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22nd March 2019

The Secretariat for the Electricity Price Review
Minister of Business, Innovation and Employment
By email to: energymarkets@mbie.govt.nz

To the Secretariat

**ELECTRICITY PRICE REVIEW - OPTIONS PAPER FROM THE PANEL FOR DISCUSSION
WINSTONE PULP INTERNATIONAL LIMITED'S SUBMISSION**

Please find attached Winstone Pulp International Limited's (WPI) submission on the Electricity Price Review Panel's Options Paper for Discussion, dated 18th February 2019.

Our submission focuses on the issues of highest importance to WPI, that are:

- Maintaining the existing strengths of the sector and regulatory stability, while reinforcing the process of continuous incremental improvement;
- Reinforcing wholesale market competition and improving hedge risk management options for consumers and retailers that are not vertically integrated; and
- Improving transmission pricing so that future investments are more efficient, and their costs are appropriately allocated to the beneficiaries.

We also support the Major Electricity Users Group's (MEUG) separate submission on the Panel's report.

Thank you for the opportunity to make this submission.

Yours sincerely



Paul Saunders
General Manager Operations

ELECTRICITY PRICE REVIEW - OPTIONS PAPER FROM THE PANEL FOR DISCUSSION WINSTONE PULP INTERNATIONAL LIMITED'S DETAILED COMMENTS

A STRENGTHENING THE CONSUMER VOICE

We support strengthening the consumer voice through:

- (i) Strengthening the focus on this issue by the Electricity Authority and the Commerce Commission using their existing resources; and
- (ii) Improving information disclosure as provided for in Options C2, C3 and D1. We are particularly concerned that consumers are disadvantaged by information asymmetry and lack disclosure in the gas market.

B REDUCING ENERGY HARDSHIP

We consider that economic hardship issues in New Zealand, including energy hardship, should be considered and addressed by the Government through its social programme. We do not support addressing energy hardship through direct interventions in the electricity sector. Previous direct interventions by Government in the sector to address specific social issues had poor outcomes and unintended consequences.

C INCREASING RETAIL COMPETITION

While we are not a retail customer, we support improving retail competition and agree with the MEUG submission.

D REINFORCING WHOLESALE MARKET COMPETITION

D1 Toughen rules on disclosing wholesale market information

We strongly favour this option including, if necessary, strengthening the Electricity Authority powers to enforce the rules. As a direct participant in the wholesale market: we would like better access to information to assist us to manage our spot market risks and to understand underlying issues that affect market prices including relevant gas sector information.

D2 Introduce mandatory market-making obligations

We support measures to increase the transparency and liquidity of the hedge market and the associated participation by a wider group of generators. As a major electricity user, we do not have confidence that the ASX hedge market has enough liquidity for us to manage our hedge risk. Instead we manage this risk through large volume bilateral hedges that are less transparent and have limitations for maintaining on-going hedge cover. We consider the Electricity Authority is best placed to lead this work stream.

E	IMPROVING TRANSMISSION AND DISTRIBUTION
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E1	Issue a government policy statement on transmission pricing
	We do not support this option because: it will delay meaningful reform, and it is likely to weaken the independent and objectiveness of the Electricity Authority's current change process. WPI prefer that the Electricity Authority's current change process proceed so that future transmission investments are efficient, and their costs are met by the generators and consumers who directly benefit.

E9	Lower Transpower and distributors' asset values and rates of return
	We believe that the current weighted average cost of capital (WACC) applied for setting regulating Transpower's transmission charges (currently set at the 67 th percentile) should be reduced to the median value. We are not aware of any evidence that suggests the current WACC bias is justified or that a reduction to the medium value would reduce Transpower's level of investment.

F	IMPROVING THE REGULATORY SYSTEM
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F6	Establish an electricity and gas regulator
	We strongly support an investigation into regulation of the natural gas sector, including: the key strategic and operational issues inter-linking the electricity and gas markets; problems with inadequate gas sector information disclosure; and option to establish an independent gas or a joint energy regulator.

G	PREPARING FOR A LOW-CARBON FUTURE
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We consider that existing government agencies in the electricity sector are already addressing issues directly relevant to the sector, and the Government has several other major initiatives in process to prepare New Zealand for a low-carbon future. We do not see a need for additional initiatives outside the current framework.