



MAJOR ELECTRICITY USERS' GROUP

12th June 2015

Bryan Field
Manager, Modelling & Sector Trends
Ministry of Business, Innovation & Employment
By email to EDGS@mbie.govt.nz

Dear Bryan

Cross-submission on draft Electricity Demand and Generation Scenarios

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) on the submissions by 10 other parties that closed 14th May 2015 on the Ministry of Business, Innovation & Employment (MBIE) consultation guide "Draft Electricity Demand and Generation Scenarios" dated 2nd April 2015.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. Submitters have suggested some factual changes particularly on generation assumptions, more evidence on possible future demand paths and practical suggestions to make EDGS more useful for Transpower to prepare capital investment proposals and the Commerce Commission and interested parties to assess those. We don't get a sense from any of the submissions that finalising an EDGS is urgent. MEUG suggest a further consultation round including a workshop could be worthwhile after MBIE has considered submissions and developed a further draft EDGS.
4. There are four specific topics MEUG cross-submits on:
 - a) The most important unresolved issue is what should be the level of granularity of MBIE's EDGS forecast demand for grid services that Transpower can then use for planning and the Commerce Commission and interested parties use to assess capex proposals?

Transpower submitted (response to question 2):

"We support the view that we produce peak demand forecasts avoiding the need for unnecessary duplication. We consider that MBIE could take on an audit role of our peak demand forecasts focusing on the „reasonableness" of our forecasts and approach."

MEUG has concerns with that approach. We consider the advice of NZIER is still relevant and have copied in full the NZIER response to question 2 below:

“MBIE Question 2: In the absence of regional and prudent peak demand projections being a part of the EDGS, the Ministry would like to ask for your feedback on the best way to independently verify regional and prudent peak demand projections.

NZIER response: We find the phrase “independent verification” difficult to apply to the peak demand of the EDGS forecasts. As the EDGS forecasts seem to be developed using an iterative process with Transpower it seems difficult to separate the elements of the EDGS forecasts into an independent Ministry view and a Transpower dependent view. Even if this separation could be made it does not seem to be relevant to the issues faced by the Commission in using the EDGS forecast as the basis for assessing Transpower capital expenditure proposals.

We suggest that, in using EDGS to assess Transpower proposals, the real issues for the Commission is the extent to which both the EDGS/Transpower forecasts of the location of peak supply and demand are accepted by stakeholders and the differences between stakeholders and Transpower views are understood. This will then allow the Commission to focus its assessment on the efficiency of the Transpower proposal in addressing an agreed supply demand mismatch, rather than having to form a view on the predicted mismatch as part of the assessment of the investment proposal.

We further suggest that as the owner of the EDGS and in view of the iterative process used by the Ministry and Transpower to develop annual and peak demand forecasts:

- the Ministry needs to explicitly link its generation and energy demand scenarios to Transpower's peak demand forecasts
- Transpower assumptions and forecast methodology for regional peaks should be disclosed as part of, or alongside, the EDGS forecasts.

Effectively the EDGS forecasts and the Transpower regional and prudent peak demand forecasts should be part of a ‘whole of system’ consultation on the EDGS forecasts.”

- b) The cover letter by Transpower (pages 1 to 3) made some helpful observations of their experience with the Electricity Commission’s Statement of Opportunities (SoO) that should be accounted for in the development of the EDGS. MEUG agrees with the two points made in the final comment by Transpower on page 8 of their submission:

“We would be interested to hear of MBIE's view regarding the review and update of the EDGS. As noted above, our experience is that the scenarios and assumptions could date relatively quickly. Therefore, a periodic update will be required.”

- c) Following on from the last point by Transpower regarding periodic updates the Electricity Network Association (ENA) suggested an alternative solution whereby just-in-time detailed forecasts would be prepared and that process codified with a change to the Transpower Capex IM (paragraph 3 (a):

“The EDGS do not meet their purpose in Transpower’s Capex Input Methodology (IM) because the major capital expenditure investment test could not be completed without regional and prudent peak demand projections which are not included in the EDGS. The ENA recognises that this requires additional resource, and that it may be preferable to develop these forecasts at the time an investment is proposed. This would seem to require an amendment to Transpower’s Capex IM.”

A just-in-time approach to preparing peak demand forecasts for specific projects would be useful because more up to date and detailed information can be used. Transpower use this approach already.

A possible problem with ENA’s proposal is it gives too much sway to Transpower on the forecasts used for investment proposals. The experience of poor demand forecasting for NIGUP leads MEUG to err against letting Transpower control demand forecasts.

MEUG is not opposed to ENA’s suggestion; rather MEUG notes that there will probably be changes to Transpower’s Capex IM primarily to ensure alignment with expected changes in TPM for future grid investments. As part of the IM review we will consider ENA’s suggestion.

- d) ENA’s suggestion above on amending the Transpower Capex IM reminded MEUG that the Capex IM does not prescribe that MBIE should always prepare EDGS. The Capex IM says an “other agency which subsequently assumes the responsibility” could also prepare EDGS.

A common theme from many submitters was the value of and need for outputs from EDGS for uses beyond that strictly needed to meet the requirements of the Capex IM. The question MEUG suggests should now be considered is whether the EA should take responsibility for preparing EDGS as part of an annual detailed forecast of demand and supply in the electricity sector with linkages to MBIE’s higher level national demand and supply forecasts across all energy sectors?

Yours sincerely



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