

To: The Electricity Authority
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From: Electricity Engineers' Association of NZ

Date: 19 March 2026

Subject: EEA Submission – Consultation Paper - *Non-discrimination obligations: Retail Price Consistency Assessment (RPCA), uncommitted capacity and other matters (February 2026)*

OVERVIEW

The Electricity Engineers' Association (EEA) welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper on Non-discrimination obligations: *Retail Price Consistency Assessment (RPCA), uncommitted capacity and other matters (February 2026)*.

EEA represents distribution businesses, transmission participants, engineering practitioners, and organisations involved in the safe, reliable, and efficient operation of New Zealand's electricity system.

Our mandate focuses on technical, engineering, operational and investment-related matters—not commercial interests in retail or generation markets. Accordingly, this submission does not comment on retail pricing strategy or gentailer profitability. Instead, it focuses on how the proposed RPCA framework, uncommitted capacity approach, and associated obligations may affect:

- System performance and reliability
- Renewable generation and flexibility investment
- Grid connection pipelines and timing
- Demand flexibility and emerging DER integration
- Long-term planning across transmission and distribution networks

As set out in our previous submission on Level Playing Field measures, stable and transparent hedge market conditions underpin forecasting, hosting capacity modelling, and infrastructure investment decisions across the electricity system.

Overall Position

EEA supports the intent of the proposed refinements to the non-discrimination obligations (NDOs) and RPCA where they:

- Improve confidence in hedge market access and pricing, supporting independent generation and flexibility investment
- Enhance transparency and predictability, which are critical inputs into network planning, system modelling, and asset investment decisions
- Reduce uncertainty that currently affects PPA negotiations, connection pipelines, and investment timing.

We encourage the Authority to ensure:

- Implementation remains proportionate, practical, and iterative
- RPCA methodologies avoid unintended consequences for flexible resource investment and price smoothing
- The framework evolves alongside the energy transition, including DER, demand flexibility, and decentralised storage
- Guidance is clear, technically grounded, and aligned with real-world risk management practices.

Response to Consultation Questions

Consistent with our mandate, responses below focus on engineering, system planning, investment-signal, and operational implications, rather than retail pricing behaviour.

Q1. Do you agree with the Authority taking a forward-looking approach to the RPCA?

The EEA supports the use of a forward-looking (expectations-based) approach.

This aligns with how decisions are made in practice across the electricity system. Hedge procurement, retail pricing, and—critically—investment in generation, storage, and flexibility are all based on expectations of future conditions rather than retrospective outcomes. A forward-looking RPCA is therefore more consistent with the information set available to market participants at the time decisions are made.

From a system perspective, this approach better supports:

- Investment decision-making for renewable generation and firming capacity
- Network planning processes (including AMPs and connection pipelines)
- Long-term modelling of supply-demand balance and system risk

However, to ensure credibility and usefulness over time, we consider it important that:

- RPCA methodologies and assumptions are clearly documented and consistently applied
- There is scope for retrospective review and calibration, to improve confidence in results
- Differences between expected and realised outcomes are interpreted carefully, to avoid misleading signals for investment or system behaviour.

Q2. Do you agree with applying an as-efficient competitor (AEC) standard, including common costs?

The EEA supports the application of an AEC standard, including an allocation of common and shared costs.

This approach is consistent with the RPCA's objective of assessing whether an efficient independent retailer could compete with a gentailer's retail arm. It also avoids introducing artificial benchmarks that may distort commercial behaviour.

From a system and engineering perspective, however, the effectiveness of this approach will depend heavily on transparency and consistency in application. In particular:

- Variability in cost allocation methodologies may reduce comparability across gentailers
- Differences in interpretation could obscure system-relevant signals
- Outcomes may become difficult for planners and investors to interpret

To address this, we recommend:

- Clear expectations around methodological transparency and documentation
- Consistent treatment of common and shared costs
- Consideration of periodic independent review or validation, particularly if material divergence in approaches emerges over time.

Q3. Should the Authority avoid prescribing benchmarks (costs, hedge portfolios, retail costs)?

The EEA supports the Authority's current approach of not prescribing benchmark costs or hedge portfolios at this stage.

