

7 May 2025: SUBMISSION TO ELECTRICITY AUTHORITY REGARDING LEVEL PLAYING FIELD OPTIONS

New Zealand needs highly competitive markets to thrive and prosper

Entrust supports the work the Electricity Authority is doing as part of the Energy Competition Task Force (ECTF), to remove barriers to competition and increase consumer choice. A well functioning and competitive market is needed to make electricity more affordable for Kiwis, and to put New Zealand businesses on a stronger footing. Competition gives consumers better choice and ability to control their power bills.

It has become increasingly clear there are major competition problems in the electricity market which need to be addressed urgently.

Summary of Entrust's submission

- Competition needs to be strengthened. A more competitive electricity market, at both the wholesale and retail levels, would result in more affordable and secure electricity supply.
- We share the Authority's concerns about the large gentailers dominating the market and their control over most generation capacity in New Zealand. Entrust considers that the Authority has provided clear evidence of substantial competition problems in the electricity market. This is supported by evidence Entrust and others have provided in submissions.
- Entrust supports the introduction of non-discrimination rules which would require the large gentailers to treat other retailers the same way as their own retail businesses in the provision of hedge products. Non-discrimination rules are a standard and orthodox part of competition regulation in New Zealand and internationally.
- Entrust supports the Authority's intention to substantially reform the Internal Transfer Payment (ITP) disclosure requirements to provide greater transparency of gentailer internal arrangements. We also support the Authority's intention to increase scrutiny of gentailer conduct, with the clear message if there aren't improvements in behaviour more regulation will follow.
- A concern we have is whether the Authority's proposals go far enough. There is risk with adopting a 'wait and see' approach before considering additional regulation. If the initial interventions aren't sufficient competition problems will drag on for longer than they should causing unnecessary and prolonged harm to consumers e.g. prices that are higher than they should be and less choice.
- A safer approach could be to adopt more prescriptive non-discrimination rules and mandate provision of shaped hedge products as part of the initial suite of reforms.
- A sharp focus on energy affordability is needed. The more affordable electricity is the less likely Kiwi households and families will be forced to cut essential electricity usage or get into financial difficulty.

Entrust's submission

The Authority has provided clear evidence of substantial competition problems, including that wholesale market concentration has remained unchanged over the last 15 years and there are barriers to entry and expansion by small and independent suppliers in retail and generation.

This is consistent with submissions we have made detailing that the electricity retail and generation markets are highly concentrated.¹

Stronger competition would help ensure more affordable electricity for Kiwi households and businesses. We are pleased the Authority has prioritised dealing with competition issues. We support the Authority working with the Commerce Commission, as part of the ECTF.

Entrust welcomes that the Authority's thinking on what needs to be done to promote competition has progressed significantly over the last few months and the Authority is showing a greater willingness to intervene.

We welcome the Authority's clear statement that it "will not be deterred or distracted by the efforts of vested interests hoping to preserve the status quo."² There is an important distinction between promoting the interests of consumers and protecting incumbent supplier vested interests and profits.

Entrust fully supports the Authority's proposed reforms

Entrust fully supports the Authority's proposed reforms, including adoption of non-discrimination rules for access to hedge products, enhanced ITP disclosure obligations and monitoring of incumbent gentailer conduct and market outcomes.

We agree with the Authority that these reforms will help address problems with gentailer vertical-integration and market power, including that this enables them to discriminate against their competitors to the advantage of their internal retail businesses. The ITP disclosure and improved monitoring will assist in identifying potential misuses of market power.

We agree with the Authority that it is not tenable for the gentailers to prioritise self-supply and that shaped hedges are too critical for competition to be left solely to gentailers' discretion. We also agree with the Authority that non-discrimination rules should apply to all hedge products and these changes should be introduced as soon as possible.

A concern we have though is that while the Authority's proposals are vital for promotion of competition, they may not go far enough given the scale and nature of the problems in the electricity market.

The Authority has outlined escalation points if the initial reforms are inadequate, but this approach comes with the risk competition problems could continue for longer than they should before they are resolved. This could result in higher prices for longer and undermine the transition to a lower emissions economy and provision of affordable energy for Kiwis households and businesses.

¹ <https://www.entrustnz.co.nz/media/a5got50y/submission-on-the-electricity-price-review-first-report-24-october-2018.pdf#page9>

² Sarah Gillies: [Consumer interests front and centre of sector transformation | Electricity Authority](#)

We encourage the Authority to consider the impact on consumers if the initial reforms turn out to be insufficient. Consumer interests should be at front and centre and ahead of vested commercial interests or protecting status quo regulatory settings.

The Authority is placing a lot of faith on non-discrimination rules to do the heavy lifting in resolving competition problems, but we think this will need the support of additional reforms to be successful.

Given how critical hedge products, including shaped products, are to fostering a more competitive market, Entrust considers that mandatory market-making should include shaped hedge products as well as baseload hedge products.

The Authority could help provide greater regulatory certainty by adopting prescriptive non-discrimination and arms-length relationship rules. We also consider that the Authority's proposals would be strengthened and complemented by a requirement for the large, incumbent gentailers to disclose separate financial accounts for their retail and wholesale electricity businesses. We consider that financial disclosure would complement the enhanced ITP disclosure proposals and provide better transparency of the impact of the internal arrangements between the gentailers' retail and wholesale businesses.

If a staged approach with escalation options is adopted the 'threat of regulation' needs to be credible

If the Authority adopts a staged approach to regulation we would support the Authority continuing work on the escalation options, including more prescriptive non-discrimination and arms-length relationship rules. The escalation options could then be deployed quickly if needed. This would help make the 'threat of regulation' more credible and provide a clear message that the large gentailers need to change their behaviour if they want to avoid further regulation.

No consumer should be left behind

The Authority has done a good job of ramping up protections for consumers who may be vulnerable or having difficulty paying their electricity bills with the establishment of the Consumer Care Obligations.

The other aspect of consumer protection, and promoting the interests of consumers, is ensuring that the electricity market is highly competitive and delivers affordable electricity. As the Authority has explained that stronger competition will help to "push prices down." We are already seeing the harm caused by weak competition on electricity prices.

Cheaper electricity can mean less payment problems.

A more competitive market should help ease financial difficulties households face and the extent to which they end-up going through non-payment and disconnection processes.

While Entrust fully supports initiatives aimed at promoting competition, we reiterate our concern that not all Kiwi households and families are benefiting from competition. There are a lot of consumers who are paying more than they should for electricity and could save money by switching supplier. The groups that tend to miss out are over-represented by low income, elderly and vulnerable consumers. Consumers that can least afford electricity are likely to be paying the most.³

³ <https://www.entrustnz.co.nz/media/f2ehwdww/2024-submission-re-consumer-plan-comparison-and-switching-6-mar.pdf>

The Authority should continue to look at ways to help ensure all consumers benefit from competition, including the many consumers who either have never switched supplier or may not have done so for a long time.

Concluding remarks

Entrust wants to ensure electricity is supplied in an efficient and affordable way to all consumers and its beneficiaries, including the 365,000 households and businesses in its area of central, east and south Auckland.

A well-functioning and strongly competitive market is needed to make electricity more affordable for Kiwis.

Entrust supports initiatives aimed at increasing competition. Entrust fully supports the Authority's proposed reforms but don't think they go far enough given the scale and nature of the competition problems in the electricity market.

There is significant risk that if the competition issues are not adequately resolved market concentration and competition problems could continue to worsen. This could result in higher prices and undermine the transition to a lower emissions economy and provision of affordable energy for Kiwis households and businesses.

Kind Regards



Alastair Bell
Chair of Regulation and Policy Committee