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Calls for tough penalty for Meridian after watchdog finding

Independent power company, Flick Electric, says today's decision by the Electricity Authority is a landmark outcome but points to major flaws with the country's electricity market that need to be fixed to prevent more cases of market manipulation and poor outcomes for consumers.

The Electricity Authority (EA) has confirmed Meridian spilled more water from its dams than it needed to in December 2019, reducing competition and driving up prices on the wholesale electricity market at a significant scale and duration.

This finding comes on the back of the Undesirable Trading Situation (UTS) Claim made in 2019 by Flick and 6 other independent power companies; Haast Energy Trading, Electric Kiwi, ecotricity, Vocus, Oji Fibre, and Pulse Energy Alliance.

Flick Chief Executive, Steve O'Connor, says the decision is good news for Kiwi consumers who rely on electricity, because Meridian's spilling ultimately leads to higher power prices for New Zealanders at home.

"It is a relief to see the watchdog is on track to holding Meridian to account. They should have been generating electricity when water was plentiful. Instead we reckon they've been using their part-government owned assets to lift wholesale prices and maximise their profits."

However Steve says while it's a good start, today's decision is just the tip of the iceberg and points to the need for code change and market reform.

"The electricity market is fundamentally flawed, because it allows gentailers-those who generate and sell power- to manipulate the market in the first place. The EA needs to focus on making sure long-term structural

change, ideally vertical separation of gentailers so they can't increase wholesale prices and use market power to stifle competition."

Steve says the decision doesn't lay blame and the question remains of how the EA will stop this happening again.

"Meridian needs more than a slap on the wrist with a wet bus ticket. It's now critical that the EA sends a strong message to gentailers with a tough penalty for Meridian, otherwise there's no real disincentive to stop them misusing market power."

Flick says the findings of the EA's parallel investigations into High Standards Of Trading Conduct Provisions, due out early 2021, will be key to whether Meridian is truly held to account.

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