



**Major Electricity
Users' Group**



Engineering, Infrastructure and Extractive Industry Council

2 JUNE 2023

Who is MEUG?



MEUG was established in the early 1990s to advocate for, and support, a well-functioning electricity market.

Our 14 members:

- Use approx. 28% of all New Zealand's electricity
- Pay almost \$1B per annum in electricity charges
- Generate over \$30B in revenue per annum
- Directly employ over 25,000 people



MEUG's role



As an industry organisation, we provide:

- Advocacy with government
- A New Zealand Inc perspective
- One of only a few customer voices into the energy sector policy debate
- Coordination with sector participants and associations
- Information sharing, environment scanning and identifying opportunities for improvement



What is needed to accelerate the transition?

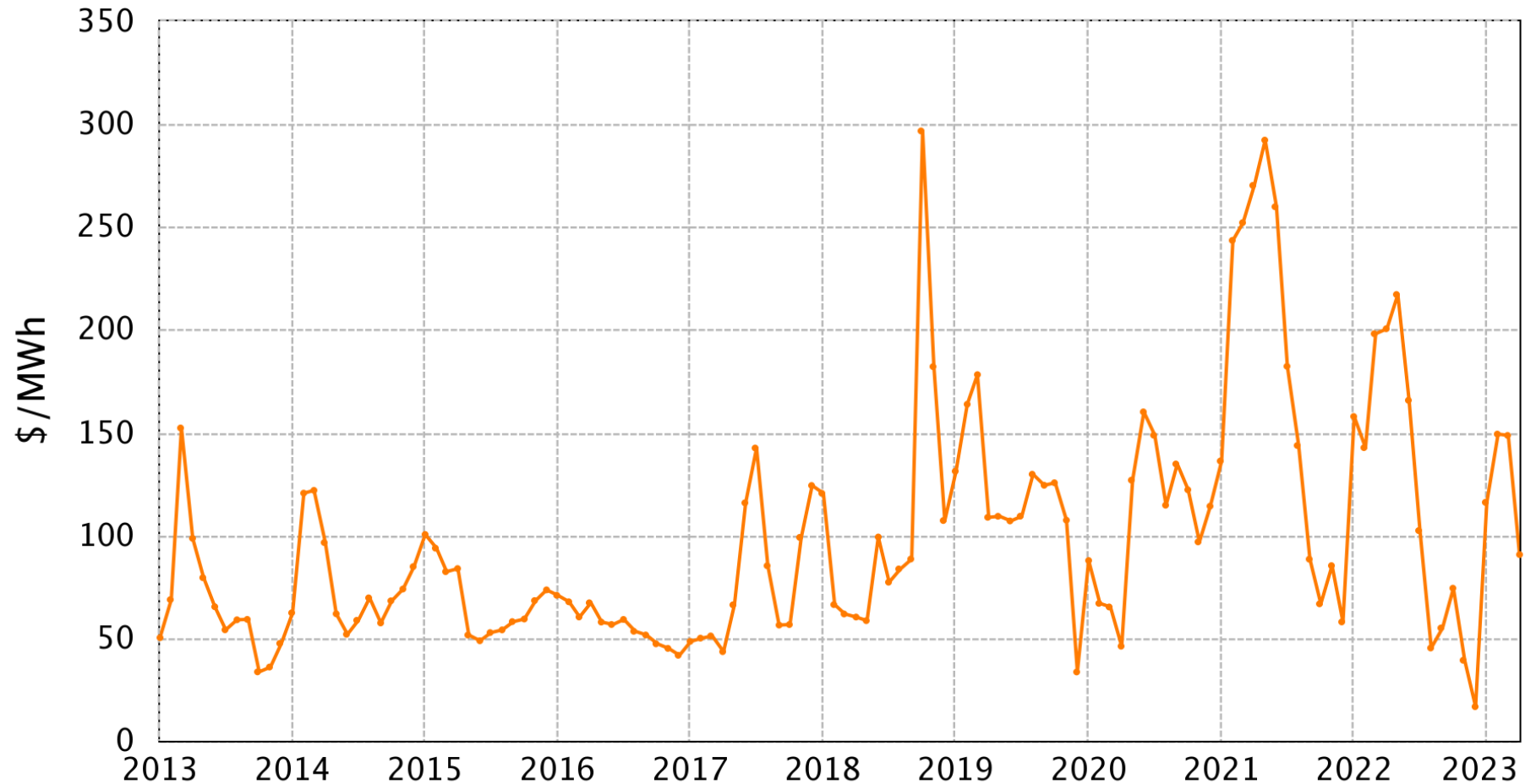
- Generation volume is tied to load. To support build of new renewable generation, load needs to grow or generators to retire base thermal generation. For the former to happen, the wholesale electricity price needs to come down
- To do that, we need:
 - More cost-reflective future pricing and supplier competition
 - Significant investment in new renewable generation



