

New generation developments welcomed

February saw four announcements or events, which collectively represent the equivalent of just under 20 per cent of current supply in new renewable generation to be either commissioned or under active development in the next five years:

- Tilt Energy's Waipipi windfarm became fully operation on 28 February. At 450 GWh p.a. Waipipi represents around one per cent of total electricity supply
- Contact Energy announced it will proceed with the new Tauhara 152 MW geothermal power station (around 1,200 GWh p.a.), to be completed by mid-2023
- Meridian Energy announced it would be proceeding with its Harapaki wind farm (approximately 560 GWh p.a.), to be completed around the start of 2024
- Genesis Energy is planning to assess 6,000 GWh p.a. of renewable generation by 2025.

But the wholesale market is not delivering now

MEUG is concerned the current high level of spot prices and expected prices through to the third quarter of this year that are flowing through to hedges could drive some small retailers, SME's, commercial and industrial consumers, through to larger grid-connected consumers out of business. The survival of some consumers is on the line right now – they may not be around in 2023 to 2025 to see lower spot prices.

To put this in perspective, for over a week in late February the average daily energy unit cost for an average household was less than the average daily spot price faced by large users who under a functional market should expect more competitive prices by buying from the wholesale market.

As mentioned in the February Chair update, MEUG has commissioned a pilot Economic Profitability Analysis of Meridian Energy. The current high prices and the expectation of high prices for next few quarters is partly explained by low lake levels, supply issues in the gas sector, and a lack of wind. However, there remains an open question: does part of the high prices (possibly since mid-2018) reflect sustained market power by one or more of the large vertically suppliers? MEUG is now considering whether to extend the pilot Economic Profit Analysis to other suppliers to get a sense of the economic profits being earned by the sector as a whole.

Submitting to the Climate Change Commission

Submissions to the Climate Change Commission on their draft emissions budgets and advice to Government are due late March. MEUG's submission will likely focus on the detailed assumptions and model outputs, and specific policy recommendations, relevant to:

- electricity and gas security of supply and prices. This includes relevant parts of other sectors, such as electric vehicles in the transport sector and biomass instead of electrification for large process heat loads, and
- an overview of the big policy levers proposed by the Commission and whether all practical, feasible options have been considered.

We will also comment on process matters so that Government policy development and future budget setting processes by the Commission are improved by robust analysis from the large electricity consumer.

Key dates

What's on	Who	When	Notes for members
Consultation starts: Actions to correct UTS event in December 2019	Electricity Authority (EA)	March	EA final decision confirming the event as an Undesirable Trading Situation (UTS) was published 22 December 2020.
Submission: Annual Security Assessment	System Operator	17 March	Routine annual consultation round using mature agreed methodology.
Submission: Proposal to replace the High Standard of Trading Conduct (HSOTC) provisions with a new rule	EA	23 March	The HSOTC provisions have not worked. This is a difficult issue to get the right balance of regulatory oversight. Even then, a very good rule will be a second-best solution to a structural change if there is an enduring structural issue.
Monthly meeting	MEUG	24 March	Guests include EA Chair Nicki Crauford & CEO James Stevenson-Wallace, Contact Energy CEO Mike Fuge, and Guy Waipara, General Manager Generation and Natural Resources at Meridian Energy.
Submission: Draft emission budgets and advice	Climate Change Commission	28 March	Commission final recommended budgets and advice due to the government by end of May. Government final decisions are due by the end of the year.
Conference: Downstream 2021, Lower Hutt	Energy News & Conferenz	29-30 March	The premier annual energy conference in New Zealand. MEUG is a supporting organisation for the conference.