

All eyes will be on the Electricity Authority's wholesale market review

The release of the Electricity Authority's wholesale market review later this month looks set to dominate the agenda. While the review is partly inherently backward-looking into how the wholesale market has been performing and the outcomes it has been producing, MEUG is also looking for a focus on the future.

At the end of the day, we need a sustainable, accessible, and affordable electricity sector, especially as we transition to a low-emissions future. MEUG's view is the current market settings and regulation have not met this goal.

The lack of confidence in the wholesale market amongst many of our members and what is, in our view, the poor outcomes continuing to be delivered by the market puts jobs at risk and undermines investment throughout regional New Zealand.

MEUG is looking for the Authority's wholesale market review to deliver three outcomes:

1. Recommendations that will lead to a market that is more reflective of market fundamentals, including the cost of supply.
2. Findings on whether planned investment is sufficient to increase supply relative to expected demand, so that wholesale prices trend down over time (particularly given expected new renewable generation will have lower levelised unit costs than existing thermal generation), and whether that investment will be delivered in a timely way. A lot of new investment has been announced. If investment lags, behind demand growth and retirement of thermal generation, we will continue to see unaffordable prices.
3. Greater scrutiny of what is happening in the market, so consumers can have greater confidence they are being charged fair prices. This includes ongoing monitoring of suppliers.

MEUG's focus on economic profit analysis will continue

MEUG released its economic profit analysis of Meridian Energy in August. We are conscious that analysis is a partial picture and acknowledge a wider perspective is required. MEUG intends to expand its economic profit analysis to other suppliers.

The Electricity Authority has assured MEUG that the question of supplier profit in the industry is examined in their wholesale market review. MEUG may re-visit its decision to look at other suppliers if we are satisfied the Authority's wholesale market review rigorously examines the issue – but at the moment we are planning to continue our analysis.

Key dates

What's on	Who	When	Notes for members
Publication: Review of competition in the wholesale market	Electricity Authority	September	EA will publish the review and an issues paper and seek feedback. The review “applies to every large gentailer in New Zealand ... and considers all relevant businesses to explore whether there is a market issue that needs to be addressed. It also looks at key events, for example the 2018 Pohokura outage, the conclusion of negotiations of the contract for supply at Tiwai and the 2021 dry year event, which have coincided with elevated wholesale prices for extended periods.”
Finalised: Gas Market Settings Investigation for the Minister of Energy & Resources	Gas Industry Company	September	Response to the Minister’s request for advice on gas supply in the context of New Zealand’s path to a net zero emissions economy by 2050, and the Government’s commitment to transition to 100% renewable electricity by 2030.
Cross-submission: 2022 gas default price-quality path	Commerce Commission	13 September	Possible precedents for next electricity lines default price-quality reset in 2025.
Submission: Draft AUFLS Technical Requirements	System Operator	15 September	Next step in change back to Automatic Under-frequency Load Shedding regime, with 4 replacing 2 tiers of load shedding.
MEUG monthly meeting	MEUG	22 September	Guests to be finalized.
Submission: Updating the regulatory framework for distributors (to support the transition to a low-emissions future)	Electricity Authority	28 September	A timely, useful, and detailed paper seeking feedback on 5-themes: Information on power flows and hosting capacity, electrical supply standards, market settings for equal access, operating agreements, capability and capacity, and efficient price signals.