

Being heard as we enter a time of change

At the election, New Zealanders voted for change. Within our sector, we know Lake Onslow will no longer be considered as a solution to dry year risk. Beyond that, it is incumbent on the sector to engage with the new Government on what needs to change, and what priorities should remain. A key, initial way to do this is through submissions to MBIE on its energy strategy consultation.

At [MEUG](#), we have suggested that the Government continues to develop an energy strategy. While the new Government undoubtedly has a different perspective on a range of issues, we could all benefit from a greater understanding of the intended pathway forward.

The key challenge and focus for MEUG will be affordability.

Electricity affordability is inextricably tied to productivity and our shared prosperity as a country. After the personal needs of warmth, shelter, food, connectivity, etc., the main benefit of electricity to the economy is leveraging a person's individual productivity, which leads to higher wages and higher taxes from the individual and the company.

The Pan Pac Pulp mill is an example of electricity enabling productivity. Pan Pac employs 20 people to make over 600 tonnes of mechanical pulp per day through the investment in machinery and that machinery having access to affordable electricity. Without machinery and electricity, those 20 people could only make a few kilos per day. Electricity is leveraging an individual employee's efforts by over a thousand times. Consequently, that individual is paid a very good wage.

In an export-dependent economy, when electricity becomes less affordable relative to overseas competitors, it constrains production and thereby our shared prosperity. Estimates, based on work by the Electricity Authority and independent investment advisors, are that consumers are paying between \$1 and \$1.9 billion a year more than they would under a workably competitive market. We need a better understanding of what is driving those prices, particularly given the Electricity Authority's Market Design Advisory Group suggests pricing will become less affordable as we transition to a more renewable future. That has certainly been the international experience, where moving to highly renewable supply has resulted in significant price increases due to the costs associated with network integration.

We also need a market-driven approach to the mix of renewable and non-renewable generation. New Zealand is moving to higher levels of renewable generation. Consumers are demanding it, voters are demanding it, and emissions pricing is incentivising it. But, within the context of a more renewable future, Government should not set an arbitrary percentage of renewable generation. The market is best placed to weight the costs and benefits involved.

It is also reasonably clear we will need gas into the foreseeable future, particularly to provide reliable peaking supply. The certainty gas provides is essential to underpinning confidence in a highly renewable overall supply. That means existing, aging thermal generation needs to be replaced by new peaking supply. This might, for example, be battery-powered in the future, but for the foreseeable future, gas is the obvious answer.

And in the absence of Lake Onslow, we still need to think about the risk of intermittent supply. This is not just dry year risk, but the risks associated with periods of intermittent wind and sun (in a country literally called the Land of the Long White Cloud).

Key dates

What's on	Who	When	Notes for members
Submission: Inquiry into climate adaption	Select Committee	1 Nov	The Environment Committee Komiti Whiriwhiri Take Taiao initiated an inquiry into climate adaptation, and was calling for public submissions by 1 Nov. MEUG did not submit.
Submission: Advancing New Zealand's Energy Transition	MBIE	2 Nov	MBIE was consulting on a suite of papers that will set the direction for the New Zealand Energy Strategy. The consultations papers included the following: <ul style="list-style-type: none"> Gas Transition Plan Interim Hydrogen Roadmap Regulatory framework for offshore renewable energy Measures for transition to an expanded and highly renewable electricity system Ban on new fossil-fuel baseload electricity generation. MEUG's submission focused primarily on issues in the wholesale electricity markets.
Submission: Process, framework, and approach paper for Transpower RCP4	Commerce Commission	2 Nov	The Commission is consulting on the process, framework, and approach they intend to follow in setting Transpower's expenditure allowances, quality standards and individual price-quality path (IPP) for the 2025 to 2030 regulatory period (RCP4). Submissions were due 2 Nov, with cross submissions by 23 Nov. MEUG intend to make a cross-submission.
Submission: Emergency Management Bill	Select Committee	3 Nov	Government is consulting on a bill to establish a more flexible regulatory framework for setting standards and managing the emergency management system across what is known as the 4Rs, risk reduction, readiness, response, and recovery.
Deadline: Counting of special votes	Government	3 Nov	The Electoral Commission will release the final election result at 2pm Friday.
Deadline: Nominations for SRC	Electricity Authority	7 Nov	The Authority is calling for nominations for four members to the Security and Reliability Council.
Event: Mana Wahine event	All	7 Nov	Mana Wahine are hosting a session with Futurist, Melissa Clark-Reynolds, who will speak about global mega-trends and what they mean for the future of the energy sector.
Submission: Default distributor agreement and consumption data templates	Electricity Authority	14 Nov	The Authority is consulting on improvements to the default distributor agreement (DDA) template and the consumption data template.
Event: GridEx simulation exercise	Transpower	14 / 15 Nov	Transpower running its biennial GridEx simulation exercise on 14/15 Nov 2023.
Event: NZ Geothermal workshop	Sector event	15 – 17 Nov	The 45 th NZ Geothermal Workshop will take place at the University of Auckland from 15 – 17 Nov, providing updates on geothermal projects both here and overseas.
Event: Taranaki Energy Forum	Sector event	22 Nov	This one-day forum and dinner will be held in person in New Plymouth. MEUG Executive's Director will be speaking on the post-election Leaders Panel.
Event: Energy Trader Forum	Sector event	29 Nov	This forum will be held in Wellington and provides an update for the energy trading and energy/carbon market community. MEUG will be speaking on a panel on PPAs and renewable energy certificates.
Monthly meeting: MEUG Executive Council meeting	MEUG members	29 Nov	This will be the last member meeting for the calendar year, with a focus on an election debrief, and the upcoming reset of electricity distribution businesses DPPs.