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**Sent:** Friday, 19 June 2020 12:22 PM

**To:** Hon. Dr Megan Woods <[Megan.Woods@parliament.govt.nz](mailto:Megan.Woods@parliament.govt.nz)>; [REDACTED]  
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**Subject:** Urgent interim solution required for Spot and ASX markets

Dear Minister, [REDACTED],

We have been watching in disbelief how the ASX and spot markets have behaved over the last couple of weeks.

A team of 5 million and many businesses are recovering from lockdown. Our economic recovery is on thin ice. Yet the electricity sector has chosen to welcome the country back with a punch in the face for all.

### **Independent Retailers on the verge of failure or exit - business affected**

We have been approached by three independent retailers in the last 48 hours, 2 of which are considering exiting or selling. One is considering defaulting. A reminder that 7 independent retailers failed last year. This is real.

Customers across the board are facing a 30 - 40% increase in energy prices. This is not acceptable at any time, let alone during a time of nationwide struggle.

Further, we are hearing evidence of industries looking to establish in New Zealand that are choosing not to because of uncertainty and high prices in the electricity market.

### **Changes are taking too long - urgent interim solution required**

The current wholesale market arrangements illustrate how gentailers are insulated from high spot prices. Their notionally 'hurt' retail businesses are compensated by higher generation profits. On average, gentailers are [self hedged 85%](#). If you include the volumes that Meridian purchases from Genesis, the largest hedge on the market, this would be well above 90%. High spot and ASX prices undermine competition from independent retailers.

I keep on hearing gentailers say, "independent retailers should be hedged", "the market is efficient".

As we presented to you last year, there is a massive differential between transfer prices and what is available on the ASX or OTCs. It's simply not comparable, we have provided on a number of occasions evidence of gentailers frequently pricing

below the ASX.

If gentailers are so confident the market is so "efficient" then they would be hedged 100% on the ASX. They are not. If they or the EA make these comments again, can I suggest you request gentailers to hedge 100% on the ASX for their own retail business over 12 months and see how they go.

I am now of the opinion the only way forward is to;

- Pursue full separation of generation and retail
- With immediate effect, require all retailers, including gentailers, to only purchase hedges through the ASX.
- Conversely require all generators to offer 100% of their generation through the ASX

### **Gentailers a law unto their own**

Minister, the time for discussion and debate from the industry is over. The EA are trying to make changes but appear powerless. Gentailers have been price gouging for every reason imaginable since September 2018, the list of excuses gets bigger at each event. What is clear, and was evidenced by the drop in demand during lockdown, is the industry has much lower generation costs than that reflected in the current wholesale markets.

The incumbents are doing all they can to maintain the status quo for as long as possible, maximise profits and impact as much harm on competition. Every day that goes by at elevated prices takes weeks or months to recover, for some retailers they never recover.

Further, based on [Consumer reporting](#), I note some gentailers are still offering Prompt Payment Discounts after a polite but assertive request to discontinue this practice. Gentailers think they are a law unto themselves.

The EPR confirmed our concerns with accuracy on every topic. New Zealand needs immediate action now to rectify wholesale markets. In addition to the urgent measures above I request;

- Every pressure possible is brought on the generators to behave or face consequences
- Concurrently pass legislation that gives your office more powers to act as recommended in the EPR

I would welcome the opportunity to discuss this with you on a brief short call to provide more detail. I would welcome Brent and James to the call if they are available.

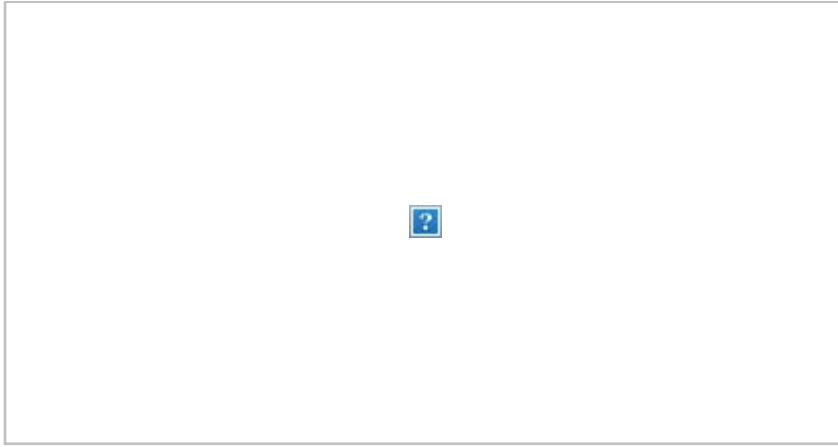
Best regards  
ECOTRICITY

Al Yates  
Team Bring Change

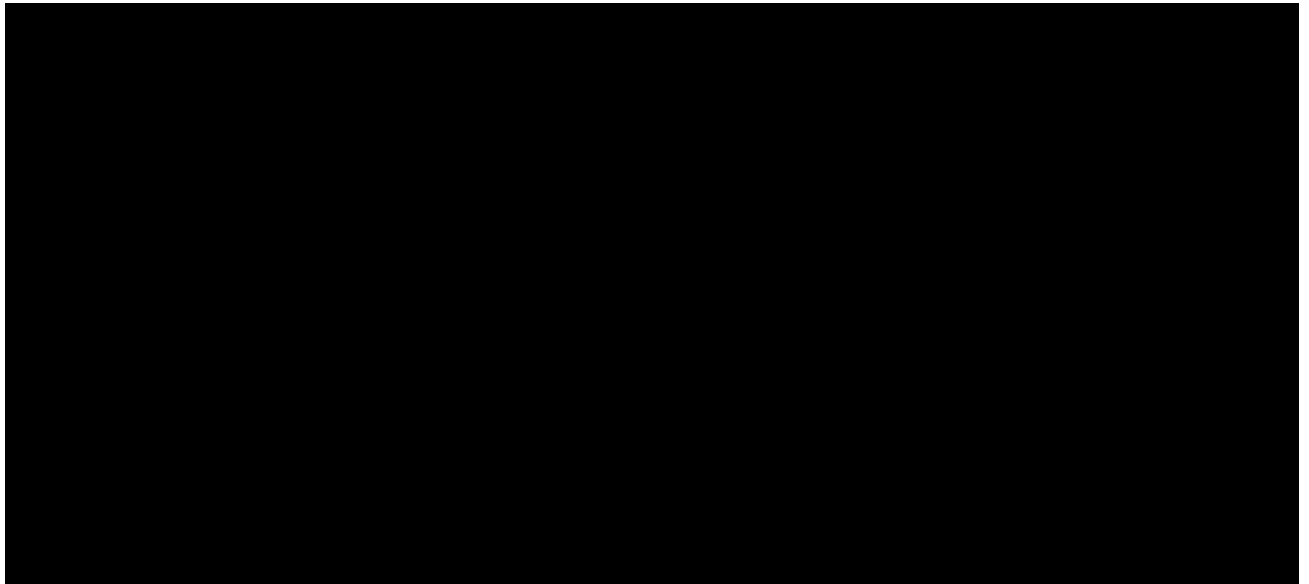
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