

Protecting the long-term interests of consumers

The Electricity Authority will finalise its review of the wholesale electricity market in September. The review looks at how the market is working, not whether the market as designed in the mid-1990s is fit-for-purpose in the 2020s and beyond. Once the current review is completed, that question needs to be prioritized and answered by the Authority.

In looking at how the market is working, MEUG wants to see a greater focus on the outcomes the wholesale market is producing and how those outcomes are impacting different classes of consumers – not simply an examination of how efficient market processes are. A market that is very efficient at producing bad outcomes for consumers is not a durable market.

It is not necessarily the systems and processes that matter, but the results and whether they foster a healthy society and environment that matter.

Consumers value having renewable electricity. They want security of supply, so they know when they flick the switch the lights or their heater comes on. And they want affordable electricity. There is little point knowing the electricity is there, if you can't afford to turn the lights or your heater on. This is a very real experience for many vulnerable households – and it has become a brutal reality for many commercial and industrial consumers as well.

Affordable electricity is in the long-term interest of our communities

Just within the MEUG membership we have seen a number of businesses curtail or stop manufacturing processes because they cannot afford to operate. Whakatane Mill closed as has Norske Skog. Refining New Zealand looks likely to stop refining operations. Fonterra has decided to turn towards biomass for energy rather than electrification in its emissions reduction work. Numerous applications for investment to global boards have been declined because of an international lack of confidence in our wholesale electricity market.

Large industrial businesses are the heart of many regional economies. Refining New Zealand, for example, is 7% of Northland's GDP. They have hundreds or thousands of highly skilled workers and support numerous local businesses and contractors. All those jobs, and the communities those businesses are part of, are at risk when the wholesale electricity market does not produce affordable prices.

The Authority's wholesale market review needs to focus on outcomes

When the Electricity Authority reports on its wholesale market review next month MEUG will be looking for that focus on pricing and the outcomes wholesale pricing has. If change needs to be made to ensure the wholesale electricity market does not erode the viability of our regional

communities, then we expect the Authority to make the necessary decisions or, if required, recommendations to government. Tinkering around the edges won't improve outcomes for consumers.

Key dates

What's on	Who	When	Notes for members
Submission: Permanent change to definition of disclosure information	Electricity Authority (EA)	3 August	Non-controversial change to the Code. No need for submission.
Publication: Transpower Transmission Pricing Methodology (TPM) proposal lodged with the EA on 30 June and EA's initial response	Transpower and Electricity Authority (EA)	Week starting 9 August	Transpower must populate the details of the TPM based on the EA's new guidelines of June 2020. Series of consultations later this year and next year. The new TPM will commence 1 April 2023.
Submission: Major Capital Proposal amendment of \$14.59m recommended by the CC for Bombay-Otahuhu Regional Investigation	Commerce Commission	10 August	This work is needed. We support CC approach. No need for submission as incentive on Transpower to identify any detailed factual errors in CC's proposed lower level of approval compared to their request.
Submission: Improving the framework for EA information gathering	EA	24 August	Not clear if we should support this. The change may undermine incentives to seek voluntary approaches first.
MEUG monthly meeting	MEUG	25 August	Guests to be finalised.
Submission: Resetting Gas Pipeline Businesses Default Price-Quality path	Commerce Commission	25 August	Important precedent on increased risk of economic network stranding being considered.
Publication: Draft Emission Reduction Plan for different sectors for consultation	MBIE and other Departments	August	Timing to be advised. Emission Reduction Plan must be gazetted before the end of the year.
Decision: Actions to correct Undesirable Trading Situation (UTS) event in December 2019	EA	End of August	One measure of success we will test in this decision on the UTS is whether it will create incentives to improve competition in a way that benefits consumers.