

Economic growth or de-industrialisation – getting the electricity market settings right



**Promoting
a robust
electricity
market**



**Major Electricity
Users' Group**

Karen Boyes, Executive Director

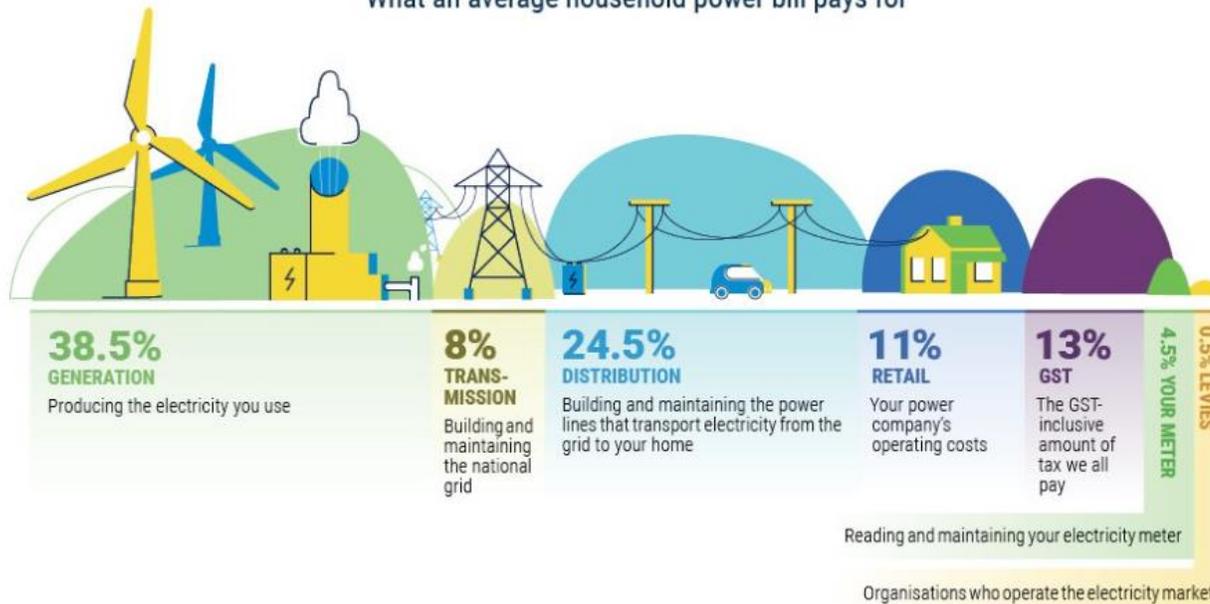
Major Electricity Users' Group

- We are a trade association working to improve New Zealand's electricity sector
- We advocate for an affordable and reliable electricity supply that supports a product economy
- We promote a robust electricity market



Electricity is an essential input

What an average household power bill pays for



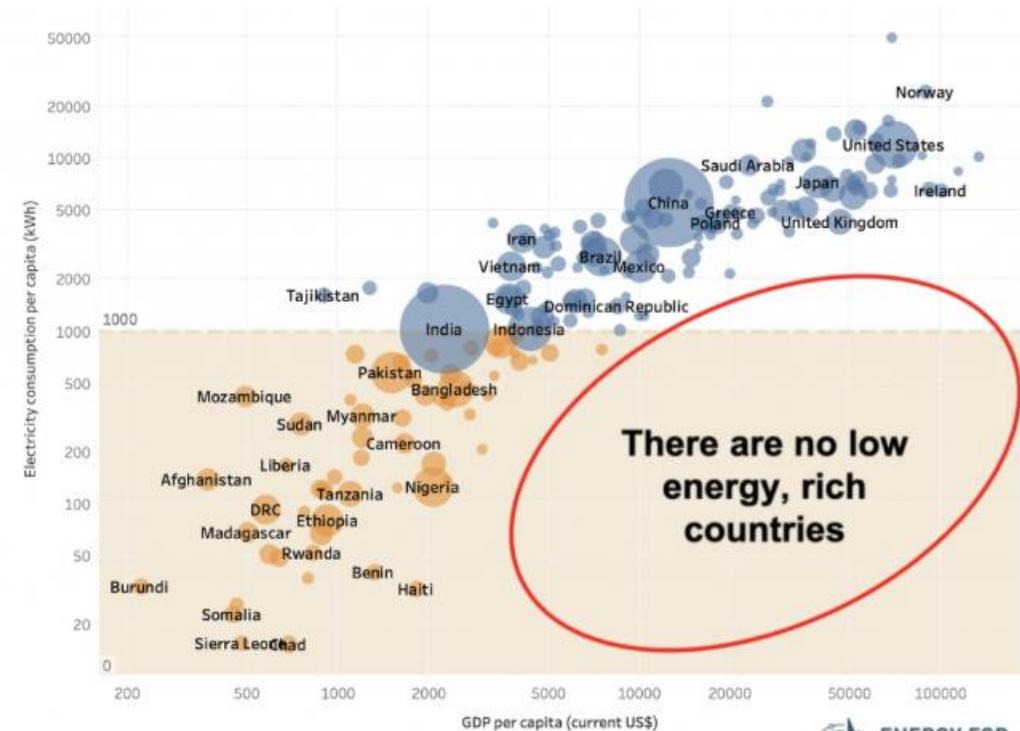
Considerations for large businesses:

