

[REDACTED]

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Electricity Authority, PO Box 10041, Wellington 6143

by email to taskforce@ea.govt.nz

Personal submission on "Levelling the Playing Field"

I provide this submission as a resident of the Western Bay of Plenty region where an effective competitive electricity market has failed to emerge and as a citizen who cares about the importance of affordable electricity especially to the lives of our most vulnerable particularly our families and children.

I applaud the Electricity Authority for recognising the problems caused by the electricity industry remaining largely in the hands of four Gentailers and I support initiatives to separate the functions of the generation and retail arms of the industry. The goal must be to open the retail market to many new entrants who can obtain sufficient contracts to supply significant volumes of electricity with the increased competition leading to lower prices at favourable terms for consumers. Good stuff !

This is a complex challenge but I have concerns that relying on increasing competition alone will not make a significant impact. I offer the following reasons;

HHI The NZ retail electricity market currently has an HHI of 2215 (31 Mar 2025 EMI). This indicates a highly concentrated marketplace. We are a long long way from having a highly competitive market (HHI less than 100)

MBIE QSDEP. This report provides a snapshot of Lines charges and "Energy and Other" charges by region. We can see how the more remote regions face higher lines charges, these charges are tightly regulated by the Commerce Commission and the high lines charges are mostly easy to understand given terrain and distance.

"Energy and Other" pricing. The Energy and Other pricing is less regulated and the large variations are less easy to explain. We rely on competition. Calculations using the QSDEP model customers (8000 kWh/y) in some regions are paying approx \$500/year too much for retail costs which would seem to indicate failure of market competition.

Regions paying the most for "Energy and Other" from QSDEP 15 Feb 2025.

Westport, Greymouth, Tauranga, Kerikeri, Nelson, Taupo, Balclutha, Rotorua

Reasons for the regional price variations. Apart from Tauranga, I do not fully understand why most of these regions pay so much given we are not talking lines charges here, is it the relatively low population spread thinly over rural areas ? For Tauranga however the local market is the most concentrated in NZ thanks to a loophole

in the Electricity Industry Participants regulations in the Electricity Code. The Loophole has long been exploited by the local electricity trust TECT to the detriment of all the local consumers.

Why do I not trust the Electricity Authority and Commerce Commission to enforce the proposed level playing field measures. While I broadly support the proposal to level the playing field for retailers apart from the Gentailers, I feel that this alone will not be sufficient to provide the level of competition required. I also do not trust the Electricity Authority and Commerce Commission to stand up to powerful Gentailers.

Commerce Commission. The Commission is tasked with ensuring market competition is maintained. I have seen the Commission let the Electricity Price Review down with a deeply flawed report on the nature of the TECT arrangement in Tauranga. Even when challenged and the report amended, the Commission has been unable or unwilling to act. My community of Tauranga has had to endure among the highest electricity energy prices in NZ thanks to the actions of a private trust and the inaction of the Commission.

The Commission has also allowed the sale of Trustpower retail, thus reducing the level of competition at retailer level. We have seen the sale of TILT. We await the decision to allow sale of Manawa to Contact. We should be moving to increase competition. In 2019 Powerswitch identified fifteen retailers offering supply in Tauranga, in 2025 this is just eight.

Electricity Authority. The Authority is aware of the apparent market failure that has some regions facing much higher charges for the "Energy and Other" component yet does not seem to have identified this as a priority. Many of our poorest families live in remote regions such as the Far North, they should not be penalised with the highest levels of "Energy and Other" prices.

The Authority has responsibilities under part 6A of the Code to manage potential conflicts that may interfere with competition. It seems that the Authority has been prepared to bend over backwards to provide dispensation from requirements of the Code rather than enforce the rules. (see Dispensation 002)

The Authority has identified the Tauranga problem but to date has not found a way to do anything except watch. The Electricity Industry Act was amended to allow the Minister to declare an entity such as TECT an industry participant and thus be covered by the Code, the Authority should be active in pursuing this.

I am pleased that the Electricity Authority is pursuing a level playing field, it just needs to be pushed harder. I am grateful for the opportunity to be able to present this submission.

