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Electricity Authority | Te Mana Hiko  
Energy Competition Task Force

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Tēnā koutou



## **SUBMISSION ON THE LEVEL PLAYING FIELD MEASURES – OPTIONS PAPER**

Unison Networks Limited (**Unison**) is an electricity distribution business operating in Hawke's Bay, Taupō and Rotorua. Centralines Limited (**Centralines**) is a distributor operating in Central Hawke's Bay.

Unison and Centralines welcome the opportunity to respond to the Electricity Authority's Level Playing Field Measures Options Paper.

### **1. Introduction**

While neither Unison nor Centralines are electricity market participants in the wholesale or retail sense, as consumer-owned electricity distribution businesses, we have a strong interest in the long-term outcomes for our consumers. These outcomes include access to reliable, affordable electricity, and a market structure and regulatory framework that promote competition and apply downward pressure on prices.

From an international perspective, New Zealand's electricity system performs well in terms of generation reliability and sustainability, with one of the cleanest generation mixes globally. However, our energy-only wholesale market exhibits greater price volatility, particularly for non-integrated participants. While overall electricity prices sit in the mid-range internationally, recent periods of sustained high prices have highlighted key structural vulnerabilities.

We recognise that vertically integrated gentailers can offer certain system-level benefits, including the elimination of double marginalisation, lower financing costs, improved coordination of investment, and enhanced financial resilience. However, these benefits should not come at the expense of competition, transparency, or equitable access to essential risk management tools such as hedge products.

We support the work of the Energy Competition Task Force and believe the proposals set out in the Options Paper represent a meaningful step toward a more competitive, transparent, and resilient electricity market. A level playing field in the provision of hedge contracts is essential to enabling the entry and growth of independent retailers, which helps ensure price discipline, innovation, and long-term supply security.

The urgency of reform is underscored by the experience of winter 2024, when high wholesale electricity prices forced large industrial consumers to curtail operations. This is not sustainable. Action must be taken to address the underlying causes of price volatility. We agree with the Authority's risk analysis, which is supported by the continued withdrawal of independent retailers and the persistent lack of hedge market liquidity. These indicators point to the need for targeted and escalating regulatory interventions to rebalance the market in favour of long-term consumer outcomes.

## 2. Support for the Proposed Measures and Risk-Based Approach

We support the Authority's proposed three-step, escalating approach to introducing mandatory non-discrimination obligations:

- **Step 1:** Implement principles-based obligations on gentailers to not discriminate in the provision of hedge products.
- **Step 2:** Tighten these obligations with more prescriptive requirements if needed.
- **Step 3:** Require hedges to be traded through regulated markets if outcomes do not improve.

This phased and proportionate framework is pragmatic and necessary given the structural challenges in the market. However, it is essential that each step is underpinned by **clear, measurable success criteria** and **evidence-based triggers** for progression to the next stage. This will ensure that the process is transparent, responsive to outcomes, and avoids unnecessary delays in addressing entrenched issues. The high level of market concentration—particularly in flexible generation—and the vertically integrated structure of gentailers continues to limit access to competitive hedge products. Without timely and effective intervention, these dynamics will deter new entry and further undermine competition, ultimately to the detriment of consumers.

## 3. Importance of Evaluating Long-Term Hedge Availability and Costs/Benefits of Interventions

We encourage the Authority to evaluate not only the availability of hedge contracts, but also the **term** and **price** of those hedges. The Market Development Advisory Group (**MDAG**) report<sup>1</sup> rightly highlighted the importance of longer-term hedge products to support investment and retail competition. A liquid short-term hedge market is not enough to support new or growing retailers. Measures that improve long-term hedging options should be prioritised, and the costs and benefits of each intervention should be assessed with this lens.

Further, in considering implementation pathways, the Authority should carefully evaluate the total system costs of different interventions. For example, while structural separation or virtual disaggregation may be significant steps, in markets with high concentration of market power, these may be justified and necessary to ensure competitive neutrality.

## 4. Internal Transfer Prices and the Need for Benchmarking

We also recommend that the Authority consider the risks associated with internal transfer prices (**ITPs**) between generation and retail arms of vertically integrated gentailers. In the absence of a transparent benchmark or functioning, liquid hedge market, ITPs may not reflect

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<sup>1</sup> MDAG Price discovery in a renewables-based electricity system – Final Recommendations Paper

genuine market conditions. If used as a proxy for compliance or market testing, they may give the appearance of fairness while masking anti-competitive practices. The effectiveness of the proposed measures will depend not only on improving hedge liquidity, but also on establishing meaningful reference points against which behaviour can be evaluated.

## 5. Conclusion

We support the Authority's direction and believe the proposed measures are both timely and necessary. They align with our goal of ensuring that consumers in our regions—and across New Zealand—can benefit from a **competitive market that delivers affordable, reliable electricity** over the long term. We agree that regulation must enable a **functioning, competitive market**, while also supporting **long-term security of supply** and **affordability** for consumers. Importantly, any interventions should be carefully designed to **avoid disincentivising investment** in the generation capacity New Zealand will need to meet future demand and decarbonisation goals.

We encourage the Authority to:

- Proceed with the **three-step implementation** of mandatory non-discrimination obligations, with clear success measures and evidence-based triggers at each stage.
- Continue to **monitor hedge market developments**, with a particular focus on **long-term hedge products** and ensuring **genuine, competitive price signals**.
- Consider the **potential for virtual disaggregation** where high market concentration persists and limits competition.
- Address the influence of **internal transfer pricing** on market dynamics and the need for greater **transparency** to support compliance and oversight.

We appreciate the opportunity to contribute to this consultation and would be happy to engage further as this important work progresses.

No part of this submission is confidential, we acknowledge it will be published. Please do not hesitate to contact us for further information including on operational requirements.

Nā māua noa, nā

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