- Transmission or distribution connection
- Direct contracts
- Onsite generation / co-gen
- Spot price or fixed prices
- CfDs, Options or Futures contracts
- Power purchase agreements

Clear link between energy and the economy

- Since October 1996, New Zealand has operated a wholesale electricity market
- Small number of large “gentailers”, regulated monopolies for lines, steady demand
- Electricity Authority, Commerce Commission, MBIE

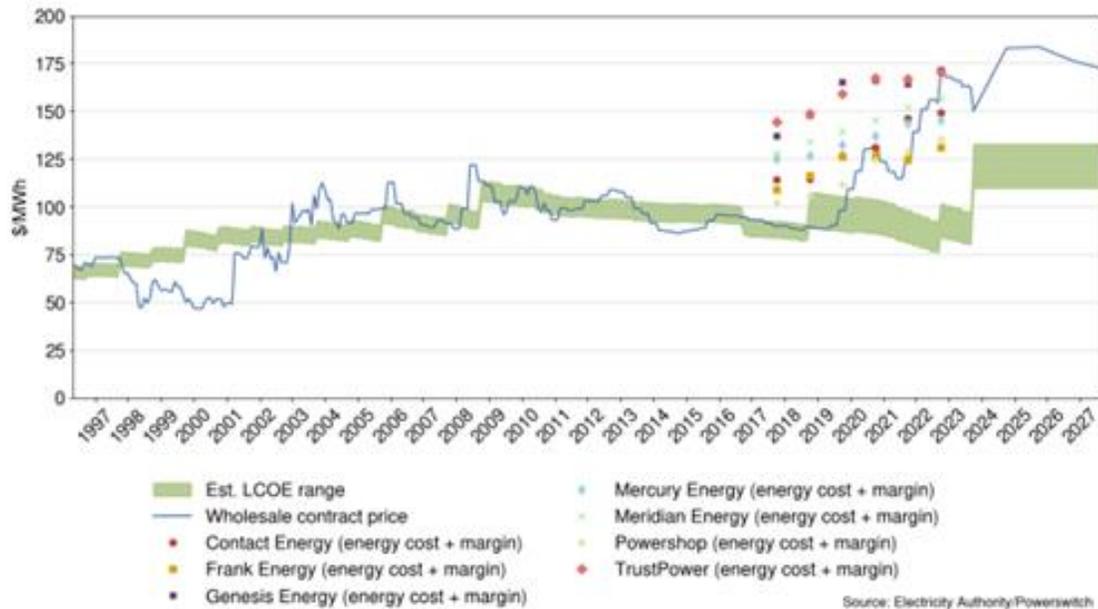
FIGURE 1: Electricity consumption vs GDP per capita, 2021



Source: US Energy Information Administration, World Bank (2021)
 $R^2 = 0.8$



But lately, electricity prices have been rising



Commerce Commission approves lift in power transmission charges

Household electricity bills will increase in April 2025 by about \$10 a month (excluding GST), on average.

