From: Richard Gardiner [redacted]
Sent: Tuesday, 1 April 2025 10:32 am
To: Rob Bernau [redacted]
Subject: FW: Auckland : Conversations on proposals to level the playing field

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Hi Rob

Good seeing you the EA team at Auckland University last week.

The reason I attended is two-fold:

- Because our company, Total Utilities, accounts by our reckoning for 5.4% of the total annual electricity and natural gas kWh procurement of C & I and industrial customers in NZ and
- Two of our clients are MEUG members, one of whom we represent at MEUG.

The wider issue of having a 'level playing field' for all energy retailers is hugely important for us and our clients and for MEUG.

To put this in wider context, approximately 20 years ago, On Energy (owned by AGL in Australia) had built up the largest energy retailing business in NZ. They had 34% market share but only accounted for 4% of national electricity generation. Unfortunately for them, this major strategic imbalance coincided with them being unable to obtain the required energy hedges from the big four gentailers, except under the most punitive of terms. This resulted in them going out of business. On Energy's customer base was carved up by Genesis (North Island) and Meridian (South Island). Bad for competition but good for the gentailers.

Fast forward to last year, Prime Energy (a tier 2 retailer – with no backing generation) repeated the mistake made two decades earlier by On Energy. With the same outcome.

Moving further back, TOU energy rates have more than doubled since the last Government banned all new offshore oil and gas exploration. But the four gentailers, continue to perform very well financially.

Taking Genesis Energy as an example, their annual report three years ago highlighted:

- Excellent financial results achieved by their wholesale division but
- A smallish reported loss by their retail division.

Put simply, wholesale prices are artificially high which achieves two things:

- It ensures that price cutting in the retail side of their business has a minimal impact on the overall financial performance of their business (top management at any business will want to minimise the ability of their staff to 'throw away % GM when pricing jobs).
- It also means that the price competitiveness of Prime Energy and ElectricKiwi, to name but two, is seriously compromised in the retail market. With the four gentailers benefitting accordingly.

Wearing my Total Utilities and MEUG hats, I have two requests/suggestions:

- EA to compare the reported profits of the wholesale and retail divisions of each of the four gentailers during each of the past 10 years. It tells a very clear and recurring story.
- Regarding the EA's Level Playing Field, make it very clear upfront to the gentailers that if the currently proposed stage 1 approach has not achieved the required results in practice after 12 months, it will be replaced by a much more prescriptive approach in 12 months' time (with a new General Election looming large for all of us by then).

Please let me know if you have any questions/comments.

Best regards

Richard

Richard Gardiner

Director

Total Utilities

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