

Looking for confirmation an undesirable trading situation existed in December 2019

This month the Electricity Authority is expected to deliver its decision on whether an undesirable trading situation (UTS) existed in December 2019. MEUG has been closely following the Electricity Authority's UTS process and believes a UTS did exist in December 2019. In our recent cross submission, MEUG did not agree with Meridian Energy's assertion that there was little or no harm caused, and that most consumers were not impacted by 3 to 18 December 2019 pricing. Rather, MEUG agrees with Nova Energy that:

“By its actions in December, in the absence of a response by the Authority, Meridian in effect increased expected long term average spot prices across the market, and in the SI in particular. This will have a direct impact on SI consumers through a pass through of higher prices by retailers over the long term, irrespective of whether retailers were hedged in the SI at the time or not.”

The ability to hedge prices ignores the fundamental issue of the harm caused to confidence in the market, irrespective of direct harm or otherwise. The fact that you can take out insurance in the form of a hedge against undesirable behaviour, does not make the undesirable behaviour acceptable.

Welcome innovation from the Market Development Advisory Group

We have seen welcome innovation from the Electricity Authority's Market Development Advisory Group (MDAG), which MEUG hopes will help improve the wholesale market. MDAG has run two separate expert evaluation panels to assess five case studies to test the current High Standard of Trading Conduct (HSOTC) rules compared to MDAGs proposal. The panels have delivered advisory reports and MDAG is engaging with interested stakeholders before finalising practical advice to the Electricity Authority.

There is no silver bullet that will improve confidence in the market. Improvement will come from a range of initiatives where the cumulative effect makes a difference. If quality advisory opinions had been available on HSOTC and Code changes made before December 2019, for example, it is possible we may not have experienced last year's UTS and the resulting harm to confidence in the market.

Update on MEUG's renewable electricity generation project (REGP)

As reported last month, MEUG received 18 proposals from 15 submitters in response to MEUG's request for proposals to supply major electricity users with renewable electricity. Participating

MEUG members and Ballance Agri-Nutrients will receive analysis of pricing mid-October and will be looking to make any decisions about successful submissions shortly after that.

The project aims to stimulate the development of renewable electricity generation and help deliver real reductions in carbon emissions of up to 500,000 tonnes per year over the next decade or more.

Key dates

| What's on | Who | When | Notes for members |
|---|--|----------------|---|
| Roundtable: Transmission Pricing Methodology (TPM) transitional congestion charge option | Transpower | 6 October | Part of implementing the EA's TPM Guidelines decisions in June. Cross-submissions on the materials considered and discussion of the two roundtables close 21 st October. |
| Technical Reference Group meeting: Heat, Industry and Power (HIP) | Climate Change Commission (CCC) | 6 October | HIP is one of three reference groups assisting the CCC in the current gathering evidence, information, modelling and analysis phases. |
| Focus group: Wholesale Market Information Disclosure guidelines | Electricity Authority (EA) | 8 or 9 October | This stage 1 phase focusses on improving thermal, i.e. gas and coal, information disclosure. Stage 2 next year will consider other gaps in information to improve the market. |
| Decision: Fibre Input Methodologies: Tax Adjusted Market Risk Premium (TAMRP) | Commerce Commission | 13 October | Proposed changes to the TAMRP, a component of the Weighted Average Cost of Capital, could set precedents for regulated electricity monopolies. |
| Submission: Wellington Electricity Lines Ltd transition from CPP to DPP 1 st April 2021 | Commerce Commission | 16 October | Mechanics of step change from Customised to Default Price-Quality Path. Cross-submissions close 23 rd October. |
| Monthly meeting | MEUG | 21 October | By zoom. |
| MDAG & MEUG discussion: Evaluation panel reports regards High Standard of Trading Conduct (HSOTC) options | Market Development Advisory Group (MDAG) | 22 October | Part of MDAG bi-lateral discussions with interested parties. |
| Meeting: 4 th Consumer Reference Panel meeting | Electricity Networks Association | 26 October | Useful for discussing ideas, exchanging information and networking for end consumers. |