



**Major Electricity
Users' Group**

2022 Wind Energy Conference



A little bit about MEUG

MEUG was established in the early 1990s to advocate for, and support, a well-functioning electricity market.

Our members:

- use 28% of all New Zealand's electricity
- pay almost \$1b per annum in electricity charges
- generate over \$30b in revenue per annum
- directly employ over 25,000 people

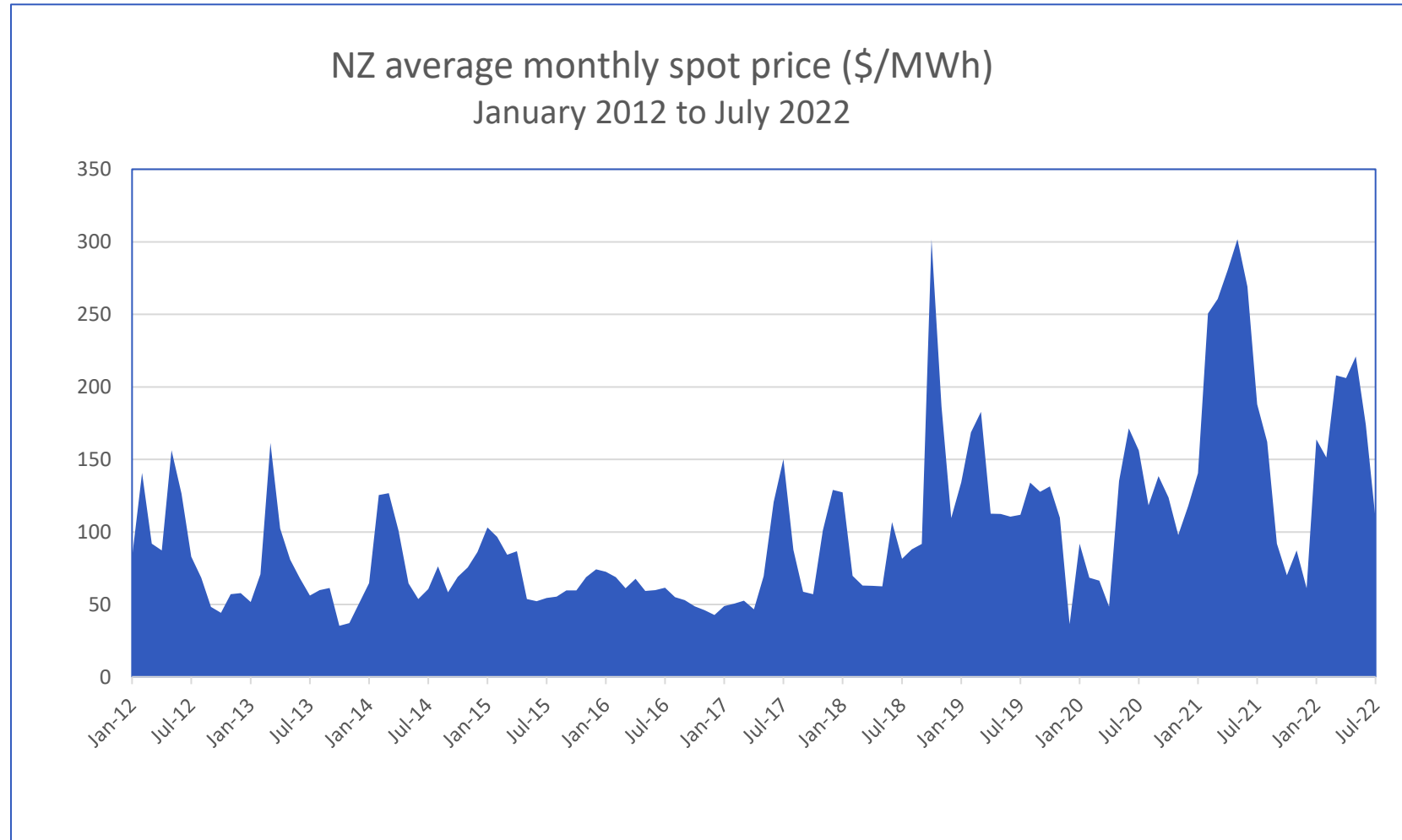


What is needed to accelerate the transition?

