

Response to the Electricity pricing review a vote of confidence in the Electricity Authority

The Government released its response to the Electricity Pricing Review on 3 October. A key finding of the review was that the market is largely working and is not in need of substantive reform, but it isn't delivering for everyone.

Where the Government has identified areas where it believes change is required, it has largely turned to the Electricity Authority to deliver, giving the Authority increased powers and an expanded work programme.

We expect the Government's focus on improving competition, transparency and the wholesale market will benefit all consumers.

The price all consumers pay for their electricity is primarily determined by the wholesale market. MEUG has had concerns regarding the performance of the market since spring 2018. Increased information disclosure and transparency will help restore confidence that consumers are not paying more for their electricity than they need to.

Where next on transmission pricing?

Submissions are in on the Electricity Authority's draft transmission pricing guidelines. MEUG is reviewing those submissions and we'll finalise our position on whether the cost-benefit-analysis (CBA) is robust in cross-submissions, which are due at the end of the month.

An early impression is the current consultation is shaping up as a battle of the economic experts.

For example, Meridian Energy's experts argue the CBA is robust and provides a basis for moving forward. By contrast, Transpower's economic advisors have a section titled "The quantitative CBA is irredeemably flawed."

The draft guidelines reduce the prescription of the 2016 proposal and give more flexibility to Transpower to revise the transmission pricing methodology. Faced with strong push back from Transpower (and likely others who favour retaining RCPD), it's likely the Authority will hold another consultation round or conference on the CBA with a view towards shoring up its position ahead of judicial review of any final decisions.

With the Government signaling in its response to the Electricity Price Review it will hold off any decision on whether to implement of a Government Policy Statement on transmission pricing until it sees how the Authority's process pans out, expect to see numerous parties on both sides of the debate step up their political lobbying in an effort to influence the eventual outcome.

Key dates

What's on	Who	When	Notes for members
Submission: Transmission Pricing Methodology	Electricity Authority	1 October	Cross-submissions on TPM close 30 October.
Submissions: Operating leases	Commerce Commission	2 October	Both cross-submissions and submissions on draft determination text.
Progress report: "A Power Hour", review of first year of CPP (Auckland & Wellington venues)	Powerco	2 and 3 October	A requirement for Powerco to report publicly in their Customised Price-Quality Path (CPP).
Survey closes: Removal of South Island only OCC	Electricity Authority	7 October (revised date)	A follow on from the review of the Official Conservation Campaign (OCC) earlier this year.
Submission: Retail Fuel Market Study	Commerce Commission	11 October	Inaugural market study hence precedent setting. MEUG believes there are better analytical methods that should have been used.
Submission: Default Distribution Agreement (DDA)	Electricity Authority	15 October	MEUG is supportive of implementing a DDA. Retail consumers will benefit immediately and in the longer-term larger consumers with be-spoke contracts likely to also benefit.
Submission: TOP Energy arms-length rules exemption amendment	Electricity Authority	15 October	No new policy precedents, MEUG not submitting.
Meeting: MEUG Executive Committee	MEUG	24 October	Site visit to Refining NZ at Marsden Point.
Submission: Green hydrogen strategy	Ministry of Business Innovation & Employment	25 October	MEUG may consider if focus on green hydrogen is unnecessarily limiting. Other sources of hydrogen could be considered in a transition.
Cross-submission: TPM	Electricity Authority	30 October	EA decision on draft TPM guidelines early 2020 and may before then have additional specific topic consultations.
Submission: Action for healthy waterways	Ministry for the Environment	31 October (revised date)	Will affect some or all existing and future hydro generation.