



4 September 2025

Jenna Machado da Cruz  
Evidence Systems Coordinator  
Commerce Commission  
Level 12, 55 Shortland Street  
AUCKLAND 1010

Sent via email: [registrar@comcom.govt.nz](mailto:registrar@comcom.govt.nz)

Dear Jenna

## **Statement of Preliminary Issues: Application seeking Authorisation for Proposed Arrangements between Genesis, Contact, Meridian and Mercury**

1. This is a brief submission from the Major Electricity Users' Group (MEUG) on the Commerce Commission's (Commission) Statement of Preliminary Issues "*Genesis Energy Limited: Application seeking Authorisation for Proposed Arrangements between Genesis, Contact, Meridian and Mercury*"<sup>1</sup> published on 6 August 2025.
2. MEUG members have been consulted on the approach to this submission. This submission does not contain any confidential information and can be published on the Commission's website unaltered. Members may lodge separate submissions.

### **Support for arrangements for 10-year Huntly Firing Options**

3. MEUG welcomes the opportunity to comment on the Commission's Statement of Preliminary Issues, where New Zealand's four largest gentailers<sup>2</sup> seek authorisation to enter into arrangements to enable 10-year Huntly Firing Options (HFO), ultimately ensuring that the second Rankine unit remains in operation for the next decade.
4. MEUG has publicly noted our support for this proposed arrangement, with press releases made during June<sup>3</sup> and August 2025.<sup>4</sup> We consider that this arrangement, both the real time firing and solid fuel reserve, is essential for security of supply to firm against dry-year risk and the increasing level of intermittent wind and solar renewable electricity generation.
5. We welcomed the opportunity to meet with the Commission<sup>5</sup> to discuss this authorisation and the impact this may have on the broader electricity market going forward.

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<sup>1</sup> [https://comcom.govt.nz/data/assets/pdf\\_file/0021/368103/Statement-of-Preliminary-Issues-Genesis-Authorisation-6-August-2025.pdf](https://comcom.govt.nz/data/assets/pdf_file/0021/368103/Statement-of-Preliminary-Issues-Genesis-Authorisation-6-August-2025.pdf)

<sup>2</sup> Genesis Energy Limited, Contact Energy Limited, Meridian Energy Limited, and Mercury NZ Limited) (the Gentailers)

<sup>3</sup> <https://backend.meug.co.nz/assets/Documents/MEUG-press-release-Huntly-firing-June-2025.pdf>

<sup>4</sup> <https://backend.meug.co.nz/assets/Documents/MEUG-support-for-Huntly-signed-agreement-4-Aug-2025.pdf>

<sup>5</sup> Meetings held on 5 August and 25 August 2025.

6. The commentary in this submission supports and builds upon the verbal submission made on 25 August 2025 and the subsequent discussion with Commission staff during that meeting. We also appreciate the opportunity for an extension to finalise this written submission, in support of our meeting.
7. We also welcomed the opportunity to meet with Genesis Energy during a scheduled MEUG member meeting<sup>6</sup> to discuss the high-level details of this proposed HFO agreement and how the Genesis Energy team are looking to offer new risk management products for a range of participants, off the back of this agreement.<sup>7</sup>

### An electricity market in transition

8. This authorisation application comes at a critical time when the electricity market is in period of transition – there are increasing concerns about security of supply and competition, the decisions around the government review of the wholesale market are due to be announced imminently, and there is a strong focus on ensuring we have both “*abundant and affordable energy at internationally competitive prices.*”<sup>8</sup> Of relevance to consideration of this application, are the following factors:
  - The electricity market is seeing an increase in intermittent renewable electricity generation, at the same time as many thermal plants are being retired and New Zealand is facing a rapid decline in natural gas. This creates issues for ensuring security of supply, particularly during peak periods and dry years.
  - This issue has been a priority for both the Electricity Authority and Transpower.
    - The Electricity Authority has stepped up its monitoring of the new generation pipeline and thermal fuel, while also establishing programmes around “future security and resilience”<sup>9</sup> and “managing peak electricity demand”<sup>10</sup>.
    - Transpower’s latest Security of Supply Assessment (SoSA) for 2025<sup>11</sup> provides clear commentary on the risks that our electricity system faces, with reduced thermal generation availability (e.g. Rankine retirement) increasing the risk of energy and capacity margins falling below the standards in the next 1 – 2 years.
    - Over the last three years, Transpower has consistently been calling for more flexible resources in the system, such as new flexible generation (i.e. gas or biofuel peaking plant), batteries and demand response.<sup>12</sup>
  - During winter 2024, New Zealand faced the perfect storm of a dry year, coupled with low wind and reduced gas availability, which led to a series of Government announcements and decisions,<sup>13</sup> including a GPS for electricity, the establishment of the Energy Competition Trench Force and the commencement of the independent review of wholesale market performance.
  - Contact Energy has publicly announced that it will decommission its Taranaki Combined Cycle (TCC) 330MW thermal plant<sup>14</sup> at the end of this year, reducing the level of thermal generation available from 2026 onwards.

