

Update from the Chair

December 2023

Affordability challenges looming for the new Government

There has been increased recognition within Government over the last 12 months that, in the commercial and industrial (C&I) space, the electricity system exists to support a productive economy. One of the trade-offs the new Government will need to navigate, is the respective weight put on each of the legs of the trilemma: renewables, security of supply and affordability. Over-emphasis on any one element undermines the other two. An over-emphasis on affordability, for example, means that at some point funds available to invest in the network to ensure security of supply diminish and the returns might not be there to encourage widespread investment in renewable generation.

MEUG would argue that affordability has been the least important leg of the trilemma for successive Governments over the last 10+ years. The elevated wholesale prices of the last five years have put real strain on many C&I consumers. And now C&I consumers are facing successive waves of further cost increases.

The new transmission pricing methodology has seen cost increases amongst many MEUG members of around 30%. The promise of price signals and a beneficiary-pays model are not yet apparent, with cost increases almost everywhere in the country. No one, it seems, is better off. Costs are largely being spread universally, with the residual component of TPM almost doubling (rather than diminishing over time).

Transpower's current individual price-quality path application to the Commerce Commission will see related costs to many MEUG members increase between 25% and 40%. And the price-quality path applications from distributors, if approved, will result in even higher distribution cost increases. In the space of just a few years, many MEUG members will face an almost doubling of transmission and distribution costs – and this is on top of the doubling of wholesale prices they have been struggling with for the last five years.

Will residential consumers start to feel more of the bite?

One issue that could confront the new Government is increased consumer dissatisfaction at high electricity prices. While larger commercial and industrial consumers have been feeling the pressure for over five years, recent reporting from the large gentailers shows they have been running their retail arms around break-even or even at a loss. This has had the effect of partially shielding residential consumers from the elevated prices larger commercial and industrial consumers have been experiencing. But now the price shocks are coming from Transpower and distributors. And while transmission and distribution costs form a much smaller proportion for residential consumers than they do for direct-connects, the impact will still be felt.

Key dates

What's on	Who	When	Notes for members
Submission: 2024 Security of Supply Assessment	Transpower	5 Dec	Transpower, as the System Operator, sought feedback on its proposed key reference case assumptions and sensitivities for the 2024 Security of Supply Assessment (SOSA). MEUG provided comments via a short email.
Event: Opening of Parliament	Parliament	5 Dec	NZ's 54th Parliament formally opened with two ceremonies - the Commission Opening of Parliament on 5 Dec, followed by the State Opening of Parliament on 6 Dec.
Event: ETS auction	Ministry for the Environment	6 Dec	The final auction of 2023 for New Zealand Units (NZU) was held on 6 Dec but failed to clear.
Decision: 2023 Input Methodologies review	Commerce Commission	13 Dec	The Commerce Commission intends to publish the final decisions for the Part 4 Input Methodologies review on 13 Dec 2023, with an online webinar to be held at 8.30am. The decisions from this review will impact Transpower, electricity distributors, gas pipeline businesses, and airport services.
Submission: NZGP phase one	Commerce Commission	14 Dec	The Commission has released its draft decision on Transpower's Net Zero Grid Pathways Phase one (NZGP1) proposal. This proposal involves 3 proposed investments to enhance the capacity of the core electricity transmission grid between Bunnythorpe and Whakamaru power stations, and the HVDC link across the Cook Strait (cost of \$392.9 million) The Commission draft decision is to approve NZGP1. Submissions are due 14 Dec 2023, and cross submissions by 25 Jan 2024.
Event: NZ Energy Quarterly for Dec released	MBIE	14 Dec	The New Zealand Energy Quarterly provides quarterly data and analysis on energy supply, demand, prices and associated greenhouse gas emissions
Meeting: Minister of Energy	MEUG	14 Dec	MEUG Chair and Executive Director have introductory meeting with Minister for Energy, Hon Simeon Bown.
Deadline: 2023 industrial allocation data collection	Ministry for the Environment	15 Dec	The Minister of Climate Change has issued Gazette notices calling for data from firms carrying out emission-intensive, trade-exposed (EITE) activities. Applicable firms will need to provide greenhouse gas emissions, and revenue, and production statistics for the five financial years between 1 July 2016 and 30 June 2021.
Submission: 30 June 2023 UFE	Electricity Authority	18 Dec	The Authority is seeking feedback on the draft determination of causer for an under-frequency event (UFE) on 30 June 2023.
Submission: EDB DPP4 Issues paper	Commerce Commission	19 Dec	The Commission is seeking feedback for the next default price-quality path (DPP4) to apply the 16 regulated electricity distribution businesses (EDBs) from 2025. The Issues paper discusses this context and factors facing EDBs during DPP4 and the ways the Commission propose to apply its tools within the DPP to promote the long-term benefit of consumer. Submissions are due 19 Dec 2023 and cross submission by 26 Jan 2024.
Event: Release of mini-budget	Parliament	20 Dec	Government expected to release fiscal update and mini budget.
Public Holiday: Christmas and Boxing Day	All	25 & 26 Dec	Public holidays for New Zealand.
Event: Emergency Management Bill	Select Committee	28 Dec	Report back due on this Bill , which is intended to establish a more flexible regulatory framework for setting standards and managing the emergency management system.
Deadline: Quarterly stress test disclosures	Electricity Authority	31 Dec	Disclosing participants need to apply a set of standard stress tests to their market position and report the results