

# Update from the Chair

March 2025

## Ideas for affordable firming

Security of supply requires thermal firming; more work on affordability is still needed

As we become increasingly reliant on intermittent renewable generation, flexible firming will be even more critical to ensuring an affordable, reliable supply of electricity. As last year showed, when we lack rainfall, wind and sun, the consequences can be severe. Yet, many of our generators have either de-commissioned thermal peaking or firming in recent years or are in the process of doing so. The new generation being built is almost all intermittent renewables. Despite the crisis last year, our generation system's vulnerability is getting worse, not better.

Generators do not want to build thermal firming – whether for social license, impact on share price, ease of consenting, or access to capital (all valid reasons). Yet, NZ Inc needs to ensure we have the firming we will need for the future. We could explore ways to achieve this, such as:

- The Government or System Operator offering a contract to build thermal firming – though it is unlikely anyone other than Genesis or possibly Nova would be willing to build thermal generation; or
- Revisiting the idea of Thermal Co, while avoiding repeating the issues caused by historic solutions (i.e. Whirinaki). One more radical proposal MEUG has heard is the idea that the Government could buy back 100% ownership of Genesis, paid for by selling Genesis' renewable assets. In addition to the share buyback, this could pay for refurbishment of Huntly, or the build of new thermal firming. As a 100% Government owned enterprise, Genesis could then operate at a profit level equivalent to WACC rather than profit maximization, while securing the firming needed and helping lower the price of firming.

With the increased build of intermittent renewables, we should need thermal firming less often. But the thermal generator(s) need to recover the cost of their assets, so the price per operating hour will become even more expensive. In a market where all other generators tend to price up to the most expensive marginal generation, we need to find a way of reducing the cost of thermal firming, or electricity will become even more unaffordable than it already is, with the resultant risk of further de-industrialisation.

Thermal firming comes with a hefty ETS cost. Renewable generators can price up to the marginal thermal price and take the equivalent ETS cost as super profit. This exploit could be addressed by either:

- Having a renewables-only market, with thermal firming forming a secondary, ancillary market. This would take the ETS equivalent cost of thermal out of renewable pricing, lowering the overall spot price; or
- Exempt thermal generation from the ETS and instead impose a levy equivalent to the ETS cost of thermal generation across all generators (all generators benefit from thermal firming, but rather than having a beneficiary-pays system, we have a system where beneficiaries exploit the market to the detriment of consumers).

## Key dates

What's on	Who	When	Notes for members
<b>Submission:</b> Resilience at Redclyffe substation	Transpower	11 March	Transpower is <a href="#">consulting</a> on options for rebuilding the Redclyffe substation with increased resiliency.
<b>Webinar:</b> Level playing field measures	Electricity Authority	13 March	The Authority is running a webinar on its <a href="#">consultation paper</a> that proposes to introduce mandatory non-discrimination obligations for gentailers. This consultation is one workstream in the Energy Competition Task Force. Register for webinar <a href="#">here</a> .
<b>Release:</b> NZ Energy Quarterly	MBIE	13 March	The next <a href="#">NZ Energy Quarterly</a> statistics will be released.
<b>Event:</b> Change in grid ratings	Transpower	15 March	Grid on summer ratings till 15 March 2025.
<b>Event:</b> Flexibility webinar	Orion	17 March	An industry-focused <a href="#">webinar</a> to provide insight into Orion's Flexibility and Markets Development programme.
<b>Training:</b> Industry exercise	Electricity Authority / Transpower	18 March	As part of the <a href="#">2025 Industry Exercise</a> , Transpower and the Authority are holding a second webinar on 18 March to provide participants with important information that can be applied in the simulated exercise on 9 April.
<b>Conference:</b> Infrastructure resilience	Infrastructure New Zealand	18 – 19 March	Auckland <a href="#">conference</a> on infrastructure planning and resilience. MEUG Executive Director speaking on energy security.
<b>Meeting:</b> MEUG Executive Committee meeting	MEUG members	19 March	Online Executive Committee meeting for MEUG members, with presentations from Sapere, Mercury and Lodestone Energy. Members will also discuss the draft strategic plan and budget for 2025/26.
<b>Event:</b> ETS auction	Ministry for the Environment	19 March	The next Emissions Trading Scheme (ETS) <a href="#">auction</a> will be held on 19 March, 9.00am – 12.00 pm.
<b>Webinar:</b> Consumer care obligations	Electricity Authority	20 March	Webinar discussing the implementation of the consumer care obligations that come into effect 1 April 2025 (register <a href="#">here</a> )
<b>Event:</b> Outage planning forum	Transpower	20 March	Transpower is holding its annual Outage Planning Forum online on 20 March. At this forum, it will share updates on significant outages and projects for 2025/26, as well as planning processes.
<b>Conference:</b> Downstream	Freeman Media	20 – 21 March	<a href="#">Downstream</a> , New Zealand's leading conference for the energy sector, will be held in Christchurch. MEUG and Simply Energy will be leading a round table discussion on demand flexibility.
<b>Submission:</b> Rebates to consumers	Electricity Authority	26 March	The Authority is seeking feedback on the Energy Competition Task Force initiative 2A - <a href="#">Requiring distributors to pay a rebate when consumers supply electricity at peak times</a> . Cross submissions are due 9 April.
<b>Submission:</b> Improving pricing plan options for consumers	Electricity Authority	26 March	The Authority is seeking feedback on the Energy Competition Task Force initiatives 2B and 2C – <a href="#">Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply</a> . Cross submissions are due 9 April.
<b>Submission:</b> Distribution generation pricing principles	Electricity Authority	26 March	The Authority is seeking <a href="#">feedback</a> on ways to improve the distributed generation pricing principles that guide the cost of connecting distributed generation, such as wind and solar farms, directly to the network. Cross submissions are due 9 April.
<b>Deadline:</b> Stress test disclosures	Electricity Authority	31 March	Quarterly stress test disclosures due.
<b>Decision:</b> Contact / Manawa acquisition	Commerce Commission	31 March	Decision expected on <a href="#">clearance application</a> for Contact Energy to acquire up to 100% of the shares in Manawa Energy.