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## **Opinion: Is the electricity market delivering the outcomes we need as a country?**

All eyes in the electricity sector will be on the Government's response to the Frontier Economics report on the crisis we experienced last August, which resulted in business closures and the loss of hundreds of jobs in our regional communities.

Consumers across New Zealand are rightfully concerned about rising electricity prices putting a strain on households, businesses, and industries. Whether you're a homeowner striving to keep your family warm, a small business owner trying to stay afloat, or a large manufacturer relying on electricity to power operations, the increasing cost of energy impacts us all.

Among those feeling the brunt of escalating costs are industrial companies, who have experienced a 34 percent increase in prices over the last two years. These price rises are not sustainable. A survey earlier this year by the Northern Infrastructure Forum revealed one in four businesses had cut jobs as a result of high electricity prices.

It's essential to recognise that electricity is a cornerstone for the country's overall prosperity. Our ability to fund essential services such as free education and subsidised healthcare relies on the revenue generated from making and exporting goods.

The repercussions of unaffordable energy are far-reaching, as businesses struggle to compete globally or even survive, impacting the economy at large. One in four businesses surveyed have cut production because of high electricity prices. The 3.5 percent drop in manufacturing activity in the June quarter ranks as the second worst result across all sectors of the economy and underscores the detrimental effects of high electricity prices on the country's economic landscape.

Simply put, the 150% jump in wholesale electricity prices over the last eight years – the biggest component of our power bills – has harmed our people and our country.

As consumers, we are constantly told that we should trust the market to work it out. The problem with this is the market created the situation we are in.

Generators are only building when prices are high, and when demand for increased generation already exists. This results in a market that is always on the edge of shortage and perpetual scarcity pricing.

Lines companies will be passing on at least a decade of annual price hikes, as many work to catch up on years of under-investment in their assets.

It's not a question of whether the market is "broken" or not, it's a question of whether the market is delivering the outcomes we need, and it is not. To have a market that delivers better outcomes, we need the Government's response to the Frontier Economics report to address the following issues:

- Reduce our yearly worry about whether it will rain enough. This means ensuring we have the firming needed when the weather doesn't cooperate.
- Make it easier to build new generation and to upgrade existing and new infrastructure.
- Incentivise more generation. We cannot continue to live on the edge of shortage. We need our generators to actually make more electricity on a daily basis to bring prices down.
- Improve market settings to break the cycle of renewable generators pricing up to the price of thermal generation and ensure there is genuine competition that puts downward pressure on prices.

The current market and even our regulators are not able to effectively address all the issues above. The Government has a critical role to play in making the necessary changes to re-set the market, so it delivers the outcomes we need as a country. We cannot afford to let this opportunity to make meaningful change pass us by.

John Harbord is the Chair of the [Major Electricity Users' Group](#) (MEUG), a trade association representing the interest of large electricity consumers across New Zealand. MEUG advocates for an affordable and reliable electricity supply that supports a productive economy.

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