



OceanaGold's Submission  
to Electricity Authority on the  
**Transmission Pricing Methodology  
Consultation**  
2 December 2021

Submitted by:

**OceanaGold Corporation/Oceana Gold (New Zealand) Limited**

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## ABOUT OCEANAGOLD

1. OceanaGold (New Zealand) Ltd is a publicly listed company on the Australian and Toronto stock exchanges, and is classed as a mid-tier, multinational gold producer with a portfolio of high-quality assets located in the Philippines, the United States of America and New Zealand. OceanaGold is internationally recognised as a responsible miner and a leader in sustainability.
2. OceanaGold has over 30 years' experience of exploring, developing, operating and closing mines within New Zealand. We have operating gold mines at Macraes and Waihi and a closed mine on public conservation land near Reefton, which is under rehabilitation.
3. OceanaGold operates its mines 24 hours a day and 7 days a week. Together, the mines put OceanaGold in the top ten electricity consumers in New Zealand, accounting for transmission charges exceeding \$5 million annually. Macraes Mine is the single biggest consumer of electricity in the South Island, after Tiwai Aluminium Smelter, and is well positioned to make efficient use of renewable power generated out of the lower South Island hydroelectric schemes.
4. Together, the Macraes and Waihi mines employ close to 1000 people and generate value-add (GVA) to New Zealand's economy of about \$200 million annually.

## SUBMISSION

### Support

1. OceanaGold supports a new TPM that uses a benefit-based approach to rebalance transmission charges between different regions so that those who are expected to benefit from transmission investments will pay for them.
2. We support the proposed 1 April 2023 implementation of the new TPM.
3. We support the proposal for adjustments to fixed charges, where there is a substantial and sustained change in grid use. Mines are finite, and ultimately move to long post-closure periods of significantly reduced electricity usage. To the extent that such changes may flow through to the transmission charges paid by the lines businesses, we would endorse a model that allowed for transmission

charges to similarly reduce, in line with these significant reductions in load based on real-time, demonstrable changes in consumption.

4. We support removal of the regional coincident peak demand (RCPD) charging methodology and agree that it distorts the cost of transmission. We support the use of “anytime maximum demand” methodology to measure “historical load” and “historical power flows” to calculate TPM charges, and the non-reintroduction of coincident peaks as the basis for measuring load.

#### **Concerns**

5. OceanaGold notes that overall, over time, Transpower expects to pass through the cost of more benefit-based investments in the grid to accommodate increased generation and demand as a result of the electrification of industrial processes and transport. Under the proposed TPM these increasing transmission charges would be paid by the beneficiaries of those investments, rather than the costs being “smeared” across all customers.
6. In that regard, we question the ability of the wholesale electricity market, as it is currently structured, to work alongside the new charges to convey accurate pricing signals in a way that generates relevant investment. Emerging technologies and associated business models require pricing that is rational and, if not entirely predictable, at least “rationally unpredictable” and capable of being sensibly hedged.
7. In our view, the various strands of the government’s electricity market review have not, to date, signalled any proposals for intervention in the electricity market that would provide industry with the confidence needed that electricity prices will stabilise or fall from currently high levels – the “quid pro quo” of investing in both renewable electricity generation (and associated grid developments) and in the decarbonisation of the industrial processes that are expected to switch away from fossil fuels into renewable electricity.
8. Electrification of vehicles, plant and machinery that currently depend on fossil fuels to operate lies at the heart of decarbonisation for the heavy industrial and transport sectors. In OceanaGold’s view, a well-functioning wholesale electricity market is essential to achieving investment in this new technology as it becomes available and will not be achieved without government intervention to restructure the way electricity is priced.

9. As matters stands high and volatile wholesale electricity prices increasingly resist reliable long-term forecasting or hedging to provide the basis for investment. It is therefore essential to resolve the issues with the electricity market that led to the government's Electricity Price Review in 2018 - at the time focussed on the impacts on retail customers, but since then increasingly impacting the industrial sector.<sup>1</sup> If the private sector can forecast future electricity prices with a reasonable degree of certainty or at least comfort, then reasonably forecastable operating cost savings of using renewable electrical energy as a substitute for fossil fuels can provide the basis for the new capital investment required to decarbonise. Investment in off-grid generation (such as wind or solar generation) will also become more accessible where the wholesale electricity market supplements or complements the modelling.
10. The behaviour of electricity prices is likely to change as renewables become an increasing slice of the portfolio. Careful consideration needs to be given to how changing one part of the system can have implications for other parts.

Lodged by: Oceana Gold (New Zealand) Ltd

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<sup>1</sup> The statement accompanying the review that "This was because electricity prices, especially for residential consumers, increased faster than inflation for many years, putting pressure on household budgets. In comparison, prices faced by commercial and industrial customers remained relatively flat." No longer holds true: <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price/>