



MAJOR ELECTRICITY USERS' GROUP

Update from the Chair

I was appointed MEUG Chair in August last year and it's been a busy time meeting people and getting up to speed. I'm starting the New Year with the first of what is intended to be monthly updates to MEUG members about what we are doing. The updates are intended to be a brief summary of what's on in the coming month. For a fuller, more detailed picture, the MEUG rolling calendar will continue to be the definitive resource.

The year ahead

2016 will be a busy year, with significant focus on the Electricity Authority's transmission pricing methodology work and that of the Commerce Commission on input methodologies. Both have the potential to significantly impact consumers. For example, the work by MEUG and others on input methodologies in 2014 saw a reduction from the 75th to the 67th percentile and resulted in annual savings for MEUG members of \$1.6 million and for consumers generally of around \$40 million. Ultimately, we think a reduction to the 50th percentile should be made, a move that would save consumers an additional \$80 million per year. Work on our 2016/17 strategic plan has already started to support our engagement on these and other important issues.

What's on in February

We've hit the New Year running and are currently finalising MEUG's submission to the Electricity Authority on the implications of evolving technologies for pricing of distribution services.

One of the challenges is how to ensure an effective transition to service-based pricing for each distributor depending on particular local market circumstances – and in an environment in which consumers, including large commercial and industrial consumers, often have little if any negotiating power when distributors set pricing structures. In this space we think there is a greater role for the EA to facilitate discussions on service-based pricing and we'll be looking to offer some practical ways the EA might help ensure an effective transition to service based pricing.

Coming up

We are pleased to be hosting the Labour Party's Energy spokesperson Stuart Nash at our 17 February Executive Committee meeting, where Mr Nash will be sharing some of his policy thinking and perspectives on the electricity sector in general.

We are also expecting the EA to release its draft position on transmission pricing methodologies in the first quarter of the year.

Key dates

| What on | Who | When | Notes for members |
|--|---------------------|-----------|--|
| Submission: Distribution pricing for evolving technologies | EA | 2 Feb | Most EDB prices for households are not service based (eg capacity charges) and if not changed will lead to over or under investment in new technologies and or line assets. Non-household consumers in those scenarios will be at risk of paying more for EDB charges. |
| Submission: Review of cost allocation for new technologies | Commerce Commission | 4 Feb | Cost allocation IM needs to be updated to ensure EDB un-regulated businesses for emerging technologies are not subsidised by line customers. |
| Submission: Cost of capital review | Commerce Commission | 5 Feb | Small changes in cost of capital can have large effects on monopoly charges; hence consumers and retailers need to be cognisant of and provide counter-views to those of the monopolies. |
| Submission: Review of the Commerce Act | MBIE | 9 Feb | No section 36 issues for the electricity sector though experience with EA Market Reviews is relevant for MBIE. |
| Submission: Align the System Operator role with the EA's statutory objective | EA | 10 Feb | Without aligning service provider objectives with EA statutory objective there is a risk of poor decisions or lost opportunities to improve services and/or lower costs. |
| Submission: Transpower's Emergency Management Plan and the System Operator's Rolling Outage Plan | Transpower | 12 Feb | Simplifying and refocusing these policies and plans will improve certainty on how they will be implemented and in some case lead to lower compliance costs for parties - including some MEUG members - that must prepare Participant Rolling Outage Plans. |
| Executive Committee meeting | MEUG | 17 Feb | Stuart Nash MP and Transpower attending. |
| Submission: Transpower Works Agreement | Transpower | 28 Feb | Rationalising agreements will assist existing and new Transpower customers understand terms and conditions. An opportunity to also weigh balance of risks and rewards between the parties. |
| Submission: Dispatchable demand | EA | 1 March | An effective DD market and more DD participants will provide competition in the wholesale market. |
| Downstream conference | | 2-3 March | |