

### Wholesale prices still too high

Over the last week prices averaged \$262 MWh, including five times when prices peaked at over \$500 MWh. That compares to an average price of \$279 MWh in the last week of May. Despite ample rainfall in June, the month ended with prices not much different than the previous month.

That average price is more than double the \$115 MWh price-point the Interim Climate Change Committee found was unaffordable for the New Zealand economy. Employers cannot sustain that level of pricing.

### Looking at whether the market is working for the benefit of consumers

The Electricity Authority is busy with its wholesale market review, which will be published around the end of September. The market review has a focus on unrelenting high wholesale prices, including looking at possible reasons why the price stays so high even when security of supply risks have abated.

Relevant to that review will be decisions on actions to correct the UTS (undesirable trading situation) that occurred in December 2019. We expect those decisions to be published in late August and hope they will:

1. create incentives to improve competition
2. deter repeat occurrences where Meridian spilled water and had sufficient market power even in a surplus of supply to increase spot prices.

### The calm before the storm

Aside from the EA's market review, we're in a short hiatus before a flurry of activity in the last four months of the calendar year with:

- TPM restarting in August once Transpower publishes their proposed changes.
- Departments starting to consult on draft Emissions Reduction Plans in August after considering the Climate Change Commission's final advice to Minister Shaw at end of May. We expect a flurry of work, including a raft of non-ETS proposed interventions that many in the business sector see as superfluous given we now have a proper cap and trade ETS and expectations carbon prices will keep increasing as evidenced by the second ETS auction on 23 June clearing at \$41.70/t CO<sub>2</sub>.
- The Commerce Commission commencing the reset of the gas monopolies' Default Price-Quality Path (DPP), and the possible start of a detailed review of Information Disclosure requirements for regulated energy line monopolies.

- The NZ Battery project starting consultation, before completing its analysis and delivering advice to Ministers in the first quarter of 2022.

## Key dates

What's on	Who	When	Notes for members
Levies on electricity users: Start of new government financial year and hence new levy rates on electricity users and or indirectly through levies passed on by suppliers apply	Electricity Authority (EA), Commerce Commission and Energy Efficiency & Conservation Authority (EECA)	1 July	EA levy vote increases 1.6% to \$78m.  Commerce Commission levy vote increases (compared to 2020/21 actual) by ~\$3m reflecting increased Part 4 workload this year.  EECA levy unit rate increased 14.5% because of a lag in levying from the prior year.  MEUG argues most of EECA levy funded work is not clearly beneficial to large users' and should be met from the general account.
Submission: Infrastructure Strategy	Infrastructure Commission	2 July	New deadline. MEUG submitted last week on the original due date.
MEUG AGM	MEUG	13 July	Hon Dr Megan Woods is the guest speaker.
Submission: EV Connect Draft Roadmap	Wellington Electricity Lines Ltd	15 July	Continuing round of prior consultations. Useful as gets into the practical issues and details with a lot of investment needed for some options.
MEUG monthly meeting.	MEUG	28 July	By zoom. Guests to be finalised.
Submission: Energy efficient products and services under the Energy Efficiency & Conservation Act.	Ministry of Business, Innovation and Employment	28 July	Some pragmatic options to reduce bureaucracy by delegating to EECA. Devil-in-the detail on proposed new enforcement powers and ability to set fines and raise more levies.
Disclosure: New quarterly wholesale market information – thermal fuels	EA	31 July	Useful for large supplier thermal fuel information. But for consumers it involves unnecessary and onerous compliance.