

Update from the Chair

October 2024

Waiting to see what our regulators and Government do

Like many in the wider industry, MEUG is waiting for details of both the Commerce Commission and Electricity Authority's Energy Competition Task Force work, and MBIE's review of the wholesale market. Much of the Task Force's work focuses on short and medium-term actions to enable new entrants into generation and retail and providing more options for end-users of electricity. We have no details yet about MBIE's work. Both are critical in our view.

Many of the initiatives announced by the Government focus on energy security. These are essential. It makes no sense to transition to a more highly renewable future without ensuring we will have the baseload, firming and peaking that's essential to underpin increased reliance on intermittent renewables.

Energy scarcity will be a challenge for the next few years, and reliance on hydro lake levels will likely feature to some degree for decades to come. Some options for improving security being investigated now, like imported LNG, will not result in affordable electricity. In the case of LNG, it will likely be sold into the market at between \$220 and \$300 MWh.

To put this into context, we return to the Interim Climate Change Committee which analysed wholesale prices in a more renewable future. The Committee found that the economy can't sustain long-term pricing higher than around \$115 MWh. De-industrialisation remains a real and present risk.

This is where MBIE's work is critical. Encouraging new generation is only part of the answer. End users need to have confidence that market settings are right and that prices are fair – and that confidence has been severely eroded over the last six years. We need confidence that, in the longer term, prices will become affordable. At present, the market is signalling prices are going to rise back towards what they were at the start of the year or even higher, with some MEUG members being quoted hedge prices that become considerably more expensive when you go out beyond the next three years.

Update on MEUG's wholesale market analysis

We have had a number of people asking about the holistic analysis of wholesale pricing that MEUG intended to commission. We are still intending to do the work, but we paused starting it because MBIE is going to conduct a review of the wholesale market. When we see MBIE's terms of reference, we will then either start or amend our analysis at that time, so it complements or challenges MBIE's work. We hope to see announcements about the scope of MBIE's work later this month.

Key dates

| What's on | Who | When | Notes for members |
|--------------------------------------------------------------|-----------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Submission: Crown Minerals Amendment Bill | Select Committee | 1 Oct | The Economic Development, Science and Innovation Committee held a short consultation period on the Crown Minerals Amendment Bill , that reverses the 2018 oil and gas ban. MEUG submission is available here . |
| Submission: Code review programme #6 | Electricity Authority | 1 Oct | The Authority was consulting on its Code review programme number 6 , which proposed a series of 16 amendments. |
| Submission: Amendments to Input Methodologies | Commerce Commission | 4 Oct | The Commission is consulting on amendments to the Input Methodologies for EDBs, gas pipeline businesses and Transpower relating to insurance entitlements, other compensatory entitlements, and other regulated income. Submissions are due 4 October and cross submissions by 21 October. |
| Submission: Transpower's deliverability adjustment | Commerce Commission | 8 Oct | The Commission is consulting on Transpower's deliverability reopener mechanisms and CPI assumptions for the regulatory control period starting 1 April 2025. |
| Nominations: Switch and Data Formats Group | Electricity Authority | 8 Oct | The Authority is calling for nominations for its Switching and Data Formats Group that will provide advice on switching processes, as well as exchanges of information between industry participants. |
| Submission: Consumer data rights | MBIE | 10 Oct | The Ministry is seeking feedback on applying a consumer data right for electricity, as enabled through the Customer and Product Data Bill. |
| Event: Quarterly update | Electricity Authority | 10 Oct | The Authority is running its quarterly webinar, providing an update on the Energy Competition Task Force, progress implementing the MDAG recommendations, the new Power Innovation Pathway and its industry training programme. Register here . |
| Event: Term 4 begins | Public | 14 Oct | Term 4 begins for New Zealand schools. |
| Submission: Code amendment omnibus #4 | Electricity Authority | 15 Oct | The Authority is seeking feedback on four discrete amendments to the Electricity Industry Participation Code 2010. |
| Nominations: Security and Reliability Council | Electricity Authority | 15 Oct | The Authority is calling for nominations for an independent Chair and two members of the Security and Reliability Council. |
| Event: Transpower's Engineering and Technology Awards | Transpower | 15 Oct | Transpower will host the second Engineering and Technology Excellence Awards at the St James Theatre in Wellington. |
| Conference: GasNZ Forum | GasNZ | 16 – 18 Oct | Annual conference run by GasNZ. |
| Applications: Power Innovation Pathway | Electricity Authority | 18 Oct | The Authority is calling for applications for its new Power Innovation Pathway , which is intended to help innovators access regulatory information and bring fresh ideas to the market faster. |
| Submission: Retail market monitoring | Electricity Authority | 22 Oct | The Authority is consulting on its amended information notice, which is intended to enhance its monitoring of the retail market while minimising additional costs for retailers. |
| Submission: Draft policy statement | Transpower | 23 Oct | Transpower is consulting on its Draft Policy Statement , which describes the updated policies and processes the System Operators uses to meet the principal performance obligations (PPOs), and manage technical compliance and conflicts of interest. |
| Holiday: Labour Day | Public | 28 Oct | Public holiday. |
| Meeting: MEUG Executive Committee meeting | MEUG members | 30 Oct | Online meeting of MEUG Executive Committee. Speakers included Contact Energy, Manawa Energy and the Electricity Authority. |