

11 April 2023

Tim Sparks  
Director, Network Pricing  
Electricity Authority  
By email: [Network.Pricing@ea.govt.nz](mailto:Network.Pricing@ea.govt.nz)

Dear Tim

## Settlement residual rebates: pass-through guidance for distributors

1. The Major Electricity Users' Group (MEUG) welcomes the opportunity to provide feedback on the Electricity Authority's (the Authority) draft guidance for distributors on "Settlement residual rebates: pass-through" published in March 2023.
2. MEUG members have been consulted in the preparation of this response. This letter is not confidential. Members may lodge separate feedback.

### Overarching comment

3. MEUG wishes to reiterate our previously stated view that:

*"Settlement residual rebates should accrue to **end-customers** [emphasis added] rather than generators. It is end-consumers that pay higher nodal prices at GXP that create the transmission constraint rentals. It is therefore consumers, not generators, that should be allocated the Settlement Residue."*<sup>1</sup>

4. We remain unconvinced of the rationale for including generators<sup>2</sup> but accept that the draft guidance reflects the customer types determined by the Authority.
5. The draft guidance provides a clear and simple approach for distributors to follow, with simple templates to complete for monthly payments and the annual breakdown. We believe that it will be key for the Authority to monitor these disclosures to see how successful the guidance has been in achieving its outcomes – providing clarity to distributors and transparency of payments to end-consumers. In particular, we encourage the Authority to monitor the level of payments made to generators over time, nationwide and to assess any impacts this may have on the market.

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<sup>1</sup> Paragraph 5a, Settlement Residual Allocation Methodology, MEUG submission to the Electricity Authority, 1 March 2022, <https://www.ea.govt.nz/documents/1360/MEUG-SRAM-submission-2022.pdf>

<sup>2</sup> Paragraphs 2.10 to 2.14, New Settlement Residual Allocation Methodology: Decision paper, Electricity Authority, 15 November 2022, [https://www.ea.govt.nz/documents/1402/SRAM\\_Decision\\_Paper.pdf](https://www.ea.govt.nz/documents/1402/SRAM_Decision_Paper.pdf)

6. If you have any questions regarding our letter, please contact MEUG on 027 472 7798 or via email at [karen@meug.co.nz](mailto:karen@meug.co.nz).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'K Boyes', with a long horizontal flourish extending to the right.

**Karen Boyes**  
Major Electricity Users' Group

