ</b>	ERANZ	18 October	Stakeholder function
<b>MEUG Executive Committee monthly meeting, Auckland</b>	MEUG	25 October	Site visits/meetings: Vector's Glenn Innes battery trial, Mercury Energy, new MEUG member O-I Glass
<b>Evidence due: Vector JR of UDL decision re Penrose substation fire event</b>	High Court	27 October	MEUG, along with the CC and ENA, are interveners in this judicial review (JR) of Utilities Disputes Ltd (UDL) decision
<b>Submission: Prudential offsets</b>	EA	31 October	Conceptually attractive. Complex and costly to put into practice. EA propose no further work. We are likely to agree
<b>Function: Electricity Authority</b>	EA	31 October	Meet the Board networking event