

Submission

Strengthening Price Discovery

23 December 2025



Fonterra welcomes the opportunity to provide input to the Electricity Authority's consultation on Strengthening Price Discovery.

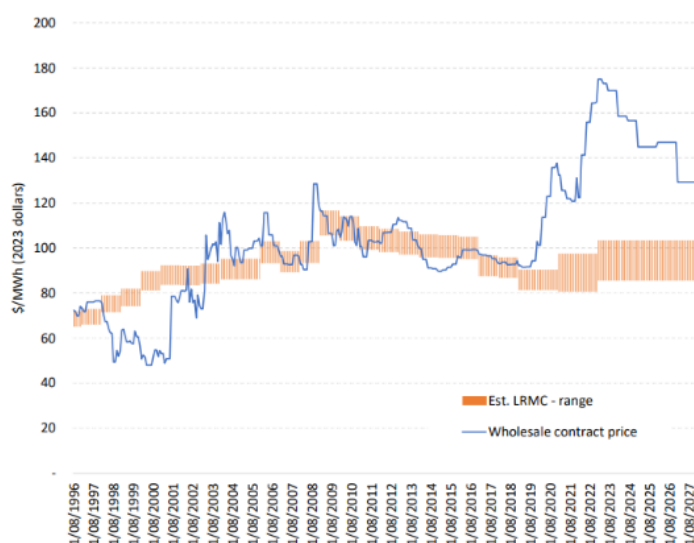
Fonterra is a dairy co-operative owned by over 8,000 New Zealand farming families with 28 manufacturing sites across the country, making us the country's largest exporter and a major supplier of dairy products to the domestic market.

With manufacturing operations spread throughout New Zealand, Fonterra is a major electricity user. We rely on stable and affordable access to electricity to support our operations. This reliable affordable access underpins New Zealand's export competitiveness.

Fonterra supports the views expressed by the Major Electricity Users Group in their submission. In particular, the long-dated ASX contract prices do not accurately reflect the Long Run Marginal Cost (LRMC) of generation due to the apparent allocation of a risk premium to cover potential dry year risk (as shown in the figure below).

There is no benefit in a longer dated futures ASX product if it just locks in the risk premium and other contractual arrangements i.e. PPAs or FPVVs just price up to the ASX.

Figure 4 – Contract prices and estimated costs for new baseload supply (2023)



Source: Concept Consulting²⁸

We recommend the EA considers this matter.