

# Update from the Chair

July 2025

## Thinking about market reform

### Thinking of firming as storage, and how to get the most out of our storage options

Like many in the wider sector, MEUG is waiting on the release of the Frontier Economics report in the coming months and debating what needs to be done to ensure both security of supply and affordable prices. We are putting together a “10-point-plan”, listing 10 things we think are needed. As part of this, we have been thinking about market reform that does not involve structural separation of the gentailers. Leaving aside the pros and cons of structural separation, we just do not think all three parties in the governing coalition will agree on it.

We are still fleshing out the details, but a core element of the 10-point plan revolves around (1) thinking of firming as storage, and (2) assuming generators will continue to primarily build solar and wind generation. Some key elements include:

- We want to run the hydro lakes at a higher level than we typically do now, retaining greater ability for hydro firming and peaking. In short, wind and solar provide a greater degree of the “stack” than they do now, firmed up by geothermal with hydro providing the final bit of generation needed to fill the “stack” during any given day. Thermal sits outside the wholesale market in an ancillary service market, only called upon during dry years.
- Wind and solar will dispatch as they generate. Without foundational PPAs, however, independent generators struggle to raise capital to build the new generation we need – and we do not have enough credible demand-side participants to enter into the PPAs new entrant generators need. Rather than offer subsidies, like many other countries do, we should use our hydro lakes instead. That is, for example, a new solar generator would dispatch as they generate but because they typically displace hydro generation and keep water in our lakes for peaking and/or firming, the solar generator receives a price that reflects this contribution to security of supply.
- One problem with wholesale pricing is renewable generators price up to the most expensive form of marginal generation. Because of generation and ETS costs, this is thermal firming. We need to incentivise renewable generators to overbuild and crowd out thermal firming in favour of geothermal and hydro firming. We could do this by requiring every generator to offer a firmed product, attaching full responsibility for the emissions from firming to renewable generators. This should encourage overbuild of renewable generation to crowd out thermal firming and peaking.
- If we get an overbuild of renewable generation and over time crowd out marginal thermal firming in favour of geothermal and hydro firming, then generators will no longer be able to price up to the ETS-inflated cost of coal-fired generation. We will get generators competing on price much more so than we see now, leading to more affordable prices.

## Key dates

What's on	Who	When	Notes for members
<b>Submission:</b> Under frequency event	Electricity Authority	8 July	<a href="#">Consultation</a> on draft determination for the under-frequency event (UFE) of 21 December 2024.
<b>Seminar:</b> Household energy survey	Auckland Energy Centre	9 July	<a href="#">Seminar</a> on 'Heat or Eat'? A Household-Level Survey in New Zealand
<b>Submission:</b> Our future is digital	Electricity Authority	10 July	<a href="#">Consultation</a> on a discussion paper <i>Our future is digital</i> to test ideas on a more data-driven and technology-enabled electricity system.
<b>Submission:</b> Voltage related Code amendment	Electricity Authority	15 July	<a href="#">Consultation</a> on a Code amendment proposal that would benefit consumers by, amongst other things, lowering the risk of power supply interruptions and electrical equipment not operating properly or being damaged
<b>Decision:</b> Task Force initiatives 2A, 2B & 2C	Electricity Authority	16 July	Decision paper expected on three <a href="#">Energy Competition Task Force</a> initiatives: 2A: Cost effective distribution export tariffs, 2B: Time-varying retail pricing and 2C: Time-varying retail feed-in pricing.
<b>Training:</b> Hedging Electricity	Energy Link	16 / 17 July	<a href="#">Online training course</a> introducing the hedge markets, and techniques and methods for hedging price risk.
<b>Submission:</b> Vector reopener	Commerce Commission	17 July	<a href="#">Consultation</a> on the Commission's draft decision for Vector's catastrophic event reopener.
<b>Submission:</b> Ōtāhuhu–Whakamaru A and B	Transpower	18 July	<a href="#">Consultation</a> on Ōtāhuhu–Whakamaru A and B Lines reconductoring project
<b>Nominations:</b> Technical Group	Electricity Authority	22 July	The Authority is calling for <a href="#">nominations</a> for a new member to join the Common Quality Technical Group.
<b>Training:</b> Nodal pricing	Energy Link	22 / 23 July	<a href="#">Online training course</a> providing an overview of nodal dispatch and pricing as it applies to the New Zealand electricity spot market.
<b>Event:</b> Energy Trader Forum	Freeman	23 July	Second energy trader forum of 2025, held in Auckland.
<b>Webinar:</b> Transmission pricing workshops	Transpower	23 / 24 July	Following feedback received during Transpower's Transmission Pricing Methodology (TPM) post implementation review, they are running two workshops on education/engagement and forecasting.
<b>Submission:</b> Consenting improvements for electricity	MBIE / MfE	27 July	MBIE and the Ministry for the Environment are <a href="#">consulting</a> on proposals to strengthen government direction that enables renewable electricity generation and electricity network infrastructure.
<b>Event:</b> NZ Geothermal week	NZGA	28 July – 2 August	2025 NZ Geothermal Week will be held from 28 July – 2 August in and around the Taupō region, with the theme "Geothermal: New Zealand's Global Opportunity".
<b>Submission:</b> Evolving multiple retailing and switching	Electricity Authority	29 July	<a href="#">Consultation</a> on two related proposals retailing to retailing with two different retailers and improving the switching process.
<b>Milestone:</b> Consultation paper on Task Force 2D	Electricity Authority	31 July	Consultation paper expect to be released on <a href="#">Energy Competition Task Force</a> initiative 2 D – Emergency reserve scheme
<b>Milestone:</b> Hybrid forecasting	Electricity Authority	31 July	Hybrid forecasting <a href="#">arrangement</a> for intermittent generation to take effect 31 July 2025
<b>Submission:</b> Battery energy storage systems	Electricity Authority	31 July	<a href="#">Consultation</a> on a regulatory roadmap that sets out the Battery energy storage systems (BESS)-related work the Authority are doing over the next two years.