

Meeting Date: 1 June 2023

MAJOR ELECTRICITY USERS' GROUP PRESENTATION

SECURITY AND RELIABILITY COUNCIL

This paper introduces a presentation from the Major Electricity Users' Group on its role in the sector and supporting its members to ensure power system security and reliability.

Note: This paper has been prepared for the purpose of the Security and Reliability Council (SRC). Content should not be interpreted as representing the views or policy of the Electricity Authority except where specifically noted.

The Major Electricity Users' Group (MEUG)

- 1.1.1 The SRC has asked the secretariat to provide information on the role of various industry organisations and groups, in supporting power system security and reliability as part of the SRC's *Industry Associations and Groups* theme.
- 1.1.2 MEUG represents 14 member organisations across a range of industries, including aluminium and steel manufacturing, paper products, supermarkets and dairying.
- 1.1.3 With SRC member input, the secretariat posed a series of questions to MEUG.
- 1.1.4 **The questions:**
 - a) *What are the top 3 risks or concerns to security and reliability (including cyber) for your members and what is your organisation's role in reducing those security and reliability risks or concerns? Please include risks or concerns over short-, medium- and long-term horizons.*
 - b) *Does your organisation believe consumers get value for money, in terms of the security and reliability they currently receive from your members? How does your organisation support consumer trust and confidence in the sector more generally?*
 - c) *What are some examples of 'wins' for the industry your organisation has led or supported and how did you collaborate to achieve them? Conversely, what are some examples of areas where security and reliability wins were not achievable due to barriers?*
 - d) *What benefits do you provide to your members, and how? Please give examples of how you ensure the government and regulators make the best choices for the power system and consumers.*
 - e) *What does your organisation do to achieve consistency and minimum standards of security and reliability across its membership group? What are the impediments to consistency and minimum standards?*
 - f) *How does MEUG consider the impact of demand response disruption on businesses can be overcome to enable appropriate levels of DR uptake?*
 - g) *What are your current priorities?*
 - h) *If you had the opportunity to give the Electricity Authority Board advice about what it can do to support a secure and reliable electricity supply for consumers, what would it be?*
- 1.1.5 Members are encouraged to raise these or additional questions to MEUG during the presentation, to clarify any points in the presentation and support the SRC's understanding of MEUG's role in supporting power system security and reliability.
- 1.1.6 MEUG's presentation (Appendix A to this paper) notes their top 3 risks and concerns as:
 - 1) *Balancing of electricity system as we transition to a low-emissions economy*
 - a) *Greater intermittent resources, reduced role for thermal*
 - b) *Balancing supply and demand*
 - c) *Resilience of system*
 - 2) *Political uncertainty and level of intervention*

3) *Energy Sovereignty*

- 1.1.7 MEUG's Mission statement is *"to add value to MEUG members' management of electricity costs and risks achieving outcomes consistent with competitive markets for the long-term benefit of electricity consumers"*.
- 1.1.8 MEUG has provided an additional document, setting out their proposed strategic priorities (Appendix B). Members may wish to enquire what specific actions MEUG proposes to take in support of its security of supply strategic priority for 2023/24, particularly how and with whom it may collaborate.
- 1.1.9 Representatives from MEUG will present and be available for questions.

Questions for the SRC to consider

The SRC is asked to consider the following general questions.

- Q1. Does the SRC agree with the top risks, as set out in the presentation?**
- Q2. What further clarity does the SRC seek from MEUG, as to their views on the value of the electricity system and barriers to reaching its full potential?**
- Q3. What further information, if any, does the SRC wish to have provided to it?**
- Q4. What advice, if any, does the SRC wish to provide to the Authority?**

Appendix A: MEUG presentation

Appendix B: MEUG's proposed strategic priorities 2023/24



**Major Electricity
Users' Group**



Security & Reliability Council

1 JUNE 2023

Who is MEUG?



MEUG was established in the early 1990s to advocate for, and support, a well-functioning electricity market.