Source: Concept Consulting, Electricity Authority, and Gibbard & Grubb 2024

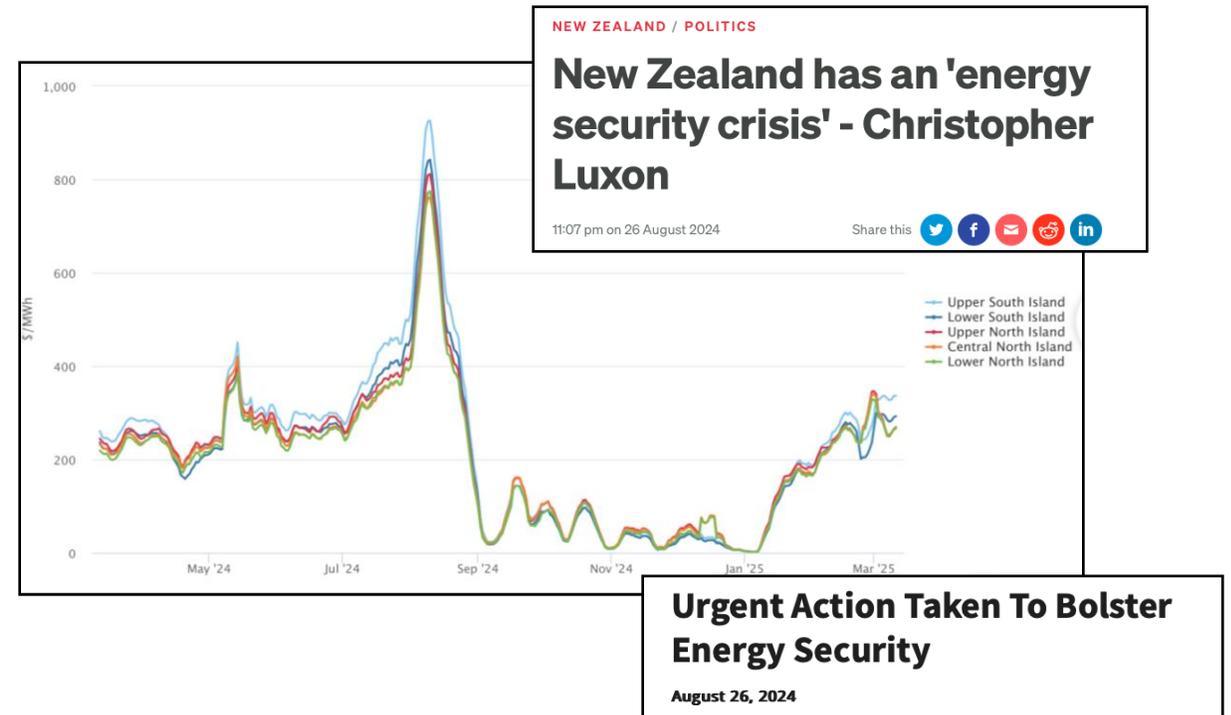
Commercial electricity price (c/kWh)	2015	23.1	n/a	2025	23.6	▲ +2 %	+6%		Prices are up 2% in real terms vs 2015
Industrial electricity price (c/kWh)	2015	16.1	n/a	2025	21.4	◆ +33 %	+19%		Prices up 33% vs 2015

Mix of generation is changing

- Nearly 90% of NZ's electricity is generated from renewable energy sources, with many more projects being developed. This is a marketable point of difference
- However, the system relies on a decreasing proportion of thermal generation from coal and natural gas, and this is having an impact on the electricity sector
- With less firming capacity to support intermittent renewables, the wholesale market can face shortages of supply, and prices become highly volatile.
- At a time when we expect to see increased demand for electricity and a focus on electrification

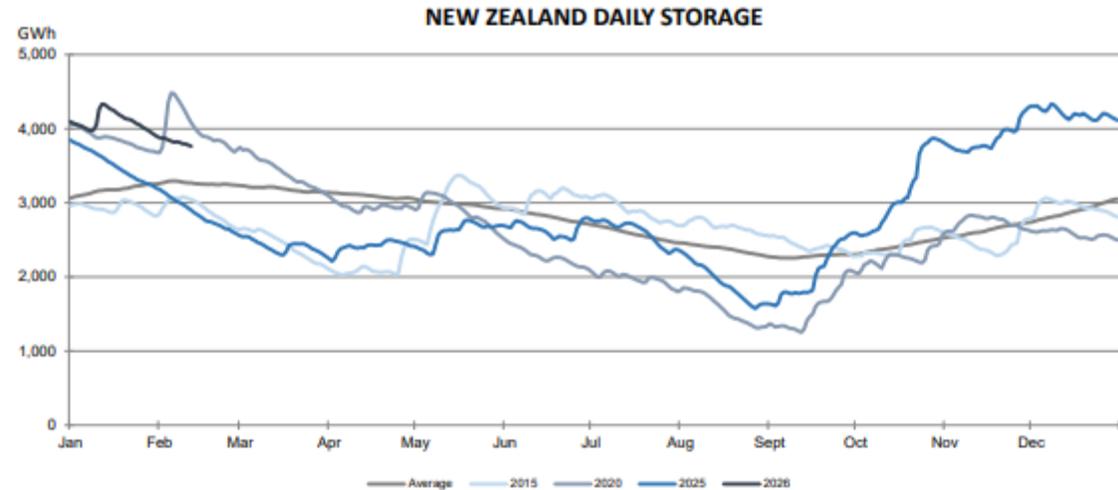
Was winter 2024 a turning point?

