

15 May 2025

Hon Simon Watts
Parliament Buildings
WELLINGTON 6011

Sent via email: S.Watts@ministers.govt.nz

Dear Minister

Call for bold action to ensure affordable and secure electricity for a productive economy

1. The [Major Electricity Users' Group](#) (MEUG) is a trade association representing 12 of New Zealand largest businesses that make essential products like pulp and paper, steel, and dairy products, as well as the growing number of data centres.
2. We advocate for an affordable and reliable electricity supply that supports a productive economy. Electricity is not only a key input for our members' businesses – it supports our regional communities, employs thousands of people in well-paying jobs, and helps pay for the services we all take for granted but that are essential to a dynamic and thriving economy.
3. The fuel security issues, low lake levels and the resulting high market prices during winter 2024 impacted many of our members, dampening confidence in the New Zealand market. However, winter 2024 was not a one-off event; but rather the high point (to date) of a six-year period of increasingly unaffordable electricity prices that had already led to curtailment of manufacturing operations and business closures – impacting the communities that rely on these employers.
4. MEUG welcomed the government's package of measures underway in the electricity sector and appreciated the engagement we have had to date with yourself and the Associate Minister of Energy. The establishment of the Energy Competition Task Force, led by the Electricity Authority and the Commerce Commission, along with the release of Government Policy Statement (GPS) in October 2024, should enable new generators and independent retailers to enter, and better compete in the market, as well as providing more options for consumers. But this work does not address the root causes of increasingly high prices – we consider that further action is needed.

Opportunity to drive real change across electricity sector

5. Cabinet has the opportunity to drive real change through the decisions it takes on the final report from Frontier Economics. This independent review established by the Government in 2024 looks at whether current regulations and market design support economic growth and access to reliable and affordable electricity and covers many factors that impact the sector, and the resulting prices consumers pay. MEUG had the opportunity to meet with the review team in February 2025 and appreciated the opportunity to share large users' views on the market.

6. As Cabinet reviews the Frontier Economics report, we encourage Ministers to take decisive action to shift the dial on both electricity security and affordability. MEUG recommends that there is a focus on:
- **Maintaining sufficient flexible firming generation to manage risk:** Flexible generation is necessary to firm against dry-year risk and the increasing level of intermittent renewable electricity generation we have in New Zealand (wind/solar). Investigating the best approach to bring firming to the market should be a key priority.
 - **Single party oversight of security of supply:** At present, the responsibility for security of supply of our electricity system is spread across multiple parties, with no clear line of accountability. MEUG considers that there must be one party in government or the electricity sector who is responsible for the oversight of security of supply across the entire system.
 - **Deliver “internationally competitive” prices:** The Government is seeking a market that delivers internationally competitive prices, but it is not clear what this means. We need to ensure that prices over time track down towards the Long Run Marginal Cost (LRMC) of new generation – since 2018, there has been a discernible and increasing gap between wholesale contract prices and estimated LRMC.
 - **Affordability of risk management options for consumers:** We need to focus on whether large consumers can access hedges at affordable, fair and internationally competitive prices that enable them to compete internationally.
 - **The role the ETS plays in high electricity prices:** Generators in New Zealand do not compete on price; they all price up to the most expensive form of marginal generation – coal. Almost half the coal-fire generation cost comes from the ETS. Government should consider ways to marry emissions reduction ambitions with delivering affordable electricity.
7. Addressing these key pillars will help shape an affordable and secure electricity system that supports a productive economy and social well-being and enables the government to deliver upon its goals for New Zealand.

Welcome further discussions

8. We would welcome the opportunity to discuss this information with you further. To arrange a meeting or if you have any questions, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely



John Harbord
Chair
Major Electricity Users' Group



Karen Boyes
Executive Director
Major Electricity Users' Group

Copied to: Paul Stocks, Deputy Secretary, Building, Resources and Markets, MBIE
Sarah Gillies, Chief Executive, Electricity Authority
Andy Burgess, General Manager Infrastructure Regulation, Commerce Commission