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<sup>6</sup> Meeting held on Friday 22 August 2025.

<sup>7</sup> As discussed in paragraph 5.4 (K) of the [Four Gentailers – Authorisation Application](#), 4 August 2025.

<sup>8</sup> Paragraph 1, [Government Policy Statement \(GPS\) on electricity](#).

<sup>9</sup> <https://www.ea.govt.nz/projects/all/future-security-and-resilience/>

<sup>10</sup> <https://www.ea.govt.nz/projects/all/managing-peak-electricity-demand/>

<sup>11</sup> <https://static.transpower.co.nz/public/bulk-upload/documents/2025%20SOSA%20-%20Final%20Report.pdf?VersionId=tOo4Y8.kp2mloi9EOkUEDxkLDLv7Dxjt>

<sup>12</sup> <https://www.transpower.co.nz/news/winter-2024-outlook-power-system-released>

<sup>13</sup> [Urgent action taken to bolster energy security](#), 26 August 2024, Hon Simeon Brown and Hon Shane Jones.

<sup>14</sup> <https://www.energynews.co.nz/news/gas/822230/greymouth-inks-contact-deal-says-more-gas-available>

- As noted above, natural gas supply continues to decrease, with consumers increasingly unable to secure gas for their operations at a reasonable price and volume.<sup>15</sup> Generators in the electricity market have been able to secure gas at prices greater than gas consumers can offer, creating flow on effects into the electricity market as the cost of thermal generation will no doubt increase.
- There continues to be a degree of political and regulatory uncertainty in the electricity market, as the sector awaits Cabinet decisions on the Frontier report. There is much speculation about what may be addressed in the report, but very little public information to date. There is also no update on whether a broader Energy Strategy may be released, setting out the government's intentions for the sector.

### Factors for consideration with the HFO arrangement

9. Despite the uncertainty in the sector and several policy decisions still outstanding, MEUG supports this arrangement and encourages the Commission to make timely decisions on this application, to ensure that the third Rankine unit is confirmed well ahead of winter 2026.
- While this arrangement does not bring any new generation to market, it importantly keeps 240 MW of existing electricity generation in the market, which is able to run on multiple fuels and provide the much-needed firming capability. This is critical with the upcoming retirement of Contact's TCC unit, as discussed above, as the system is forecast to come under more stress in the next 1 – 3 years.
  - MEUG has questioned whether this Huntly arrangement is enough – that is, does it provide the total level of firming necessary for the electricity system in the coming years. However, without knowing how the Frontier report addresses firming concerns and what recommendations the Government may make around firming, it is difficult to answer this.

From the Commission's perspective, we encourage them to consider whether this proposal would preclude or exclude other options for firming – whether it be capacity markets, other firming arrangements or new generators looking to invest in thermal generation. Our initial view is that it shouldn't, but it is a factor that must be considered.

- To ensure this arrangement doesn't detrimentally impact competition in the market, MEUG predicts that Genesis should be expected to provide other parties with access to these HFO products at similar terms and conditions. This would be in line with the "level playing field" arrangements that the Electricity Authority is pursuing through the Energy Competition Task Force.<sup>16</sup>
- In terms of the counterfactual, Genesis has stated that it would not continue to operate the third Rankine unit in 2026, as *"it is no longer economic for it to continue to operate Rankine Unit 2 without market support"*.<sup>17</sup> While this seems the most likely counterfactual, we still encourage the Commission to consider the alternative of Genesis continuing to operate this unit in 2026 and beyond. If the Government announce key policies or regulatory changes focused on firming / thermal generation, this may alter the incentives and risks on Genesis to operate this unit.

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<sup>15</sup> [Gas 'crisis' warning as MBIE warns again supply falling faster than expected](#), 21 August 2025, RNZ.

<sup>16</sup> [Electricity Authority moves to level the power playing field](#), Electricity Authority press release on 19 August 2025.

<sup>17</sup> Paragraph 14, Statement of Preliminary Issues.

- We note that the HFO arrangements are set up as financial instruments, and “*Genesis will maintain full control of all plant operating decisions including, for example, whether any Rankine Unit is turned on in response to calls, the price at which all Rankine Unit capacity is offered to the market, and all other aspects of the operation of the Rankine Units.*”<sup>18</sup> We believe this is an area where the Commission should review to consider if this raises any impacts on the competitive operation of the market.

### Next steps

10. MEUG looks forward to reviewing other submissions on the matter and welcomes the chance to meet with the Commission again, as the process continues. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at [karen@meug.co.nz](mailto:karen@meug.co.nz).

Yours sincerely



**Karen Boyes**  
Major Electricity Users' Group

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<sup>18</sup> Paragraph 5.5(h), Four Gentailers Authorisation Application.