

Wholesale prices continue to be high

Wholesale prices continue to be high, averaging around \$174/MWh over the first quarter of 2022. To put that into perspective, in Q1 of 2018, before the Pohokura outage later that year, the wholesale price averaged \$87/MWh.

We are now into the fourth year of not having a full explanation of why prices have remained at elevated levels since spring 2018. Those prices have hurt industry in New Zealand and cost jobs. The longer they continue, the more severe their impact will be. Recently at Downstream, Naomi James, Chief Executive of Refining New Zealand, openly [talked about the need to fix energy markets to avoid de-industrialising New Zealand](#).

There are factors that explain in part the initial step change, primarily low rainfall and lake levels, unplanned grid outages, the gas supply shock leading to higher gas prices, and more recently increasing carbon charges and higher cost of imported coal. But those only partially explain why high prices have persisted. We recently saw investment advisors Jarden identify \$52/MWh in unexplained wholesale prices, while the Electricity Authority's own wholesale market review found \$38/MWh in unexplained pricing.

As long as there remains uncertainty on whether exercise of sustained market power has been a factor by one or more of the vertically integrated suppliers then consumer confidence in the market will be poor.

MEUG welcomes Seeka as a new member

MEUG is delighted to welcome its newest member, Seeka. Seeka operates a fully-integrated orchard-to-market service delivering premium produce to leading retailers and wholesalers, both in New Zealand and overseas. Seeka is directly involved in every step of the supply chain, and grow, pick, pack, coolstore, supply and sell directly to retail and wholesale customers.

In the New Zealand domestic market, Seeka operate a wholesale market and distribution service in Auckland and Christchurch specialising in fresh fruit and vegetables and seasonal produce. This includes the selling of their own grown kiwifruit, kiwiberries and avocados. Seeka also import, ripen and handle tropical fruits including banana, pineapple and papaya and sell a large variety of fresh fruit and vegetables on behalf of their partner growers.

Seeka will be represented at MEUG by David Spratt from Total Utilities. For more information about Seeka, see their website at <https://www.seeka.co.nz/>

The calm before the storm

April is light on formal consultations, but May is looking to be very busy. In May we'll see the Government's emissions reduction plan announced, possible announcements on next steps on the NZ Battery Project, and we are also waiting on the Electricity Authority's transmission pricing decision along with the related judicial review decision.

We had been expecting Electricity Authority feedback on the wholesale market review consultation by the end of March, but that has been delayed. Hopefully we'll see something this month, as well as an indication of what issue or issues in the wholesale market review report the EA will examine next.

Key dates

What's on	Who	When	Notes for members
Submission: Renewable Energy Zones (REZ) as a national policy and proposed pilot for Northland	Transpower	8 April	Transpower is experiencing high interest for new renewable generation, solar and wind, to connect at certain edges of the grid. REZ may be a solution to problems with coordination. Importantly, Transpower have been clear they are not proposing new solar and wind generation connections be subsidised by others.
Submission: Targeted Information Disclosure review for Electricity Distribution Businesses	Commerce Commission	20 April	Signaled and consulted on in advance by the Commission so no surprises. There is an ongoing challenge to improve disclosures to be more meaningful to end consumers of line services (and those increasingly include small scale distributed generation) without unnecessary increases to distributor costs.
Submission: Security of Supply Forecasting Information Policy and Emergency Management Policy review	System Operator	26 April	This review arose from a review of the unplanned blackouts that occurred on evening of 9 August 2021. A comprehensive review. Incremental improvements proposed though the devil will be in the detail.
MEUG monthly meeting	MEUG	27 April	Guests to be confirmed.