

Looking for a genuine focus on affordability

We've been thinking about what our expectations might be for the next three years, with the election next weekend. This is not based on an analysis of political party policies. Its more "as a consumer representative group, what is it we want our next Government to focus on"?

First and foremost, we want a genuine consumer focus.

There is a lot of talk about consumer interests throughout the wider sector, and a lot of well-intentioned people. But we are often struck by the difference between what many people think of as consumer interest, and what we as consumers value or want.

The most glaring example is affordability. There is a lot of focus on supply and distribution throughout the sector, but very few voices talking about how to bring prices down.

The analogy I sometimes think about is political polling on issues. Outside of times when there are cost-of-living pressures like we have now, the top issues for voters tend to be health, education, housing, and the environment/emissions reduction. The economy is usually not in the top 5 issues. But when the cost of living becomes pressing, the economy pushes almost all other issues to the sidelines and dominates the agenda.

In the electricity sector, the sense is we are moving towards the equivalent of a cost-of-living pressure point¹. The futures curve shows increasing wholesale prices, and this is on top of already elevated wholesale pricing. The Market Development Advisory Group has warned that market concentration and, as a result, pricing will get worse under a more renewable future – not less. And yet it often feels like no one within the public sector is working to bend future pricing down, or that they are focused on other issues.

The Electricity Authority in their wholesale market review and, subsequently, at least one private investment firm have estimated that consumers are paying between around \$1 billion and \$2 billion a year more than they would be expected to pay in a workably competitive market.

BlackRock is investing up to \$2 billion into renewable electricity. As a global investment firm, they are investing that amount of money in New Zealand because they can achieve higher profits here than elsewhere in the world.

The Commerce Commission is currently considering submissions from regulated distribution companies that would allow them to make significantly more money from the consumers in their area.

If prices keep going up, at some point businesses will start closing and people will start losing their jobs. At that point the damage is already done, but we would likely see a political reaction that swings too far in the other direction and undermines things that as a sector we need to be doing.

So, over the next three years, we are hoping to see a genuine focus on affordability. That would help ensure a wider system that enjoys longer-term stability and social/political license.

¹ From the perspective of commercial and industrial consumers.

Key dates

What's on	Who	When	Notes for members
Submission: Draft determination of causer for under frequency events	Electricity Authority	3 Oct	Consultation on 24 January 2023 under frequency event. MEUG unlikely to submit.
Milestone: Release of RCP4 paper	Commerce Commission	5 Oct	Commission expected to publish process, framework, and approach paper on Transpower's Regulatory Control Period 4 (RCP4) on 5 October.
Cross-submission: Targeted EDB ID review	Commerce Commission	5 Oct	Cross-submissions due on the Commission's targeted Information Disclosure Review for electricity distribution businesses. MEUG's submission is available here . May make a short cross-submission.
Submission: Upper South Island consultation	Transpower	6 Oct	Consultation on the Upper South Island upgrade project, including the long-list of development options and changes to the BBC assumptions book.
Event: Start of Term 4	All	9 Oct	Start of term 4 for NZ primary schools
Meeting: Independent Verifier report	Transpower	9-11 Oct	Transpower are running a series of customer and stakeholder workshops in Auckland / Wellington / Christchurch on the Independent Verifier report for its next Regulatory Control Period (RCP4).
Submission: Code review programme #5	Electricity Authority	10 Oct	The Authority is consulting on 23 proposed changes to the Electricity Industry Participation Code 2010 to help improve the Code's clarity and keep it up to date.
Training: Energy Link course	Energy Link	12 / 17 Oct	Upcoming course on nodal pricing of electricity.
Meeting: Advisory group	Electricity Authority	12 Oct	Workshop with sector stakeholders to discuss the role and expectations of a new advisory group for the Authority.
Cross-submission: Dispatch notification enhancement and clarifications	Electricity Authority	13 Oct	Consultation on three proposed amendments to the Electricity Industry Participation Code to further realise the benefits of the dispatch notification product. MEUG did not make a primary submission but expects to make a short cross-submission.
Event: General election	Government	14 Oct	General election held on 14 October, voting open from 2 Oct.
Submission: Cost of debt wash-up	Commerce Commission	17 Oct	Further consultation on the IM Review draft decision on the cost of debt wash-up for EDBs and GTBs. Subs due on 17 Oct and cross subs by 27 Oct.
Event: Quarterly update	Electricity Authority	19 Oct	Quarterly update from the Electricity Authority, providing an update on work programme, compliance activity and market developments. Register here .
Event: Labour day	All	23 Oct	Public holiday.
Monthly meeting: MEUG Executive Council meeting	MEUG members	25 Oct	Presentation from Transpower (TBC). Member discussion on draft MEUG submissions on the MBIE energy consultation package.