- Fuel security issues, low lake levels, declining gas production, high prices
- June: Meridian Energy called upon the NZAS Tiwai point smelter to implement its demand response agreement which allowed the preservation of crucial hydro storage
- August: Contact Energy and Gensis Energy purchased gas from Methanex to getting New Zealand through the winter



Current state of the sector

- Made it through winter 2025
- Release of Frontier report
- New Zealand's Energy Package
- Huntly strategic energy reserve
- Energy Competition Task Force
- Lakes full and spilling
- LNG terminal announcement



What direction is the market heading?

An ideal future state: *Affordable, reliable, sustainable and modern?*

- Over the next decade, large energy users want to see:
 - Stable long-term, internationally competitive, energy prices
 - New Zealand as a destination of choice because of its highly renewable energy system

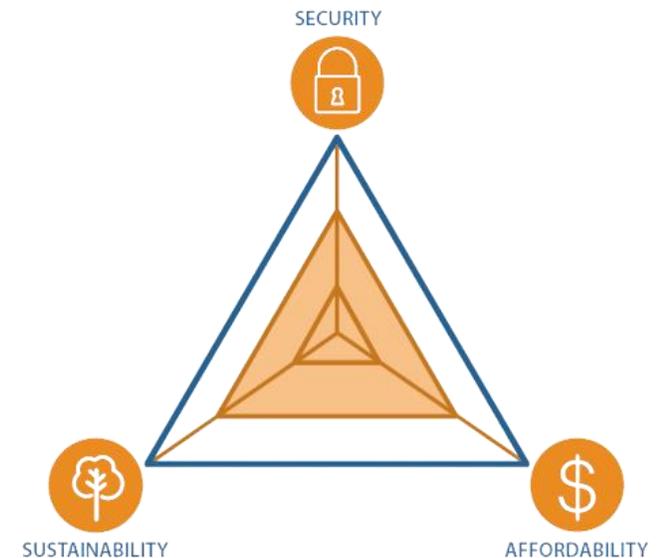


The outlook for 2026

- There is a need to focus on consumers, rather than expecting consumers to help balance the market.
- Risk of de-industrialisation, with energy-intensive industrial sectors gradually moving their production elsewhere or reducing level of production in NZ
- Approved increases in transmission and distribution charges now impacting all consumers and will continue to increase year on year
- With fewer parties supplying gas, businesses are having trouble getting long term gas contracts alongside electricity at reasonable prices.
- And an election.....

Enabling businesses to prosper during the energy transition

- MEUG believes we need to focus on:
 - Stability in energy policy
 - Closing the gap between price and LRMC
 - Addressing competition issues & market power
 - Will the market deliver the firming we need, or must we intervene?
 - Can we actually build ahead of demand, given profit focus of gentailers?



Enabling businesses to prosper during the energy transition

- MEUG believes we need to focus on:
 - Do we need a new approach to transmission to enable growth?
 - Role of distributors and the connection process
 - Role of demand side response



Businesses driving the change

- **NZ Steel:** Building an electric arc furnace that will almost halve the carbon emissions for steel making
- **Fonterra partner with Mercury:** Investments into electric boilers at the Whareroa, Edgecumbe and Waitoa sites, along with further fleet decarbonisation
- **Amazon Web Services (AWS) and Mercury partnership deal launched in 2024:** AWS secured 50% of the output from Mercury's Turitea South wind farm to power its Auckland data centre

Thank you

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