Maintaining flexibility is important to:

- Avoid regulatory overreach into commercial risk management practices
- Preserve innovation in business models and hedging strategies
- Reflect the diversity of approaches across participants

From a system perspective, overly prescriptive benchmarks could distort incentives for:

- Flexible resource investment
- Storage and demand response participation
- New retail and aggregation models

However, this flexibility should be balanced with sufficient guidance to ensure RPCA outcomes remain:

- Interpretable and comparable
- Credible to investors and system planners

If significant divergence in approaches emerges, there may be a case over time for increased guidance or standardisation, but this should be evidence-led.

Q4. Do you have any comments on the proposed customer and geographic segmentation?

The proposed approach to segmentation is broadly appropriate.

Focusing on mass market customers, with a distinction between new and existing customers, is likely to provide the most useful insight into potential competition issues while maintaining a manageable level of complexity.

From a system perspective, regional segmentation can also provide useful visibility, particularly where differences are driven by:

- Network pricing structures
- Loss factors
- Load characteristics

However, it is important to recognise that regional variation does not necessarily indicate discrimination. Many differences will reflect underlying physical and economic characteristics of the electricity system.

We therefore encourage the Authority to:

- Treat geographic segmentation as a diagnostic tool rather than a definitive test
- Avoid over-interpreting regional differences as evidence of competition issues
- Provide guidance on how regional RPCA outcomes should be interpreted in context.

Q5. Do you have any comments on the proposed approach to price smoothing??

The EEA supports the Authority's recognition that price smoothing is a legitimate and valuable feature of competitive retail markets.

From a system perspective, price smoothing:

- Reduces demand volatility
- Supports consumer confidence and participation
- Contributes to more stable system operation

We agree with the Authority's position that:

- The RPCA should not operate as a strict year-by-year pass/fail test
- Negative or low margins may, in some circumstances, be consistent with efficient and competitive behaviour
- A case-by-case assessment is preferable to rigid safe harbours

However, to support consistent interpretation and reduce uncertainty, we recommend:

1. Providing clearer guidance on acceptable time horizons and conditions for smoothing
2. Ensuring that the RPCA framework does not inadvertently discourage smoothing behaviour, as this could:
 - Increase retail price volatility
 - Undermine consumer outcomes
 - Create unintended system impacts.

Q6. Do you have any comments on the proposed date for the first RPCA disclosures?

The proposed implementation timing is broadly appropriate, particularly given the Authority's objective of improving transparency as early as practicable.

However, from an engineering and system planning perspective, it is important that:

- Participants have sufficient time to develop robust methodologies and internal processes
- Final guidance is provided early enough to be incorporated into:
 - Asset Management Plans (AMPs)
 - Connection and investment planning
 - System modelling and forecasting

We support a phased implementation approach, including an initial “learning period” where:

- The focus is on improving consistency and data quality
- Regulatory expectations are proportionate
- Insights from early disclosures can inform refinement of the framework.

Uncommitted Capacity – Options

The EEA broadly supports Option 2, which removes the concept of uncommitted capacity.

As identified through consultation feedback, the concept is:

- Difficult to define consistently
- Highly dependent on internal modelling and assumptions
- Not well aligned with real-world risk management practices

Retaining it risks introducing subjectivity and inconsistency without materially improving transparency.

Replacing this with a risk-based obligation, where gentailers may decline to offer contracts only where doing so would create an intolerable risk position, is preferable.

To ensure this approach is effective, it will be important to:

- Clearly define and provide guidance on what constitutes “intolerable risk”
- Align expectations with prudent utility risk management practices
- Require transparent documentation and justification of decisions.

Non-discrimination Policies and Audit Requirements

The EEA supports the requirement for internal non-discrimination policies, as these will:

- Embed obligations within organisational processes
- Strengthen governance and accountability
- These requirements should remain principles-based and aligned with existing compliance frameworks.

We also support external audit requirements in principle, but recommend a proportionate, risk-based approach. In particular:

- Audit requirements should focus on key areas such as RPCA methodology and cost allocation
- Duplication with existing audit processes should be avoided

- Compliance costs should not detract from core operational and system functions.

We also consider it important that the Authority provide early and clear guidance on how ongoing monitoring, audit expectations, and potential enforcement will be applied in practice. This will support consistent implementation across participants and reduce uncertainty as the framework is embedded.

Conclusion

The EEA supports the direction of the Authority's proposed RPCA and NDO refinements as a means of strengthening confidence in hedge markets and supporting system development.

The effectiveness of the framework will depend on practical implementation, clear guidance, and an approach that preserves flexibility while ensuring transparency and consistency.

We encourage a phased and iterative approach and welcome continued engagement as the framework evolves.

Contact

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