David Riley

Appendix E Format for submissions

Submitter	David Riley
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Questions	Comments
Problem definition — competition concerns from Gentailer vertical integration	
Q1. What are the benefits of vertical integration between generation and retail? Do you have any evidence to better specify and quantify these benefits? In particular, we are interested in benefits that would be realised by New Zealand's electricity consumers.	
Q2. Do you agree with our description of the competition concerns that can arise from the combination of Gentailer vertical integration and market power? Why/why not? Do you have any evidence to better specify and quantify the competition risks of vertical integration?	Yes I agree with your concerns.
Q3. To what extent does vertical integration of smaller gentailers, such as Nova and Pulse, raise competition concerns? Should these smaller gentailers be subject to any proposed Level Playing Field measures?	
Q4. Are there other specific areas (other than access to hedges) where Gentailer market power and vertical integration are causing competition concerns?	I would assume that larger companies have greater resources to withstand competition and hold out longer against competition
Q5. Do you agree with our preliminary view that the evidence indicates there may be good reasons to introduce a proportionate Level Playing Field measure to address the competition risks in relation to hedging/firming? Why/why not?	

Level Playing Field options we have identified

Q6. Have we focused on the right Level Playing Field options? Are there other options that we should add or remove to the list in paragraph 4.1?

Q7. Are there any other important factors we should consider when identifying options (see paragraphs 4.2 to 4.5)?

We have a large number of pricing regions identified in MBIE QSDEP. While I understand the need for line charge variation there could be significant reduction in energy component regions, perhaps just one for all NZ

Q8. Are there other key features, pros or cons we should consider in our description of the four Level Playing Field options?

Our assessment of Level Playing Field options

Q9. Have we identified the right criteria for assessing Level Playing Field options (Figure 6)? Is there anything we should add or remove?

Q10. Do you agree with our application of the assessment criteria (Table 5)? Are changes needed to the colour coding or reasoning?

Q11. Are there any other material benefits or risks that should be considered (but are currently not) in our assessment of options?

Q12. Do you agree with our selection of non-discrimination obligations as our preferred Level Playing Field measure? Why/why not?

Roadmap for implementing non-discrimination obligations

Q13. What are your views on our proposed roadmap for the implementation of non-discrimination obligations?

<p>Q14. Which products should any non-discrimination obligations apply to? Should all hedge contracts be captured, or should the rules be focused on super-peak hedges only? Are there are other interactions between Gentailers and their competitors which would benefit from non-discrimination rules?</p>	
<p>Q15. Do you have any feedback on the indicative draft non-discrimination principles (and guidance) set out in Appendix B? Without limiting your feedback, we would be particularly interested in your views on the following questions:</p> <p>a. Have we got the level of detail/prescription right? For example, do you consider that the principles and guidance will lead to economically meaningful Gentailer ITPs being put in place? What would be the costs and benefits of instead applying a more prescriptive ITP methodology?</p> <p>b. How far should the allowance in the principles for different treatment where there is a “cost-based, objectively justifiable reason” extend? Do you agree with the guidance that this allowance should not be extended to volume (at paragraph 13 of Appendix B)?</p>	
<p>Q16. Do you agree that escalation options are needed if principles-based non-discrimination obligations are implemented initially? Why/why not?</p>	
<p>Q17. Are prescribed non-discrimination requirements and mandatory trading of Gentailer hedges via a common platform suitable escalations given the liquidity, competitive pricing and even-handedness outcomes we are seeking? Why/why not? What alternatives would you suggest (if any)?</p>	

Q18. What costs and benefits are likely to be involved in setting more prescriptive regulatory accounting rules which detail how ITPs should be calculated? What would be appropriate triggers for introducing more prescriptive requirements for ITPs?	
Q19. Do you have any views on how the non-discrimination requirements should best be implemented to ensure that Gentailers are no longer able to allocate uncontracted hedge volumes to their own retail function in preference to third parties? What are the key issues and trade-offs?	
Q20. Do you have any views on the triggers for implementing the stronger regulation proposed in our roadmap?	
Our current thinking on virtual disaggregation	
Q21. Does our proposed approach to implementing non-discrimination obligations (as set out in the roadmap in Figure 7) sufficiently address the underlying issue that originally led to MDAG recommending virtual disaggregation?	
Q22. Do you have any views on whether virtual disaggregation provides a useful response to the competition risks we have identified (relative to the proposed roadmap) and, if it does, how it should be best applied?	