

22 December 2021

Electricity Authority
PO Box 10041
Wellington 6143

via email: reviewconsultation2021@ea.govt.nz

To whom it may concern,

Submission on Inefficient Price Discrimination in the Wholesale Electricity Market – Issues and Options

The BusinessNZ Energy Council (the 'BEC')¹ is pleased to have the opportunity to provide feedback to the Electricity Authority on its Issues and Options paper 'Inefficient Price Discrimination in the Wholesale Electricity Market - An Initial Response to the Wholesale Market Review', published on 15 November 2021.

We agree with comments in the Issues Paper that the Tiwai contract is unique in that it relates to an unusually large amount of electricity, which accordingly might reasonably be expected to receive a cost-based discount. We also agree that demand response provisions are highly valuable and can reasonably contribute to differences in price.

However, we are somewhat surprised that the Issues Paper has focussed on this one-off contract. We do not believe the potential for, or even existence of, price discrimination is a pressing issue. Price discrimination between different customers or classes of customers is by no means uncommon, even in highly competitive sectors. Accordingly, we do not support the proposed options discussed and believe that many are likely to have a negative impact on investor sentiment towards New Zealand. Again we would make the point that the electricity sector is characterised by large scale long-lived investments, that may easily be disrupted by significant changes to the auction system of allocating the right to generate, to the detriment of future consumers.

¹ Background information on the BusinessNZ Energy Council is attached in Appendix One.

We note the Commerce Commission opened a preliminary enquiry into the Tiwai contracts (between Meridian and NZAS, as well as Meridian and Contact) under the Commerce Act 1986 and decided to take no further action. We are confident the appropriate checks and balances are in place to ensure sufficient competition to support an efficient market.

Lastly, we do acknowledge the Tiwai contracts may have discouraged investment in new generation. We agree that any such issues are best addressed through a review of barriers to new investment more generally, as the Authority has proposed to undertake in 2022.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tina Schirr', written in a cursive style.

Tina Schirr
Executive Director
BusinessNZ Energy Council

APPENDIX 1: BACKGROUND ON THE BUSINESSNZ ENERGY COUNCIL

The [BusinessNZ Energy Council \(BEC\)](#) is a group of New Zealand's peak energy sector organisations taking a leading role in creating a sustainable energy future. BEC is a division of BusinessNZ, New Zealand's largest business advocacy group. BEC is a member of the [World Energy Council \(WEC\)](#). BEC members are a cross-section of leading energy sector businesses, government and research organisations. Together with its members BEC is shaping the energy agenda for New Zealand.

Our vision is to support New Zealand's economic wellbeing through the active promotion of the sustainable development and use of energy, domestically and globally. With that goal in mind, BEC is shaping the debate through leadership, influence and advocacy.

[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).

