

The looming mitigation or adaptation debate

Many in the industry will gather at the Downstream Conference this month, where much of the agenda focuses on climate change-related issues – the pathway to net zero, how do we ensure secure supply and build the infrastructure needed for the future, and what are the market settings required to support all of this. This includes both mitigation (how do we minimise the amount of warming and volatility) and adaptation (how do we future-proof our infrastructure and supply in what will be a warmer, more volatile, future).

One interesting development is the increasing frequency of arguments for adaptation over mitigation amongst those on the political left¹, particularly following the devastation resulting from Cyclone Gabrielle. It will be interesting to see if and/or how this debate occurs at Downstream and within our industry in coming years. With the United Nations forecasting the world will likely go beyond 1.5 degrees of warming around 2026 (at least for a short period), the one thing we know is the debate will happen.

On the consumer side, we will be looking at the debate at least in part through the affordability lens, i.e., how do we navigate these issues in a way that produces positive outcomes at least cost.

MDAG options paper an important contribution to the pathway forward

A valuable contribution to work on how we transition to a more renewable future is the work of the Market Developments Advisory Group (MDAG). MDAG is currently consulting on their paper “Price discovery in a renewables-based electricity system, Options paper 2022” and we would encourage everyone to submit if they’re in a position to do so.

From a consumer perspective, MEUG is particularly interested in Chapter 10 which focuses on strengthening competition given the implications for wholesale electricity price-setting and maintaining public confidence that competition is influencing price setting. MDAG has previously found that if increased volatility hinders new generation entry, then the move towards 100% renewable generation is likely to result in higher average prices.

Farewelling Ralph Matthes later this month

MEUG is in the process of sending out invitations to a function on Wednesday 22 March to farewell our outgoing Executive Director, Ralph Matthes, and to welcome Ralph’s successor, Karen Boyes. If you have not received an invitation but would like to attend, please email: info@meug.co.nz.

¹ For example, see the recent article by Chris Trotter at <https://thedailyblog.co.nz/2023/02/21/adapting-to-climate-change/>

Key dates

What's on	Who	When	Notes for members
Submission: Price discovery in a renewables-base electricity system – Options paper	Market Development Advisory Group (MDAG)	6 March	This paper sets out a range of options where change could be warranted in the wholesale electricity market as we transition towards 100% renewable electricity supply. Key areas of focus for MEUG are options to strengthen competition and increase demand side participation
Submission: TPM assumption book update	Transpower	6 March	Update of the benefit-based charges (BBC) Assumptions Book that outlines the assumptions and detailed methodologies Transpower applies for allocating and adjusting BBCs. Extension to consultation period, due to Cyclone. Cross submissions due 13 March
Event: Offshore Renewable Energy Forum	Ara Ake	8 – 9 March	Annual event focusing on the development of the offshore energy industry in Taranaki
Submission: Pole 2 refurbishment	Transpower	9 March	Consultation on proposed starting benefit-based investment (BBI) customer allocations for the HVDC Pole 2 converter transformer refurbishment used to calculate the investment's benefit-based charges (BBCs) under the new TPM. Extension to consultation period, due to Cyclone. Cross submissions due 23 March.
Meeting with Climate Change Commission	MEUG	13 March	In person meeting to discuss upcoming consultation process for development of the second Emissions Reduction Plan.
Meeting with Electricity Authority (EA): Distribution pricing	EA	14 March	Discuss EDB pricing and pass-through of TPM charges. May follow up with member meeting with EA.
Auction: ETS auction	Ministry for the Environment	15 March	First ETS auction for 2023.
Submission: Review of the Electricity	Electricity Authority	21 March	Consultation on Authority's review of its Code amendment request process, establishment of new advisory group and group charter/terms of reference, and process for incorporating documents by reference. Key focus will be role of new advisory group and streamlining of code amendment process
Monthly meeting: MEUG Executive Committee.	MEUG	22 March	Stuart Smith, National Party Spokesperson for Energy and Resources, attending. EA staff presentation on dispatch notification and new water value model. Draft strategic plan and budget for 2023/24
Function: Changing of the guard	MEUG and stakeholders	22 March	Farewell function for Ralph Matthes/ welcome function for Karen Boyes.
Quarterly stress test	Electricity Authority	27 March	For consumers who are grid connected or buy from Clearing Manager.
Event: Downstream conference	Freeman	28 – 29 March	Premier conference for everyone involved directly or indirectly in the downstream energy industry.