Our 14 members:

- Use approx. 28% of all New Zealand's electricity
- Pay almost \$1B per annum in electricity charges
- Generate over \$30B in revenue per annum
- Directly employ over 25,000 people



MEUG's role



As an industry organisation, we provide:

- Advocacy with government
- A New Zealand Inc perspective
- One of only a few customer voices into the energy sector policy debate
- Coordination with sector participants and associations
- Information sharing, environment scanning and identifying opportunities for improvement



MEUG's priorities



Twelve strategic priorities for 2023/24

Monopolies	Security	Markets	Reputation	Governance
Monopoly pricing	Security of Supply	Spot/ hedges markets	Consumer focus	Value to members
Regulation of Transpower		Demand side participation	Proactive stakeholder relationships	Maintain MEUG membership base
Regulation of EDBs		GHG policy		
Unexpected events				

Top 3 risks and concerns

We require electricity as an essential input to make value-add products

1. Balancing of electricity system as we transition to a low-emissions economy
 - a) Greater intermittent resources, reduced role for thermal
 - b) Balancing supply and demand
 - c) Resilience of system
2. Political uncertainty and level of intervention
3. Energy sovereignty



Value of the electricity system

Confident that there will be supply of electricity but at what cost?

- Concern with high spot / hedge market prices
- Price appears to include a “risk premium”
- Increase in price impacting our members

Huge investment needed to decarbonise system

- Allocation across time and customer groups
- Conveying the benefits for customers



Industry wins and barriers

Wins

- Improved Commerce Commission outcomes by providing a consumer perspective / evidence
- Better communication across energy sector
- More from trilemma to a quad-lemma

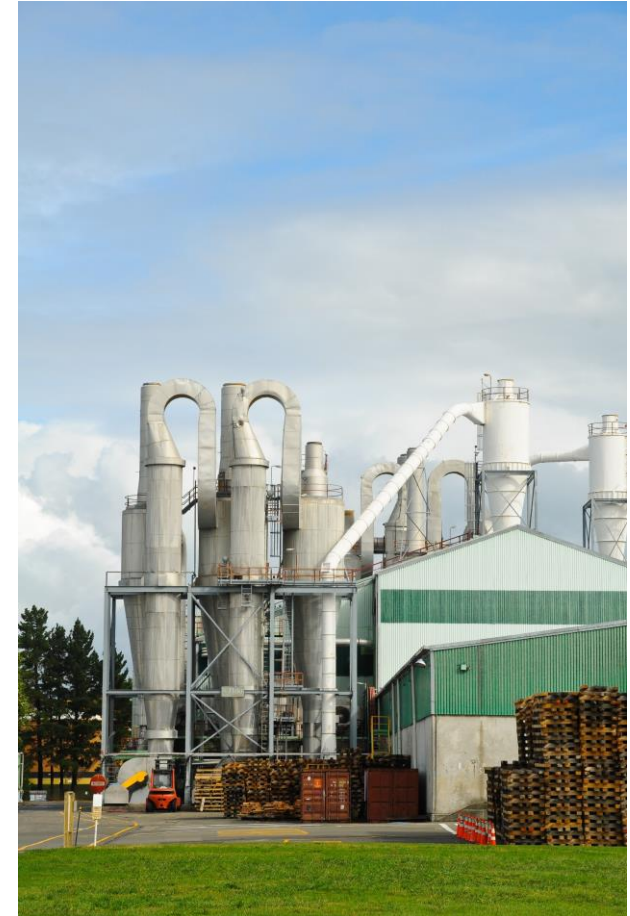
Barriers

- HVDC not being utilised to its full potential
- Move to greater renewable energy impacting on reliability and security



Advice to Authority Board

- Ensure the Authority is appropriately positioned to deal with the challenges / opportunities we are facing in the energy sector.
- Take a broader consumer perspective
- An essential commodity that supports our economy and wellbeing
- Work to ensure the short-term pricing signals flow through to the medium /long-term pricing signals to the market.





