

Investing into our electricity network

A priority for MEUG this year is how the sector builds for a more highly renewable future where increased electrification is forecast to put strain on existing networks. If demand grows in line with existing forecasts, there is no debate that the national grid and local networks will need investment. The question is more how much investment is required, when that investment is needed by, and how the associated costs are passed onto consumers.

We need to balance that upcoming spend by distribution companies (EDBs) and Transpower with the ability to deliver the build and with affordability.

In the generation space, typically suppliers do not build generation until the demand for that generation already exists. Put simply, rational economic actors do not supply more of a product unless they know they can sell it. The situation is a little different on the network side, where networks are owned by monopolies rather than by companies facing competition. There, monopolies are incentivised to secure additional regulated revenue in advance of building to maximise returns.

Having said that, we can't wait until the expected increased load has fully arrived before work starts on improving our networks. That is part of the juggling exercise that the Commerce Commission will work through in considering applications by regulated lines companies to increase their regulated asset base (RAB) to support this work. There are a number of issues we will be looking to the Commerce Commission to work through. For example:

- When is an acceptable intersection of need for network improvements with growing demand. MEUG expects the Commerce Commission to rigorously interrogate future demand forecasts by regulated monopolies, to ensure consumers do not face higher costs before they need to.
- If we front-load RAB for EDBs, can we actually deliver on the early build? For example, Transpower has already signalled the potential impact of limited labour supply on its grid upgrades. EDBs should not receive an increase in RAB before they can actually start building network upgrades.
- How is information about upgrades and costs communicated to consumers? Is there a clear articulation of the benefits consumers will receive from upgrades? Is there a clear, easily digestible articulation of impacts on different consumers, e.g., has the EDB modelled the impact on an "average" household or for their customers? Has the EDB engaged with their customers on proposed upgrades and costs, e.g., Powerco's recent engagement was good but in most cases engagement by EDBs has been non-existent.
- Is there transparency in how the costs of grid or network upgrades are allocated across customer groups?

Key dates

What's on	Who	When	Notes for members
Event: Turitea Wind Farm launch	Mercury	4 May	Mercury and Rangitāne o Manawatū, launch of the Turitea Wind Farm . The Hon Dr Megan Woods attending to officially open this wind farm. MEUG Executive Director attending.
Submission Strengthening the 'Tree Regulations' to improve resilience of electricity supply	MBIE	5 May	Consultation on proposed amendments to the Electricity (Hazards from Trees) Regulations 2003. MEUG preparing a short submission in support.
Event: Online sessions on second emissions reduction plan draft advice	Climate Change Commission	1-16 May	Series of in-depth open Zoom webinars on specific chapters of the CCC's draft advice, including the opportunity for attendees to ask questions. Consultation on the second emissions reduction plan draft advice is open until 20 June 2023. MEUG is currently reviewing draft advice and supporting material, ahead of member meeting to discuss MEUG submission points.
Meeting: Discussion of NZ Energy Strategy	MBIE & MEUG	9 May	MEUG members meeting with MBIE officials to discuss development of the NZ Energy Strategy. Workshop to explore what members see as the key strategic challenges and opportunities for the New Zealand energy system out to 2050. Formal consultation on strategy expected in late 2023.
Event: Critical Contingency Operator annual exercise	CCO	10 May	Annual gas sector exercise to test the First Gas Critical Contingency Management Plan, under the Critical Contingency Regulations.
Event: Energy Trader Forum	Freeman media	17 May	Invite-only event for the energy trading and energy/carbon markets community.
Code change: Materially large contracts	Electricity Authority	19 May	The Electricity Authority has made a permanent Code amendment to address the potential for inefficient price discrimination in very large contracts. The permanent Code amendment will replace the urgent Code amendment and take effect on 19 May 2023.
Submission: Electricity Demand and Generation Scenarios (EDGS)	MBIE	22 May	MBIE are seeking feedback on a set of draft assumptions about the future state of the electricity system. These assumptions will be used to produce the regular Electricity Demand and Generation Scenarios (EDGS) publication for 2023.
Monthly meeting: MEUG Executive Committee	MEUG	24 May	Member meeting to be held in Auckland. Simon Court, ACT List MP and spokesperson for Energy and Resources to attend. Meeting will also cover updates from members and MEUG workstreams.
Event: Industry simulation exercise for 2023	Transpower and Electricity Authority	24 May & 31 May	Industry exercise to test sector participants response to a situation where available supply is insufficient to meet winter peak demand.
Submission: Part 8 common quality requirements	Electricity Authority	30 May	Consultation on issues identified with the common quality requirements in Part 8 of the Electricity Industry Participation Code 2010. Part of the phase 3 of the Authority's Future Security and Resilience work programme.
Event: Taranaki Energy Forum	Freeman media	31 May	New Plymouth based event focused on New Zealand oil, gas and liquid fuels value chain from upstream producers to downstream consumers, and also discussing new renewable energy opportunities.