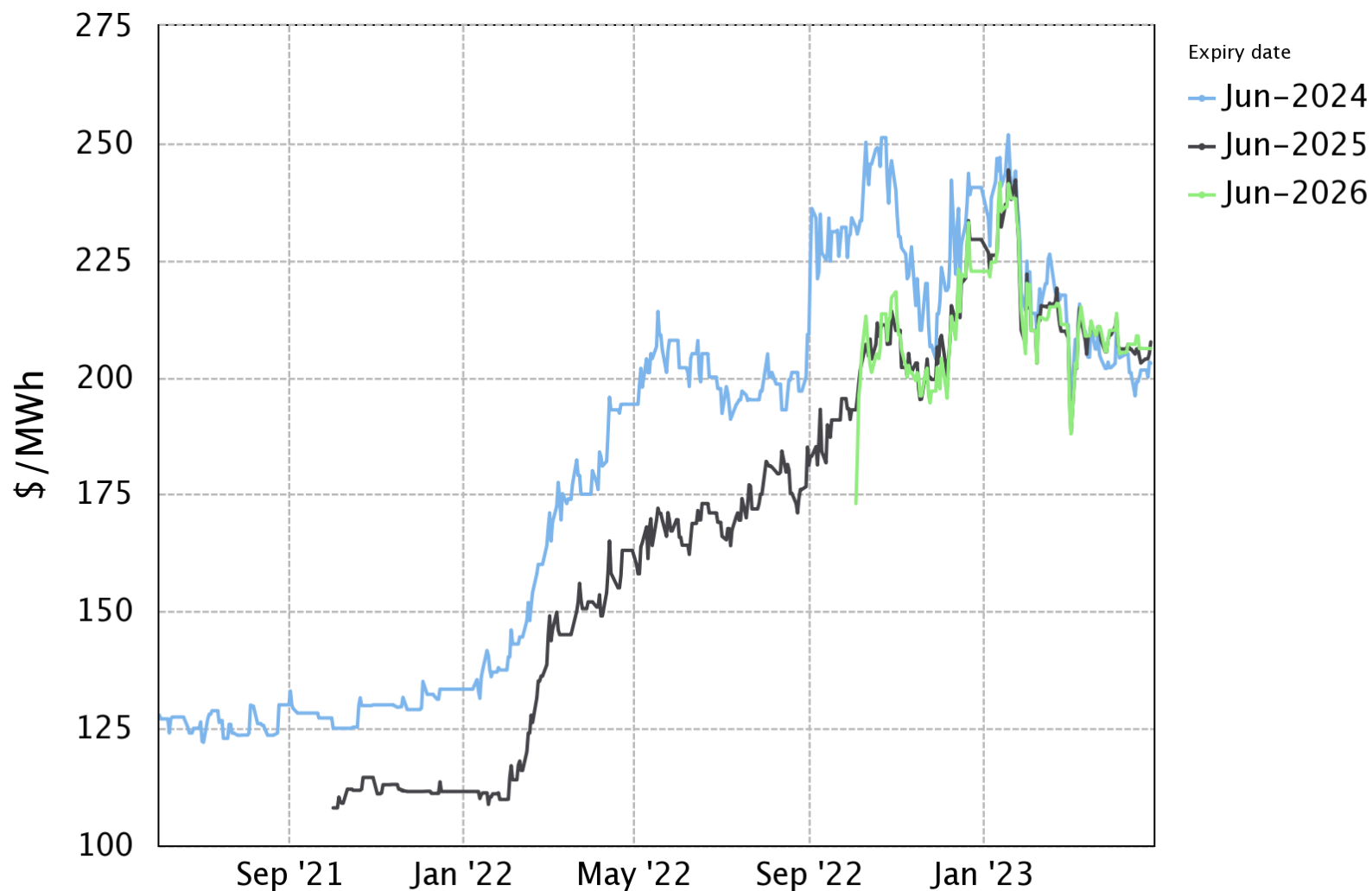
Electricity pricing – where its coming from