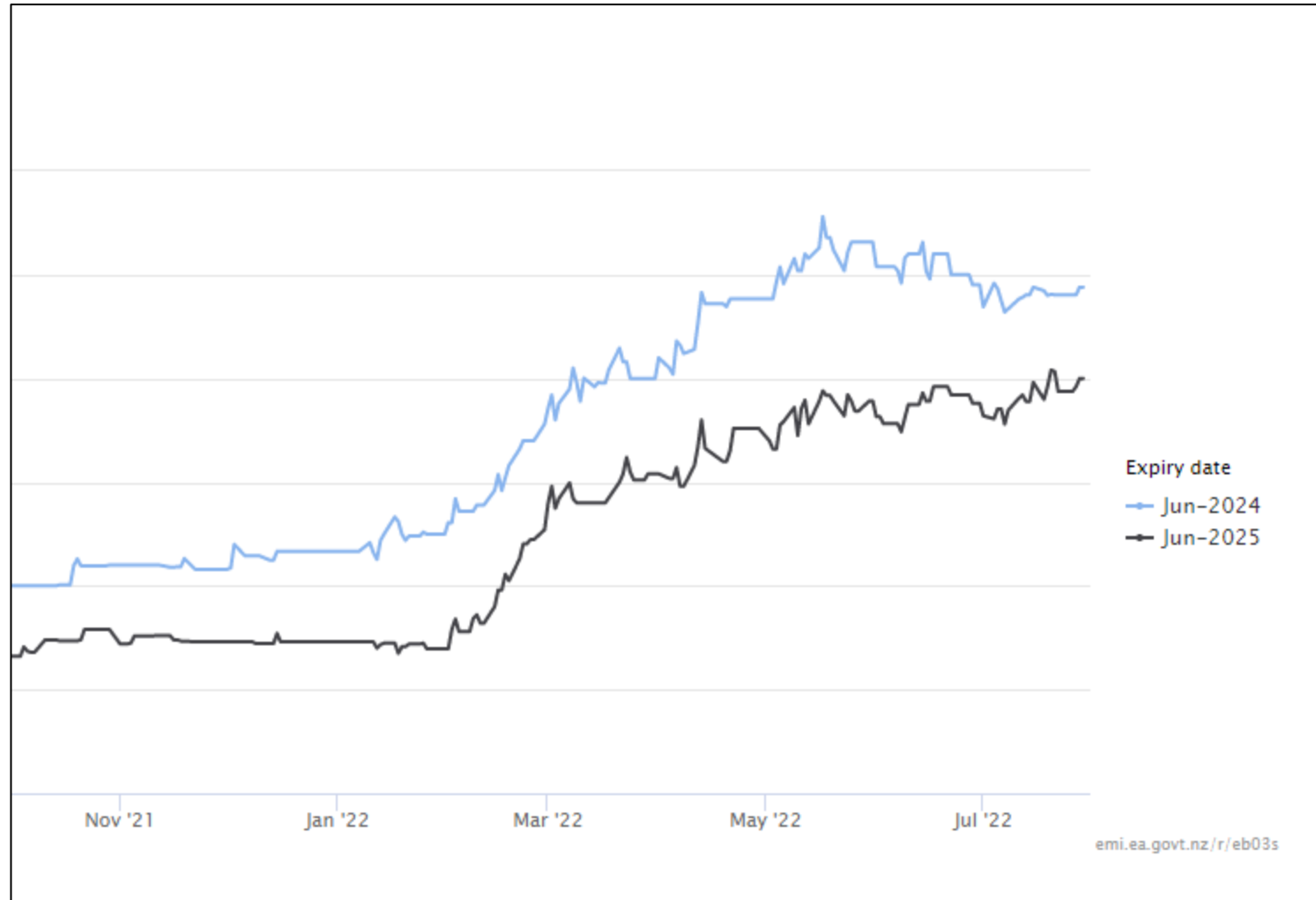
1. Generation volume is tied to load. To support build of new renewable generation, load needs to grow or generators to retire base thermal generation. For the former to happen, the wholesale electricity price needs to come down.
2. To do that, we need:
 - more cost-reflective future pricing and supplier competition
 - significant investment in new renewable generation



Electricity pricing – where it's coming from



Electricity pricing – where it's going



Cost-reflective pricing and competition

“Overall, the Commission considers there is strong prima facie evidence that each of the largest four suppliers into the wholesale market ... have a substantial degree of market power. That market power is exercised, for substantial periods, by offering into the wholesale market at prices above those that they would offer under competitive conditions.”

- Commerce Commission, Electricity Sector Investigation Report, 2009

“We have looked at many different indicators. ... However, taken as a complete picture, there appears to be some evidence that spot prices may not have been determined in a competitive environment over the review period.”

