

Appita conference a great window into regional New Zealand

I had the privilege of attending the Australasian Pulp and Paper Industry Association annual conference in Rotorua last Friday, where there was a lot of interest in the wholesale electricity market and whether anything would change that would help businesses survive through challenging times.

There was a keen appreciation at the conference that what happens in the wholesale electricity market over the next few years could impact the viability of companies attending the conference as well as our ability as a country to electrify and meet our emissions reductions targets. There was also a lack of comprehension of why “people in Wellington” seem blind to the need to urgently address underlying problems.

In my conversations with attendees, a recurring theme was four things are needed:

1. Restoring confidence industrial users are paying a fair price. There was a strong sense this isn't the case, noting the wholesale price has averaged around \$143/MWh over the last three years and the Electricity Authority in its wholesale market review cannot explain around \$40/MWh of that pricing via cost of generation, carbon costs, dry year risk, gas constraints, etc.
2. More transparent pricing, to assist with the restoration of confidence.
3. Significantly more confirmed new renewable generation, given confirmed new build isn't increasing net supply but is less than known coming thermal retirements. This included removing barriers for new entrants into the generation sector.
4. Clarity about the pathway forward for thermal generation, particularly gas.

At present, there is little confidence “Wellington” understands the impacts on business of what has been happening in the wholesale market, or is capable of doing anything meaningful in a timely manner.

Given the average Otahuhu futures price through to the end of 2025 is in excess of \$130/MWh – not much different from the \$143/MWh we've had for over three years – it's clear that industrial users will continue to face a challenging time (even acknowledging the Otahuhu futures price tends to be a little higher than the NZ average spot price).

Key dates

What's on	Who	When	Notes for members
Submission: Transmission Pricing Methodology (TPM)	Electricity Authority (EA)	2 December	Part of intensive process to replace existing TPM in the Code to meet the new TPM Guidelines decided in June 2020. Cross-submissions close 23 rd December. Plan is for transmission charges using the new TPM to come into effect 1 st April 2023.
Submission: System Operator procurement plan	EA	7 December	Routine refresh of procurement plan. No issues for MEUG.
MEUG monthly meeting	MEUG	9 December	Catch-up meeting. Next formal MEUG monthly meeting is in February 2022.
Submission: EECA proposed levy funded 2022/23 work and appropriations	Energy Efficiency & Conservation Authority (EECA)	13 December	Annual consultation on next year's proposed appropriations and levy. Levy on electricity consumers slowly decreasing over time offset by increase in gas users' levy.
Submission: Future security and resilience A workstream recommended by the Electricity Price Review (EPR)	EA	14 December	Phase 1 consultation with future phases planned in conjunction with the System Operator. Topics include "the rise of distributed energy resources (DER)." Part of a suite of EA work on "transformative transition-related projects" (e.g., MDAG price discovery with 100% renewable project, TPM and distribution pricing, RTP, etc.)
Submission: Unison to recover up to \$7.3m for Tauhara power station connection costs	Commerce Commission	15 December	A change to Unison's Default Price-Quality Path (DPP) over 2020-25. This application to re-open the DPP for an unforeseeable major capex is needed as Tauhara was not committed before the current DPP was finalised.
Submission: Wholesale electricity market Review, and Issues and Options papers	EA	22 December	MEUG's focus will be on the Review paper. We do not consider the concern in the Issues and Options paper as being as relevant as other issues identified in the Review paper.