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Submissions
Electricity Authority/ Commerce Commission

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Re: Open Letter on the 2026 Energy Competition Task Force work programme

Nova Energy (Nova) appreciates the opportunity to provide feedback on the Electricity Authority's (the Authority) Open Letter outlining potential focus areas for the Energy Competition Task Force (the Task Force) 2026 work programme.

Nova supports the Task Force's objective to improve consumer outcomes and strengthen competition in the electricity sector. We encourage the Task Force to maintain a targeted, evidence-based approach focused on addressing material barriers to competition while preserving efficient market signals and supporting long term investment.

Nova also considers it essential that initiatives strike a pragmatic balance: avoiding unnecessary costs associated with complexity and change, while still enabling the innovation needed to enhance competition and consumer outcomes. For this reason, Nova encourages prioritisation of initiatives that improve access to dispatchable generation resources, enhance transparency and support efficient investment across the value chain.

Feedback on Proposed Focus Areas

Level Playing Field (LPF) Implementation and Wholesale Liquidity

Nova supports the continuation of proportionate LPF measures that enhance transparency and provide confidence in peak-period hedging products. However:

- LPF measures should remain narrowly focused on hedging products designed to manage scarcity and peak-period risk (e.g., the super-peak hedge), rather than the broader hedge market.
- Nova does not support prescriptive Internal Transfer Pricing methodologies or structural separation options, as these erode efficiency and increase costs for consumers.
- Wholesale liquidity initiatives should prioritise the development of domestic OTC platforms, with careful consideration of prudential and accessibility issues. Mandatory market making should be considered only where strong, persistent evidence demonstrates material lack of liquidity.

Nova encourages the Task Force to prioritise the proposed "Market power and flexibility issues". This project directly addresses significant structural risks in the electricity sector—particularly those relating to hydro dominance, scarcity conditions, and barriers to developing new dispatchable and fast-responding or firming capacity. Nova considers this workstream essential to improving competition outcomes, ensuring investment supportive market settings, and enhancing system resilience under both normal and dry year conditions.

Nova supports:

- Monitoring the availability and pricing of dispatchable and fast responding capacity (including storage and demand-side response)
- Exploring ways to enhance access to fast start and other firming technologies (such as BESS).

- Maintaining scarcity pricing as a central signal for efficient investment.

Dry year risk considerations: Dry year risk remains one of the most significant structural challenges for New Zealand's electricity system as it moves to be more highly renewable in nature. Sustained low hydro inflows increase scarcity and price volatility, heightening the influence of concentrated hydro storage. Nova recommends the Task Force:

- Monitor dry year conditions and their effect on market power in real time.
- Assess whether current settings sufficiently incentivise new non-hydro dispatchable capacity.
- Ensure regulatory interventions do not weaken scarcity pricing, which is essential for investment in peaking plants, storage, and demand response.
- Explore better integration of demand side flexibility and deep energy storage capacity to reduce hydro reliance during dry years.

Targeted flexibility measures and investment supportive settings would materially improve resilience, competition, and consumer outcomes. Nova recommends the Task Force consider operational improvements such as relaxing gate closure constraints for fast start peaking units, which can improve responsiveness and competition during tight conditions.

Ensuring Retail Service Bundling Supports Consumer Choice

Nova agrees bundling can affect consumer mobility and comparison. However, regulation must avoid restricting legitimate retail innovation. As an example, mandated retail pricing structures (e.g., compulsory TOU), —based on Nova's experience—reduce innovation, increase customer confusion, and may raise bills for certain consumer cohorts.

2026 Work Programme

Nova suggests the following priorities for inclusion in the 2026 programme:

1. **Proportionate LPF implementation** focused on specific hedging products, such as the super-peak hedge.
2. **Development of a domestic OTC hedging platform, integrated with core electricity market systems and processes (pricing, clearing and settlement, credit support systems and processes)**, to support such (and scarcity-risk) hedging products, integrated with the Clearing Manager to reduce prudential barriers.
3. **Monitoring of dispatchable hydro concentration** and emerging flexibility scarcity (i.e., limited availability of fast-responding or dispatchable capacity).
4. **Avoiding mandatory retail pricing requirements**, preserving consumer choice and innovation.

These initiatives address genuine market issues without imposing undue costs on consumers or undermining investment confidence.

Nova looks forward to continued engagement as the Task Force finalises its 2026 work programme.

Yours sincerely

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