

The challenge facing New Zealand is an affordability problem

There are so many consultations under way at the moment, Karen and I have been stepping back in an effort to bring a first-principles perspective to all the submissions MEUG is working on. Our starting point is we have electricity for a reason. At the residential level, it is so people can be warm, dry, fed, clean, healthy, and can engage in our digital world. In the industrial and commercial space, it is so we can produce value-added products to provide the wealth and jobs that our communities need to flourish.

MEUG's perspective, given our membership, is more on the later than the former. The challenge as we transition towards a lower emissions future is not a technical one. The technology to produce renewable electricity already exists (though it will undoubtedly continue to improve). Nor is the challenge one of reliability. Our grid and networks are very reliable. Interruptions to supply are so rare that the date of an outage persists in our memory for years afterwards.

The challenge is affordability.

Renewable forms of electricity like wind and solar are relatively cheap to generate. Cheaper than burning imported coal, like we currently do. But generating more wind and solar electricity, and displacing some current thermal generation, will make our electricity more expensive, not less.

This is not unique to New Zealand. In California, increased renewable generation saw electricity prices increase five times faster than the national average. In Germany, arguably the poster-child of increased wind and solar generation, prices increased around 50% as they pivoted strongly towards renewable generation. The futures price curve in New Zealand shows similar results are likely here.

This is because of the enormous cost associated with integrating intermittent generation into the system. Here in New Zealand, consumers are looking at having to pay several billion dollars more than they currently do, just to keep a similar number of electrons flowing through the system. For residential consumers, this undermines their ability to have healthy homes. For industrial and commercial consumers, this impacts the manufacturing of wigits and flows on to undermine our communities.

When we set this in the context of wanting to increase electrification, and reduce our use of higher-emissions fuels, etc., the affordability challenge compounds. As electricity gets increasingly more expensive, it's hard to persuade people to use more of it.

Increasing the price of carbon doesn't work to incentivise electrification when wholesale prices work off the marginal cost of generation. A high price of carbon raises the price of all forms of electricity. That might not apply when you have 100% renewable generation, but the costs associated with building and integrating 100% renewable generation would raise electricity prices even higher.

To navigate this, we need the regulator and MBIE to focus on the affordability challenge. This involves a rigorous analysis of the barriers to downward pressure on prices, whether they might include barriers to investment, political uncertainty, market concentration, or some other factor. Only when we have a better understanding of pricing can we formulate an evidence-based approach to ensure future affordability.

Key dates

What's on	Who	When	Notes for members
Event: Deloitte and Chapman Tripp Election Conference	All	5 Sept	The Deloitte and Chapman Tripp Election Conference hosted by BusinessNZ. MEUG's Executive Director attending.
Meeting: Proposed advisory groups	Electricity Authority	6 Sept	Targeted workshops on 6 and 27 Sept with sector representatives to discuss development of the form and function of the new advisory group.
Submission: Net Zero Grid Pathways 1: Updated preferred option consultation	Transpower	6 Sept	This consultation document seeks any further feedback as a result of a change to Transpower's preferred option, to that in the December 2022 NZGP1.1 major capex proposal (MCP) provided to the Commerce Commission. The change in preferred option is a result of an error that led to an underestimation of the net benefits in Transpower's shortlist consultation.
Submission: NZGP1.1 - CNI & HVDC Reactive Support proposed starting BBI customer allocation	Transpower	6 Sept	Transpower is seeking feedback on the treatment of two projects and the starting benefit-based investments (BBIs) allocations under the transmission pricing methodology.
Workshops: Targeted reform of distribution pricing	Electricity Authority	7 – 14 Sept	A series of workshops to discuss the Authority's issues paper on distribution pricing reform and the submissions/cross-submissions received.
Event: NZ Wind energy summit	NZWEA	12 – 13 Sept	2 day conference focused on enabling wind energy growth. MEUG Executive Director speaking.
Submission: Western Bay of Plenty development plan major capex proposal long-list	Transpower	13 Sept	To continue to meet the needs of people and businesses in the growing western Bay of Plenty, Transpower needs to invest in upgrades to its electricity transmission infrastructure. This consultation sets out a long list of development options that may contribute to meeting these needs and seeks feedback.
Submission: Targeted Information Disclosure review (2024) - EDBs	Commerce Commission	14 Sept	The Commission is reviewing the information disclosure (ID) requirements for EDBs to ensure that sufficient information is available to enable stakeholders to assess EDBs' performance and that the ID requirements remain fit for purpose. Submissions are due 14 Sept with cross-subs due 5 Oct.
Event: Climate change and business conference	Energy sector	19 – 20 Sept	2-day conference run by the Sustainable Business Council, Environmental Defence Society, and Climate Leaders Coalition.
Monthly meeting: MEUG Executive Council meeting	MEUG members	20 Sept	Presentations from BlueFloat Energy and Tesla, and a political update ahead of the general election.
Event: Stakeholder event	Commerce Commission	21 Sept	Event to introduce new Commissioners and to share ComCom's new strategy and Rautaki Māori.
Event: SEANZ conference	Energy sector	21 – 22 Sept	Conference run by Sustainable Energy Association of NZ.
Submission: Minor changes to the registry	Electricity Authority	26 Sept	The Electricity Authority intends to make some minor improvements to the Electricity registry. The Authority is looking at 3 changes relating to the registry functions specifications.
Submission: Dispatch notification enhancement and clarifications	Electricity Authority	29 Sept	The Authority is consulting on proposed amendments to the Electricity Industry Participation Code 2010 to enhance the dispatch notification product and clarify the requirements for participants. Subs are due 29 September and cross subs by 13 October.
Deadline: Quarterly stress test disclosures	Electricity Authority	30 Sept	Disclosing participants need to apply a set of standard stress tests to their market position and report the results.