

Reflecting on a year of contrasts

2022 has been a year of contrasts for MEUG members. Many continued to struggle with high wholesale prices for approximately the first half of the year, with spring bringing some much-needed relief.

However, while the lower wholesale prices currently being experienced are welcome, we cannot afford complacency. Futures prices have remained high and futures market suggests high wholesale prices will continue to at least 2026.

Contributing factors are the increase in weather dependent intermittent renewable generation replacing base load and flexible thermal generation and growing demand. The latter is caused in part by increasing electrification and increased residential demand due to more people working from home. The trend for more intermittent renewable generation and reduced thermal generation is set to continue through 2023 and beyond. Critically, we need to retain or build flexible thermal generation and/or facilitate consumers to supply flexible demand to mitigate the uncertainty with a higher proportion of the generation fleet being intermittent.

MEUG has remained focused on the drivers of elevated wholesale prices through 2022, and here again we are struck by contrasts. In its most recent wholesale market review consultation paper, the Electricity Authority has more explicitly acknowledged the contribution of supplier market power in elevated wholesale prices but focused its attention on increasing supply. The Authority argues that market power is, to a degree, unavoidable and too disruptive to address (but does not support that conclusion with a cost-benefit analysis).

This stands in contrast to the Market Design Advisory Group (MDAG) which argues that issues of market power need to be looked at and addressed if the market is going to deliver the affordable, secure supply of largely renewable electricity needed to meet demand growth and net zero targets. MEUG will continue to engage in this issue through 2023.

MEUG welcomes Amazon Web Services as a new member

MEUG is delighted to welcome our newest member, Amazon Web services (AWS). Over the next 15 years, AWS plans to spend \$7.5 billion building cloud computing data centres in New Zealand. A cluster of three isolated and physically separate data centres around Auckland will be open for business in 2024. AWS will be represented at MEUG by Paul Keating, Head of Public Policy New Zealand.

Key dates

What's on	Who	When	Notes for members
Submission: Wholesale Market Review	Electricity Authority	14 December	Highest priority for members as covers the issue of high spot and wholesale prices. The EA cannot explain fully the reason for the step change since 2018 and therefore no guarantee that EA proposed actions will get at the root cause. Future prices are also a concern with ASX futures indicating high prices will persist to 2026 at least. Inexplicably some agencies have been making policy advice based on forecast lower near-term prices.
Submission: Options for winter 2023 possible reliability risks	Electricity Authority	16 December	Good policy analysis of the potential risks, pros and cons of options, and pragmatic ranking of options to be considered further.
Submission(s): Electricity Distribution Businesses (EDB) line tariff structures and rates from 1 April 2023	Various EDB	Mid-December	A small number of EDB consulting with consumers. Most not. Complicated because of new TPM taking effect 1 April. Risk EDB will minimise any price shocks to residential consumers by shifting costs to others.
Submission: Proposed 2024-25 levy funded appropriations	Energy Efficiency & Conservation Authority	19 December	Levy has been and will reduce again next year. Large users again will be required to pay around a quarter of proposed levies, though most benefits accrue to other parties. MEUG will oppose.