

# Update from the Chair

July 2024

## Affordability in the news with MBIE report

### MEUG commissioning work on electricity market and pricing

Electricity affordability has been in the news again, with the release this week of a report by the Ministry of Business, Innovation and Employment (MBIE) on [energy hardship measures](#) for the year ending June 2022 that found 6% of households (around 120,000 households) could not afford to keep their home adequately warm.<sup>1</sup>

Consumer NZ reported early this year that [an estimated 40,000 households](#) had their power disconnected in 2023 because they could not pay their power bill. In a conversation last week with Consumer NZ and independent retailers we heard that around 20% of households (around 400,000 households) struggle but manage to pay their electricity bills.

This is before the increases that will flow from the Commerce Commission's draft price-quality path [decisions](#) for Transpower and distribution companies hit households next year. At some point the large Gentailers, who all reported this year running their retail arms at a loss, will no longer be able to do so and sustained high wholesale prices will be passed on more to households.

Affordability for households will get worse over the next 12 months.

And it is not just households. Within MEUG, we once again have some members discussing how long they might be able to continue operating in New Zealand. If medium and large employers exit the country, that impacts our regional communities. Nothing adversely impacts cost of living pressures like losing your well-paid manufacturing job.

Despite constant reporting on affordability pressures, there is a lack of good analysis about why prices in New Zealand are perceived as being relatively high. Groups and organisations have commissioned analysis on single issues, for example, MEUG itself commissioned analysis of generator economic profits. But there is a lack of good evidence or data that canvasses the wider picture.

MEUG therefore is in the process of scoping a piece of work on what is driving high prices, with a focus on future prices rather than just looking at historic pricing. It's a complex piece of work to scope given it needs to look at investment in new generation, how renewable generation prices up to the short-run marginal cost of thermal so as carbon prices rise so does the cost of renewable electricity, what impact does competition and/or market share actually have, what impact does firming or peaking pricing have, etc., etc.

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<sup>1</sup> MBIE defines energy hardship as the situation when individuals, households, and whānau are not able to obtain and afford adequate energy services to support their wellbeing.

## Key dates

What's on	Who	When	Notes for members
<b>Event:</b> NZ Geothermal week	Industry	1 – 6 July	NZ <a href="#">Geothermal week 2024</a> , events held in Taupo.
<b>Webinar:</b> Common quality	Electricity Authority	3 July	Webinar held on managing harmonics, as part of the Authority's <a href="#">consultation</a> on its review of common quality requirements in the Code. Submissions due 20 August.
<b>Release:</b> EDGS 2024 update	MBIE	3 July	MBIE has released its <a href="#">2024 update</a> of the Electricity Demand and Generation Scenarios (EDGS).
<b>Submission:</b> 9 Aug 21 UTS preliminary decision	Electricity Authority	3 July	Cross submissions due on the Authority's preliminary decision relating to <a href="#">9 Aug 2021 UTS</a> .
<b>Holiday:</b> School holidays	Public	6 – 21 July	School holidays, term 3 commences on 22 July.
<b>Webinar:</b> Common quality	Electricity Authority	8 July	<a href="#">Webinar</a> to be held on frequency and voltage, as part of the Authority's <a href="#">consultation</a> on its review of common quality requirements in the Code. Submissions due 20 August.
<b>Submission:</b> DPP4 draft decision	Commerce Commission	12 July	The Commission is seeking submissions on its <a href="#">draft decision</a> for the 2025 reset of the electricity default price-quality path ( <a href="#">DPP4</a> ): Submissions are due 12 July, with cross submissions due by 2 August. MEUG finalising its submission.
<b>Event:</b> Potential negative generation balances	System Operator	12 – 31 July	The System Operator is forecasting potential negative generation balances in July (see <a href="#">CAN 26 June</a> ).
<b>Submission:</b> Transpower RCP4 draft decision	Commerce Commission	15 July	The Commission is seeking cross-submissions on its <a href="#">draft decision</a> for Transpower's individual price-quality path for the regulatory control period commencing 1 April 2025 (RCP4). MEUG's submission is <a href="#">here</a> ; MEUG is preparing a short cross-submission.
<b>Submission:</b> Unison reopener	Commerce Commission	17 July	The Commission is seeking feedback on its <a href="#">draft decision</a> on Unison's unforeseeable major capex project DPP3 reopener. Submissions are due by 17 July.
<b>Meeting:</b> MEUG AGM	MEUG members	23 July	MEUG's Annual General Meeting to be held in Wellington. Discussion of strategic plan and budget, with Anna Kominik (Electricity Authority Chair) and James Kilty (CE, Powerco) as guest speakers.
<b>Event:</b> Energy Trader Forum	Freeman media	24 July	Forum for energy trading and energy/carbon markets community.
<b>Meeting:</b> EEAG	Sector participants	25 July	First meeting of the Electricity Authority's <a href="#">Advisory Group</a> .
<b>Submission:</b> Transpower Information disclosure	Commerce Commission	30 July	The Commission is <a href="#">consulting</a> on Amendments to Transpower information disclosure requirements. Submissions are due 30 July, with cross submissions by 15 August.
<b>Submission:</b> Default distributor agreements	Electricity Authority	31 July	The Authority is <a href="#">consulting</a> on proposed changes to improve the default distributor agreement (DDA). Submissions are due by 31 July.
<b>Submission:</b> Evolving market resource coordination in NZ	Transpower	31 July	Transpower is seeking feedback on its <a href="#">issues paper</a> looking at Evolving market resource co-ordination in Aotearoa New Zealand.
<b>Submission:</b> Proposed minerals strategy	MBIE	31 July	MBIE is consulting on a <a href="#">proposed minerals strategy to 2040</a> , with submissions due by 31 July.