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Haast supports the GIC's 2022/23 levy proposal and work priorities

Haast Energy Trading (Haast) welcomes the opportunity to respond to the GIC's 2022/23 levy and work priorities consultation. Haast considers that the GIC's intended work programme is appropriate and supports the levy proposal.

We continue to support the work the GIC is undertaking, particularly to introduce more robust wholesale gas information disclosure, and in relation to its Gas Market Settings Investigation. We reiterate that we encourage the GIC to explore the potential role capacity markets may have in coordinating the energy transition in New Zealand.[1]

It is apparent there is near universal acceptance that a regulated disclosure approach is appropriate, while the current voluntary arrangements have served as a useful transitional mechanism.

The gas industry faces a number of challenges with the transition to a low carbon economy, and the role gas plays in the electricity market. It has been convenient to lay the blame for unprecedented high wholesale electricity prices over the last 4 years on gas supply,[2] but this fails to recognise the impact that the wholesale electricity market has on the price for gas. Independent experts routinely cite gas prices as set by electricity net backs.[3]

We consider it would be useful for the Electricity Authority and GIC to actively engage and work together on matters of common interest, such as the Authority's current wholesale electricity market review.

We welcome the GIC's acknowledgement that "While we have found general consensus that the market works well, one weakness is that market participants may be inadequately incentivised to provide security of supply for participants other than their own customers. Resulting short-term responses to energy shortages are not always in the national best interest. Risks around short-term responses to shortages include social and political consequences, which will sooner or later result in solutions being imposed".

[1] "The Climate Change Commission's advice highlights the rapid transition that New Zealand's energy system will undergo as our economy transitions away from fossil fuels towards predominantly renewable electricity. The recent past shows the risk large generators will manage market supply to be late to market and keep prices high. We believe the case for a capacity market to manage the transition in an orderly way is growing. A capacity market could be the organising scheme of a National Energy Strategy the Minister recently announced was under consideration. While this capacity market would most appropriately sit in the electricity market, it would also provide longer-term signals regarding the role of gas in the electricity market which could also make investment decisions more orderly in the gas market. The design of any capacity market would need to be carefully chosen, it should avoid providing windfall returns to sunk generation investments, and cost allocation should act as a counterbalance to the incentive large generators have to always leave the market short and prices high." Refer to our submission: https://www.gasindustry.co.nz/assets/Consultations/Uploads/Haast-+-Electric-Kiwi-GIC-Gas-Market-Settings-Submission-202106.pdf

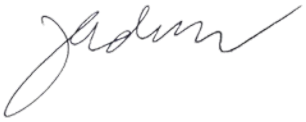
[2] As reflected in some of the incumbent generator submissions in response to the Electricity Authority's wholesale market review.

[3] Refer to our submission: https://www.gasindustry.co.nz/assets/Consultations/Uploads/Haast-+-Electric-Kiwi-GIC-Gas-Market-Settings-Submission-202106.pdf. Refer also to our joint submission with Electric Kiwi to the Electricity Authority in response to the wholesale market review: The wholesale market has a $2.4 billion p.a. over-pricing problem, 16 December 2021: https://www.ea.govt.nz/assets/dms-assets/29/Electric-Kiwi-+-Haast-submission.pdf.

The risk that market participant conduct, particularly where they have significant or substantial market power, may jeapordise their or the market's 'social licence' is an issue we have raised with the Authority in relation to wholesale market conduct, and the wholesale market review,[4] in particular.

We look forward to engaging with and supporting the GIC through 2022/23.

Yours sincerely,



Phillip Anderson
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[4] Refer to our joint submission with Electric Kiwi to the Electricity Authority in response to the wholesale market review: The wholesale market has a $2.4 billion p.a. over-pricing problem, 16 December 2021.