

State of the sector - a large user perspective



**Promoting
a robust
electricity
market**



**Major Electricity
Users' Group**

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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



Current state of the electricity sector

- 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

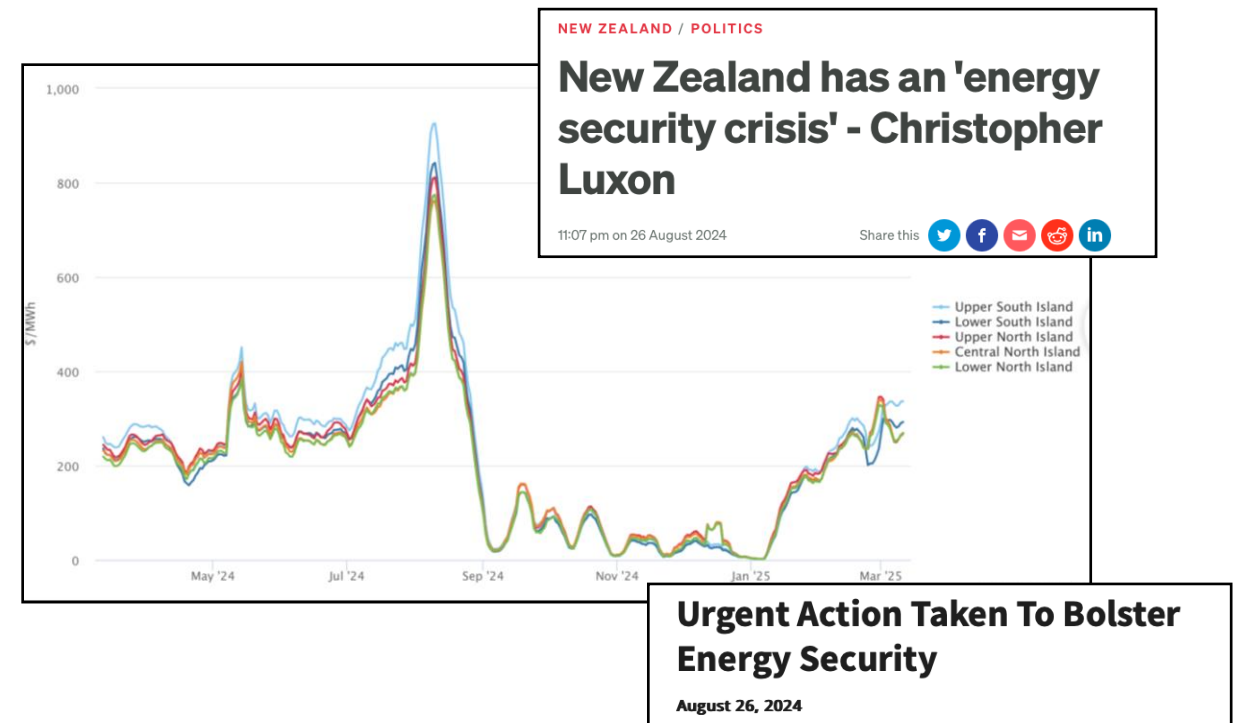
An ideal future state: *Affordable, reliable, sustainable and modern?*

- 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
- But this is at risk – de-industrialisation is equally possible!



Looking back at winter 2024

- 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



Winter 2025 – How it's shaping up

Wholesale prices

Average daily prices are likely to be below \$200/MWh for the rest of the month and quarter

Security of supply (energy)

Overall risk to national energy supply is significantly lower than last winter

Security of supply (capacity)

Transpower's NZ Generation Balance shows no days where capacity will be a problem

Security of supply outlook for the next three months:

Storage is similar to what it was two months ago, with modest inflows. June gas prices are around \$100/MWh, with inflows and the Methanex deal.

Rain, Methanex gas deal bring wholesale power price relief

Dwindling gas supply will bite industrial users this year warns regulator

Methanex secures winter electricity supply again

NZAS makes extra 50 MW available for winter

Price hikes are coming – it's time to review your power provider

Winter 2025 – How it's shaping up

Figure 1: Contract prices and estimated costs for new baseload supply (2023)



Forward price curve (Ōtāhuhu, long-dated \$/MWh)



Negotiating fair contracts is getting harder.....



Implications for Winter 2025

- There is a need to focus on consumers, rather than expecting consumers to help balance the market - **#electricityforareason**
- 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.

Enabling businesses to prosper during energy transition

- MEUG believes we need to focus on:
 - Maintaining sufficient flexible firming generation to manage risk
 - Single party oversight of security of supply
 - Delivering internationally competitive prices
 - Affordable risk management options for businesses
 - Role the ETS plays in high electricity prices
- Government interventions underway: Energy Competition Task Force, Government Policy Statement, Electricity market review

What are our members doing?

- **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
- **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

Thank you

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