30 September 2019

Electricity Authority,

Wellington.

Sent via email to: submissions@ea.govt.nz

Electricity Authority TPM 2019 issues paper: Transmission pricing review.

Golden Bay Cement Submission to the Electricity Authority.

The Golden Bay Cement Portland Manufacturing Plant has been the largest New Zealand based Cement Plant for many decades, and is now the only fully integrated cement manufacturing plant remaining in New Zealand. The Portland cement plant has developed a reputation for supplying high quality domestic commercial and specialist structural products to the New Zealand building industry.

Golden Bay Cement (GBC) manufacture in excess of 900,000 tonnes of cement each year. This product range is not only supplied to a the domestic market, but approximately 100,000 tonnes of containerised cement is sent to the Pacific Islands annually, much of this through Marsden Point port. Approximately 200,000 tonnes of containerised cement is dispatched via Marsden Point port for the NZ South Island markets.

All of GBC's customers have a choice of supply of product; which could also be sourced from competitors in Asia. For GBC to remain competitive in such an environment it actively manages its input costs; one of the foremost being electricity spend. For GBC to remain as a competitive local manufacturer it is essential that there is access to a robust cost competitive and stable supply of electricity to keep the plant operating 24/7.

The GBC Portland cement plant consumes between 80GWh and 110GWh per annum and can, at full operating capacity, draw in the order of 16 MW of electrical energy when producing clinker, grinding cement and pumping cement to bulk marine transport vessels. GBC owns and operates two 33kV overhead feeder lines that are connected to Northpower circuit breakers at Maungatapere substation.

Golden Bay Cement is a division of Fletcher Concrete & Infrastructure Ltd, which is wholly owned by Fletcher Building Ltd.

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PO Box 1359, Shortland Street, Auckland 1140. Contact phone: **0800 Cement** (0800 236 368)

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<u>GBC's submission on the EA 2019 proposal for TPM guidelines is as follows</u>:

Golden Bay Cement is well resourced to deliver world class cement and services to its customers, however it is not a specialist in electricity transmission technology and economics. GBC believes that the NZ electricity supply infrastructure is well overseen by way of appropriate input from the Commerce Commission, the Electricity Authority and the specific electricity industry players from Generation through Transmission to Distribution. These are the parties who are best suited to design and deliver 'best in class' cost effective electricity transmission. Load customers such as GBC work closely with our local network companies, such as Northpower, and must rely on the above referenced grouping of industry experts to maintain the 'fit for purpose' TPM which will match changing demand patterns.

GBC remains extremely concerned about any transmission cost uncertainty and volatility created by ongoing EA TPM reviews with potentials to significantly increase cost inputs and therefore, GBC welcomes the opportunity to provide a 'customer'/industrial site load view on the EA 2019 proposal.

GBC's 2016/17 submissions focused on the EA Second issues paper elements of AoB and Residual charges based on AMD and argued that the present system based on RCPD worked well; the EA obviously strongly disagrees with this position. However, the 2019 issues paper did not convince GBC that a benefits based charge regime will deliver a durable process. The present TPM is working and Transpower is well placed to fine tune and adapt for future technology / demand changes; it is not broken and does not need a complicated fix.

Business electricity consumers are NOT resourced to engage in constant rounds of 'consultation' with specialist supplier industries. It can be a distracting waste of resource. GBC's review of the 2019 issues paper notes use of new terminology; however, it does NOT see any change or improvement to the 2016 round of consultations. NZ industry does not need unnecessary layers of radical intervention to a service that is functioning and could be adapted to meet changing market demand by fine tuning the existing guidelines.

GBC's submission on the EA TPM 2019 issues paper guideline change proposals include:

1. To urge the EA to consider options that are less disruptive and more durable than this present set of proposals including;

    a) Options that work within existing guidelines modifying the RCPD charge by increasing the number of peaks to reduce the strength of the price signal.

    b) Reallocate the HVDC charge to levy costs across generator use based on actual north or south flow.

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2. Cease with the proposal of ‘benefits-based’ charge regime options for pre-existing asset investments and only consider a benefits-based charge approach for future Transpower investment projects where area specific benefits can be clearly demonstrated.

3. Nodal price signals for Transpower investment planning are a total mismatch for long-run grid investment planning/decisions. Manufacturing operations are geared to service ‘their’ market and primarily plan to run to meet customer demand NOT real time input cost volatility. A production plant cannot in reality stop and start in response to real time electricity price signals and while different manufacturing sites may have capacity to drop load in extreme circumstances resultant demand profiles will not provide meaningful data for mid to long term grid investment planning for Transpower.

4. The “Price Cap” proposal is of no help whatsoever for business planning and appears to signal a perverse outcome of minimal to nil effect in the network area that GBC operates in.

5. Overall the 2019 issues paper approach appears to be in conflict with the current drive for energy efficiency and economy decarbonisation.

GBC would welcome discussion with the Electricity Authority to clarify any of the points outlined in this submission.

Regards,

Ben Marsh
Manufacturing Manager
Golden Bay Cement.
Ben.marsh@goldenbay.co.nz
021391039

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