

22 March 2019

Ministry of Business, Innovation and Employment, Wellington
(via email to energymarkets@mbie.govt.nz)

Re: Consultation on Electricity Price Review – Options Paper dated 18 February 2019

1. This is a submission by the Major Gas Users Group on the Ministry of Business Innovation and Employment Electricity Review Options Paper dated 18 February 2019.
2. The Major Gas Users Group (MGUG) comprises:
 - a. Ballance Agri-Nutrients Ltd
 - b. Fonterra Co-operative Group
 - c. New Zealand Steel Ltd
 - d. Oji Fibre Solutions Ltd
 - e. Refining NZ
3. The Group was formed in 2010 to advance the interests of these firms as major industrials in the New Zealand economy who use significant quantities of natural gas. Nothing in this submission is confidential and some members may choose to make separate submissions.
4. The content of this submission is limited to a response on Section F6 where the Review raises the option of establishing an electricity and gas regulator. MGUG is aware that the Major Electricity Users Group (MEUG) has commissioned TDB Advisory to assist identify what are the strategic and operational issues between the gas and electricity sectors and to undertake a high-level assessment of potential key policy and operational issues common to the gas and electricity sectors and the advantages and disadvantages of alternative institutional arrangements for governing the gas sector, including the option of establishing a joint gas and electricity regulator. MGUG has participated in the consultation process run by TDB as part of the work commissioned by MEUG.
5. MGUG understands the interim findings of TDB Advisory will be provided to the Expert Panel as part of MEUG's submission. MGUG is pleased that MEUG has commissioned TDB to provide this analysis; we consider it important to identify and make sure all issues are on the table. With this perspective in mind we think it is important that any exploration of the issue should:
 - a. Take into account the product specific characteristics for gas and electricity that determine the systems and market arrangements/structures required for each;
 - b. Consider the risk that gas issues could be overshadowed or swamped by the more significant electricity market;
 - c. Examine how well the co-regulatory model has performed on matters of significance. An example for MGUG was the exceedingly long time taken to improve arrangements for access to transmission pipelines – this went on for many years, but without success. Ultimately changes in pipeline ownership provided the necessary mechanism to facilitate change, leading to the new Gas Transmission Access Code (GTAC);
 - d. Examine independence of the governance of the regulator when taking into account shareholding arrangements and what we see at times as less active involvement by the Ministry of Business, Innovation and Employment (MBIE) as part of the co-regulatory model.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Hale'.

Richard Hale/Len Houwers
Hale & Twomey Ltd/Arete Consulting Ltd
Secretariat for the Major Gas Users Group