

# Update from the Chair

September 2024

## No confidence yet, after a tumultuous time

### A lack of clarity or certainty

A fundamental question following the proposed closure of manufacturing sites and the industry and Government response is, looking forward, do we have confidence the market will deliver fair, affordable electricity to support our exporters, manufacturers, and businesses. And the answer is No, Not Yet.

On the supply or generation side, there is no doubt changes to consenting processes will help build new generation. A new regime for offshore wind generation will hopefully facilitate faster development. But we are not building the right mix of generation, and we're not building it where its most needed – and there is nothing in the system that will change that. There is a role for the System Operator to analyse what generation we need to ensure a balanced generation portfolio, and to use the market to secure the necessary investment, underpinned by underwrites, Government bonds, or other instruments to give investors confidence long-term investments will not be undermined by policy or regulatory changes over time. Without something like that, issues with highly intermittent supply and lack of firming and peaking will get worse over time, not better.

But changes to the supply side of the market will not address concerns MEUG and others have with the market itself.

If you believe wholesale prices are reflective of scarcity then it is hard to explain why, since the Government put the threat of virtual separation of the gentailers firmly on the table, the wholesale price has been nearly \$0 MW/h. We are still short of gas, despite recent rain, the hydro lakes are still well below what they usually are for this time of year, and we are facing the real possibility of shortages next year.

There is no clarity on what the Government's promised look at competition will involve, or even when it will start (or finish).

The Taskforce announced last week does not itself have any decision-making powers and its work arguably does not involve substantive market reform, other than improving the likelihood commercial and industrial users (and independent retailers) will be able to get a better-priced hedge. A hedge price better than we've seen over the last few months is likely still too expensive relative to what businesses in other countries we compete with have to pay.

And even that presumes you have confidence in the Electricity Authority to deliver reform, given their track record over the last six years and pace of delivery. It will be interesting to compare the speed the Commerce Commission works at, with that of the Authority. We hope the Authority is up to the challenge.

## Key dates

| What's on  | Who                   | When         | Notes for members   |
|--|-----------------------|--------------|---|
| <b>Submission:</b> Information Disclosure amendments | Commerce Commission   | 3 Sept       | <a href="#">Consultation</a> on draft decision for Information Disclosure (Input Methodologies Amendment Determination 2024). All submissions <a href="#">here</a> , cross submissions due by 3 September.  |
| <b>Event:</b> ETS auction                            | MfE                   | 4 Sept       | Next ETS auction, results <a href="#">here</a> . 2024 auction calendar <a href="#">published</a>  |
| <b>Submission:</b> Consumer and product data bill    | Select Committee      | 5 Sept       | The Consumer and Product Data <a href="#">Bill</a> passed its first reading on <a href="#">24 July</a> , and <a href="#">consultation</a> is now underway with Select committee. Bill is intended to give customers greater control over their data, making it easier for them to switch providers for services such as banking, electricity, and telecommunications. |
| <b>Submission:</b> Western Bay of Plenty             | Transpower            | 9 Sept       | <a href="#">Consultation</a> is open on the short list of options for the <a href="#">Western Bay of Plenty Development Plan</a> .  |
| <b>Event:</b> Climate Change and Business conference | EDS, SBC & CLC        | 9 – 10 Sept  | The <a href="#">2024 Climate Change and Business Conference</a> will be held in Auckland and hosted by the Environmental Defence Society, Sustainable Business Council and Climate Leaders Coalition.   |
| <b>Event:</b> EEA conference                         | EEA                   | 10 – 12 Sept | <a href="#">Electricity Engineers Association 2024</a> conference to be held in Christchurch.   |
| <b>Event:</b> NZWEA summit                           | NZWEA                 | 11 – 12 Sept | <a href="#">NZ Wind Energy Summit</a> held in Wellington.   |
| <b>Submission:</b> Consumer care guidelines          | Electricity Authority | 10 Sept      | <a href="#">Consultation</a> on the proposed Code amendment to mandate the Consumer Care Guidelines.  |
| <b>Webinar:</b> Hedge disclosure obligations         | Electricity Authority | 12 Sept      | The Authority is running <a href="#">workshop</a> in collaboration with NZX to discuss the operational changes that will be made to the hedge disclosure system.  |
| <b>Publication:</b> Energy Quarterly data            | MBIE                  | 12 Sept      | Next <a href="#">NZ Energy Quarterly</a> published.   |
| <b>Submission:</b> Changes the TPM                   | Electricity Authority | 16 Sept      | <a href="#">Consultation</a> on proposed changes to the Transmission Pricing Methodology so it better encourages efficient investment and ensures a level playing field for new and emerging technologies.  |
| <b>Event:</b> Oceania Renewable power summit         | Brightstar            | 17 – 18 Sept | First <a href="#">Oceania Renewable Power Summit</a> to be held in Auckland.  |
| <b>Submission:</b> Generation investment             | Electricity Authority | 18 Sept      | <a href="#">Consultation</a> on two proposed information gathering notices to collect more information about grid-connected generation and load projects, as well as the cost of generation developments on the transmission and distribution networks.   |
| <b>Event:</b> Transpower stakeholder event           | Transpower            | 18 Sept      | Stakeholder event in Wellington to celebrate Transpower's 30 <sup>th</sup> anniversary as a State-Owned Enterprise.   |
| <b>Submission:</b> Amendments to Input Methodologies | Commerce Commission   | 20 Sept      | <a href="#">Consultation</a> on proposed amendments to the input methodologies for EDBs, gas pipeline businesses and Transpower relating to insurance entitlements, other compensatory entitlements, and other regulated income. Submissions due 20 Sept and cross submissions by 7 October.  |
| <b>Meeting:</b> MEUG Executive Committee meeting     | MEUG members          | 25 Sept      | Online meeting of MEUG Executive Committee, speakers still to be confirmed.   |
| <b>Event:</b> School holidays                        | Public                | 28 Sept      | Next school holidays run from 28 September to 13 October, with Term 4 starting 14 October.  |
| <b>Deadline:</b> Stress test disclosures             | Electricity Authority | 30 Sept      | Quarterly <a href="#">stress test disclosures</a> due for participants in wholesale electricity market.   |