

Update from the Chair

February 2024

What is the scale and scope of transition we will see in 2024?

It is challenging to look ahead in 2024 with certainty in our sector. With the change of government, comes a change in priorities, changes from the policies of the old government, and different people making key decisions.

In the electricity sector, we still have to reach a consensus on balancing the energy trilemma. A cloud of uncertainty hangs over the work MBIE has been doing on the energy strategy, as the direction and parameters were very much set by the previous government. Driving towards 100% renewable generation increases the cost of electricity and reduces the reliability of supply. However, prioritising reliability of supply probably means less renewable generation and higher costs. While focusing only on affordability reduces the growth of renewable generation and, in the long term, impacts security of supply. That means the Government and regulators need to balance the trade-offs – and what trade-offs we might make is not a conversation we have had yet.

The background context for government decision-making in this area is constantly changing and evolving as well. It is clear the world will not keep temperature increases below 1.5 degrees above pre-industrial levels by 2050. The Climate Change Commission must review our target by the end of this year and provide any recommendations to the government. Do we change our target to reflect the rate of global temperature increases? Or do we double down on what we need to do to reduce our emissions?

That deliberation will happen against a backdrop of cost-of-living pressures on households (i.e., voters). Conflict in Ukraine and in the Middle East is disrupting supply chains and driving up the cost of transporting our exports, and of the imports we bring into New Zealand. For example, almost 30% of global seafarers are Russian or Ukrainian. Most of these have returned to fight in the conflict there. With a 30% reduction in workforce, supply routes are changing and not in New Zealand's favour as a small, remote market.

That makes manufacturing in New Zealand more challenging. Electricity costs here in New Zealand have remained high, and forecasts are that prices will continue to rise in the medium term, as consumers have to bear the cost of integrating more renewable generation into the system and the prices of carbon rises.

If we make electricity for a reason – in the context of commercial and industrial users, enabling a productive economy – then how do we navigate some of the issues that will be worked through this year?

Helpfully, the MDAG report gives us some guidance, with work needed to improve price signals, improve risk management (including addressing increasing intermittency, and demand-side flexibility), strengthen competition, and lift public confidence as we move to a highly renewable electricity market.

Key dates

What's on	Who	When	Notes for members
Release: Consumer Care package	Electricity Authority	1 Feb	Authority released its consumer care package of initiatives that involves its decision to mandate Consumer Care Guidelines, the 2022/23 retailer alignment report and a consultation paper on consumer plan comparison and switching.
Holiday: Waitangi Day	All	6 Feb	Public holiday.
Event: Quarterly update	Electricity Authority	8 Feb	The Authority is running a quarterly online update for stakeholders, from 2 – 3.30pm. To register, click here .
Submission: Options to improve hedge disclosure obligations	Electricity Authority	8 Feb	This consultation paper seeks industry feedback on proposals to amend the Electricity Industry Participation Code to improve hedge disclosure obligations for certain risk management contracts in the over-the-counter market.
Submission: Code amendment omnibus	Electricity Authority	9 Feb	The Authority is consulting on three proposed amendments to the Electricity Industry Participation Code relating to generation technology in Part 6A, the use and availability of controllable load and the scope and effect of Part 6A obligations.
Submission: Improving retail market monitoring	Electricity Authority	13 Feb	The Authority is seeking feedback on how it collects data on the retail market from electricity retailers. The Authority is proposing to streamline the collection of data to improve monitoring.
Feedback: SoSA survey	Transpower	13 Feb	The System Operator is running its Generator, Distributor and Demand response survey , to help prepare the 2024 Security of Supply Annual Assessment (SoSA).
Feedback: Part 6A dispensation application	Electricity Authority	13 Feb	The Authority has received a dispensation application from Infratil Limited for Ms Urlwin from Part 6A of the Electricity Industry Participation Code 2010
Nominations: Networks connections technical group	Electricity Authority	19 Feb	The Authority is calling for nominations for a new technical group to provide advice to the Authority on network connections.
Event: Decarbonising New Zealand	Brightstar	19 – 20 Feb	Two day conference in Auckland sharing knowledge, ideas and expertise around decarbonisation.
Workshops: DPP4 Issues Paper	Commerce Commission	19 & 26 Feb	The Commission is hosting two online workshops to support the reset of the DPP for electricity distributors for 2025 – 2030 (DPP4). The 19 February workshop focuses on early capital expenditure framework design and the 26 February workshop focuses on innovation and non-traditional solutions.
Meeting: Minister of Energy	MEUG	20 Feb	MEUG Chair and Executive Director to meet with Hon Simeon Brown.
Submission: Transpower RCP4 Issues Paper	Commerce Commission	21 Feb	The Commission is resetting Transpower's individual price-quality path (IPP) that will apply from 2025. The Issues Paper outlines the context for RCP4, the issues it considers relevant and the ways it proposes to apply its regulatory tools within the IPP.
Meeting: MEUG Executive Committee	MEUG members	21 Feb	First full member meeting of the year, held in person in Wellington. Presentations from MBIE, the Commerce Commission and the Electricity Authority on 2024 work programme and priorities.
Outages: HVDC outages	Transpower	21 – 29 Feb	Pole 2, Pole 3 and bipole outages.
Decision: Targeted ID review for EDBs	Commerce Commission	24 Feb	Final decision paper published on current tranche of proposed information disclosure changes for electricity distributors.
Decision: Transpower NZGP1	Commerce Commission	29 Feb	Final decision published on Transpower's New Zero Grid Pathways stage 1 project.