



Press Release
The Sustainable Energy Forum Inc
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Electricity Price Gouging Must Cease

Electricity prices have recently been reported to be likely to rise by about 40 to 50 percent in inflation-adjusted real terms within two decades if the Government pursues its ban on new coal- or gas-fired power stations. Such a large increase will have severe effects on many electricity consumers.

"The Sustainable Energy Forum supports the Government-imposed ban on thermal generation and the target of 90 percent renewable electricity generation by the year 2025" John Blakeley, spokesman for the Forum, said. "But we do not believe that large price increases must necessarily follow. Instead, there must be an independent review of the method by which electricity is priced at present in New Zealand."

"Until about 15 years ago, our electricity was for many years priced on the basis of the average cost of producing it from various sources" Mr Blakeley said. "When the present wholesale electricity market was established in the 1990s, a pricing system was chosen which was known to maximise wholesale prices and thereby facilitate investment in new generation. Instead it created windfall profits for hydro and other low-cost electricity generators."

"The then Minister of Energy, Max Bradford, constantly told the voting public that competition would bring electricity prices for the consumer down" Mr Blakeley said. "But in reality, there is very little real price competition in the electricity market in New Zealand, and few places in the world with unregulated electricity markets such as we have now, have delivered either lower prices to the consumer, or sustainable outcomes."

"One option would be for the Government, as owner and main beneficiary of windfall profits, to insist that artificial distortions in the electricity pricing system be eliminated by requiring that only new generation be charged for at the actual increased prices of providing that electricity, and that existing electricity generation capacity be only allowed to increase in price at a much slower rate. This policy could be applied to all new generation sources coming into production from now on" Mr Blakeley said.

"Another option would be to retain the present pricing system that creates windfall profits for generators, but require that a proportion of that windfall be managed by an independent trust that would focus on demand side measures that reduce electricity cost" Mr Blakeley said. "Much of that windfall could then be rebated directly to electricity consumers, and the rest used to fund more efficient and sustainable electricity use."

"Only an independent inquiry can circumvent the Government's vested interest, through the State-owned electricity generation companies, in the windfall profit being made, much of which goes straight into the consolidated fund, helping to create fiscal surpluses" Mr Blakeley said. "Changes must be made to create a more fair and equitable electricity pricing system."

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