New Zealand average monthly spot price (\$/MWh)
January 2013 to April 2023



Electricity pricing – where it's going



Cost-reflective pricing and competition



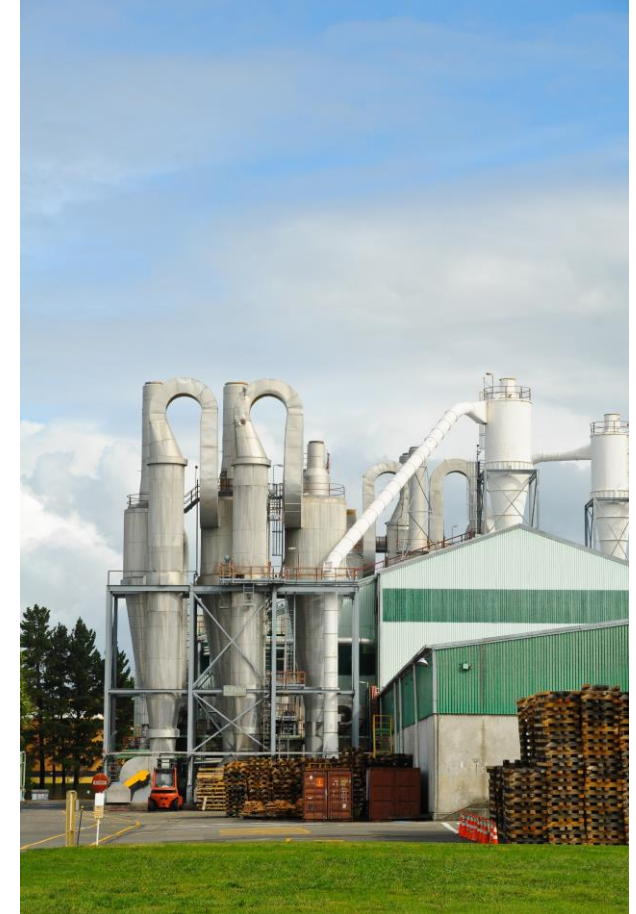
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- Commerce Commission, Electricity Sector Investigation Report, 2009

“Overall, the Commission considers there is strong prima facie evidence that each of the largest four suppliers into the wholesale market ... have a substantial degree of market power. That market power is exercised, for substantial periods, by offering into the wholesale market at prices above those that they would offer under competitive conditions.”

- Electricity Authority, Market Monitoring Review, 2021

“We have looked at many different indicators. ... However, taken as a complete picture, there appears to be some evidence that spot prices may not have been determined in a competitive environment over the review period.”



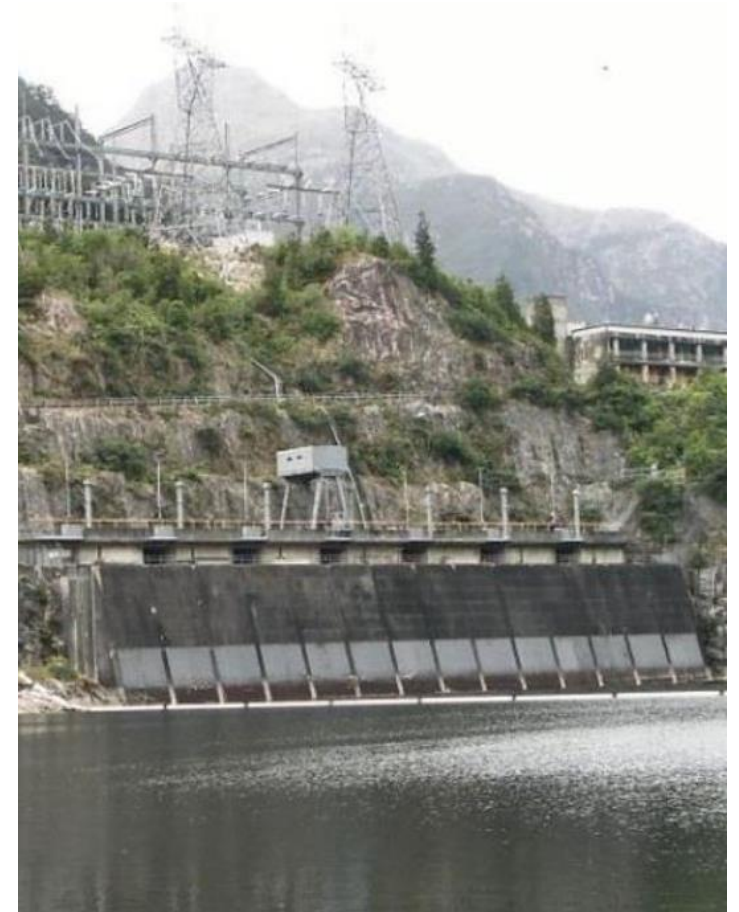
Investing in new generation

To bring price down, we need to either improve competition or increase supply –or, ideally, both. To do this, we need to:

- Encourage new entrants into generation
- Encourage investment in new renewable generation

Possible market solution:

- Power-purchase agreements tied to new entrants and/or new renewable generation build



In summary

From a large consumer point of view the current wholesale electricity market is not supporting the transition due to high and unsustainable pricing. To address that we need to:

- Ensure future wholesale prices have a closer relationship to the cost of generation
- Ensure genuine competition amongst electricity generators
- Significantly increase supply, especially in new renewable generation
- Use Power Purchase Agreements to facilitate new entrants and build of new renewable generation.





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Thank you

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