NZ power companies make massive profits while households freeze

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According to a report in *Stuff* last month, New Zealand's major power companies raked in more than a billion dollars in profit over the year while household power bills surged and many people spent the winter freezing in their homes.

The "big four" generation retailers, commonly known as "gentailers"—Contact, Mercury, Meridian and Genesis—that dominate the market posted combined profits of $NZ959 million. The state-owned Transpower, which owns and operates the national grid, also announced an annual profit of $176 million, a 64 percent increase on the previous year's $107 million.

The profits accumulated by the four companies was more than 1,800 percent higher than the previous year's result of $49 million, though short of the $1.5 billion record set in 2022. The *Spinoff* observed that in terms of operating earnings, it was "comfortably the most lucrative year the companies had ever seen," bringing in a combined $3.65 billion.

Meanwhile, figures from Powerswitch show 14 percent of people cannot afford to heat their homes properly, 24 percent have missed a power bill payment and 19 percent have been forced to borrow from family or friends to keep the lights on.

The soaring price of electricity is a major component of the escalating cost of living. Over the two years between the June 2024 and June 2026 quarters, salary and wage rates increased by a total of just 4.4 percent, according to Stats NZ's Labour Cost Index.

Over the same period local authority rates and payments rose 22 percent, electricity 21.4 percent and petrol 17.2 percent. Health insurance increased 39.4 percent, while dwelling insurance rose 9.2 percent. Supermarket prices skyrocketed, ranging from a 28.2 percent increase in beef mince, to 26 percent for milk, 42 percent for butter and 67.6 percent for bread.

Lower-income households are hardest hit with essential expenses commanding more of their budgets. Cold, damp homes are contributing to the spike in winter illnesses.

Habitat for Humanity spokesman Conrad LaPointe told Radio NZ doctors are making around 3,500 referrals a year to his organisation and others which monitor housing standards, because of housing-related health problems. "When we're walking into homes, what we do find is these homes are still very cold in winter. The heat pumps are not on," he said.

Hospitals nationwide are currently in crisis, their Emergency Departments overwhelmed by an influx of patients suffering from influenza, bronchitis and pneumonia.

Power companies are boosting their profits with exorbitant pricing. Transpower ranks electricity offers from cheapest (hydro and wind) to most expensive (coal and gas). The wholesale spot price is set, every half hour, by the highest-cost active generator required to keep the lights on.

If a coal or gas plant such as the Huntly Power Station sets the wholesale price at a high rate, all generators feeding the grid—including those running on the cheaper renewables —are paid that same high price, generating windfall profits. The benefits flow almost exclusively to the gentailers who control 85 percent of the market.

A petition signed by 82,000 calling for radical change to the electricity industry is set to be presented to parliament this month.

With an election on November 7, the National Party, which leads the coalition government, and the opposition Labour Party, are blaming each other for the dire situation.

National's Energy Minister Simeon Brown blamed the previous Labour government for undermining NZ's "energy resilience" by banning oil and gas exploration. In turn, Labour's Megan Woods pointed at government-owned Transpower for banking millions in profit. "Those dividends belong to the public, and the government needs to ensure they are used for the public good,” she declared.

In March, Winston Peters, leader of the far-right populist NZ First Party in the coalition, launched an election policy to break up the power companies into separate generators and retailers. “You’ve been paying far too much for power,” Peters said. “The current system is designed to make maximum profits for power companies, and everyday Kiwi families and businesses are the ones paying the price.” Peters, who has held the balance of power in successive governments, both Labour and National, has no intention of doing anything to threaten profit gouging.

All the capitalist parties defend and have for decades presided over the privatised energy market created during the 1990s.

The Greens’ election policy is to establish Kiwipower, a new state-owned enterprise backed by a $980 million four-year appropriation to compete with the gentailers and invest in renewable capacity. Even if enacted, such a scheme would do nothing to challenge the energy market and dominance of the privateers.

Te P?ti M?ori, (the M?ori Party), which represents the indigenous tribal elite, advocates a $1 billion Energy Sovereignty Fund to give M?ori a foothold in the market with “iwi (tribes) owning generation assets and M?ori businesses participating in the construction and operation of the infrastructure.”

Emboldened by Labour’s sweeping privatisation program of the 1980s, in 1998 National’s Energy Minister Max Bradford split the then dominant state-owned generator, Electricity Corporation of NZ (ECNZ), into three competing State Owned Enterprises (SOEs), each owning and operating their own power stations. Contact Energy was already carved out of ECNZ in 1996.

Bradford’s move, then supported by Peters, was accompanied by effusive claims that it would secure supply and that “competition” in the wholesale market would drive down consumer prices through the law of supply and demand. The claims soon proved to be a complete fraud. Domestic retail prices were significantly higher within a few years and continued rising through the 2000s.

The gentailers were privatised in two waves: Contact Energy was fully privatised in 1999, and the three SOEs—Mighty River Power (Mercury), Meridian Energy, and Genesis Energy—were partially privatised (49 percent sold) between 2013 and 2014, with the Crown retaining 51 percent controlling stakes.

The Labour Party and its allies organised a “Keep Assets” petition in 2012, which triggered a referendum in 2013 in which 67 percent of voters opposed the privatisations. The National Party government simply ignored the result and Labour and the Greens did not reverse the asset sales when they formed a coalition government with NZ First in 2017. The entire campaign had been a fraud.

The “big four” power companies are now collectively valued at $38 billion. They have been far more focused on paying dividends to their shareholders than reinvesting in necessary infrastructure. In the last decade they have paid out $10.8 billion in dividends, with only $4.5 billion going to new power projects.

According to Consumer NZ, residential electricity prices are, when adjusted for inflation, 65 percent higher than they were when the retail market was created in 1999.

Privatisation has served to redistribute wealth from the mass of the population to a small financial elite, which has been enriched at the expense of working class households.

According to the Electricity Authority, about 700 households per month are having their electricity disconnected for non-payment. Last year 46,895 requests for post-paid electricity connections were declined due to low credit ratings, forcing families onto pre-paid connections.

Essential services like water and electricity are necessities of life that must be provided to everyone. These utilities must be placed in full public ownership—not under the control of the capitalist state, which is an instrument of the financial elite, but under the democratic control of the working class. This requires nothing less than the abolition of capitalism and the socialist reorganisation of society.