- Electricity Authority, Market Monitoring Review, 2021

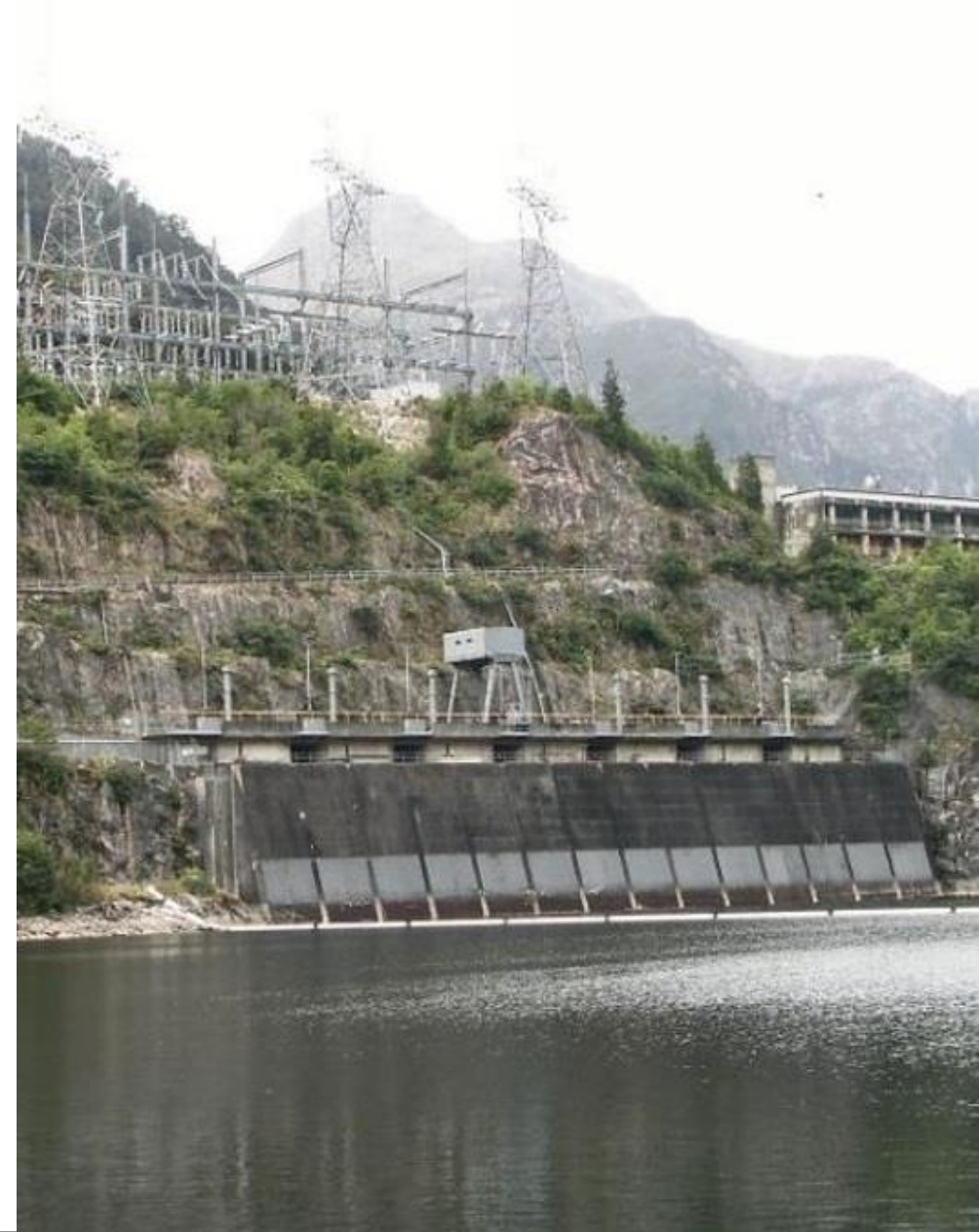
Investing in new generation

To bring price down, we need to either improve competition or increase supply – or, ideally, both. To do this, we need to:

- encourage new entrants into generation
- encourage investment in new renewable generation

Possible market solution:

- power-purchase agreements tied to new entrants and/or new renewable generation build



In summary

From a large consumer point of view the current wholesale electricity market is not supporting the transition due to high and unsustainable pricing. To address that we need to:

- Ensure future wholesale prices have a closer relationship to the cost of generation.
- Ensure genuine competition amongst electricity generators.
- Significantly increase supply, especially in new renewable generation.
- Use power purchase agreements to facilitate new entrants and build of new renewable generation.