**Major Electricity
Users' Group**



Thank you

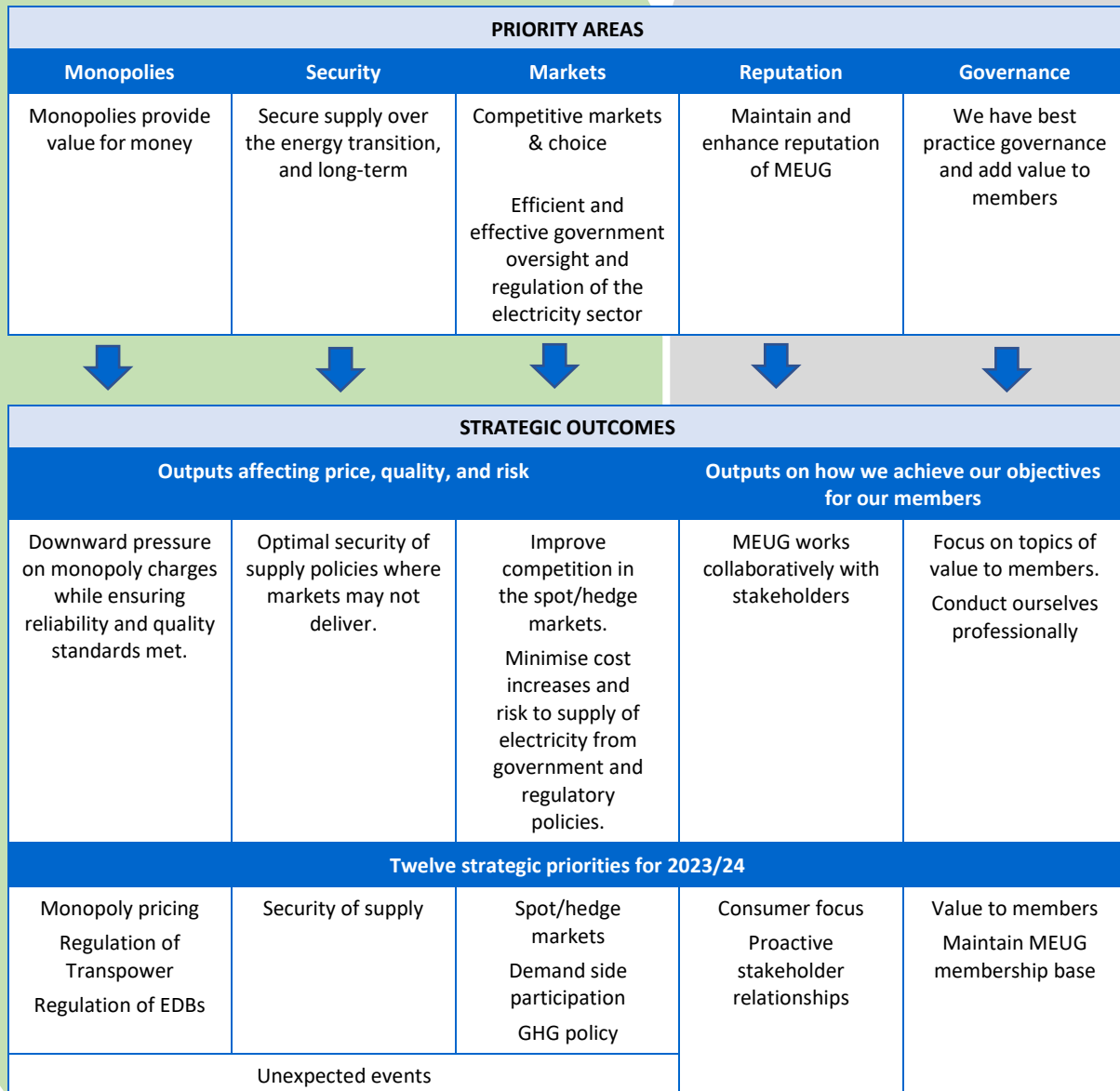
www.meug.co.nz

Mission Statement

To add value to MEUG members' management of electricity costs and risks, achieving outcomes consistent with competitive markets for the long-term benefits of electricity consumers

External factors

Internal factors



Critical Success Factors

Value add: To focus on topics that increase value to members.	Collaboration: Involve others pro-actively to achieve our strategic objectives as appropriate; Firm stance taken when required.	Governance: Best practice governance is adopted.	NZ Inc.: To add value to MEUG members while retaining a NZ Inc. perspective to ensure policy positions are sound and evidence-based
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