



Outlook

Consultation Submission – RPCA guidance and Uncommitted Capacity

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Date Fri 20/03/2026 2:42 PM

To Level playing field <levelplayingfield@ea.govt.nz>

1. Executive Summary

The current proposed framework for Non-Discrimination Obligations (NDOs) fails to address the fundamental structural advantages of the four large generator-retailers (gentailers). By allowing "subjective" risk assessments and failing to implement "bright-line" pass/fail tests, the Authority is effectively codifying the status quo. Our independent coalition—comprising hydro, solar, and geothermal interests—contends that the "Intolerable Risk" provision and the lack of standard benchmarks serve as a barrier to the very innovation required to decarbonise New Zealand's industrial sector.

2. Retail Price Consistency Assessment (RPCA)

- **Opposition to Discretionary Outcomes:** We disagree that the RPCA should not be a "bright-line pass/fail test". Without a clear standard, gentailers can continue to mask internal subsidies through "price smoothing" excuses.
- **Standardisation vs. Prescription:** The Authority's refusal to publish benchmarks for the cost of electricity or prudent hedge portfolios allows for "gaming" of the cost measures. We advocate for standardised, transparent calculation rules to prevent gentailers from using bespoke internal models to justify anti-competitive margins.
- **Audit Requirements:** While we support the codification of annual external audits, we argue that these must be more than "marginal" checks and should specifically scrutinise the "as if" portfolio construction used to justify self-supply costs.

3. Uncommitted Capacity and "Intolerable Risk"

- **Rejection of Option 2:** We strongly oppose the Authority's preferred "Option 2," which introduces the concept of an "intolerable risk position".
- **The Subjectivity Loophole:** Allowing a gentailer to refuse a hedge contract based on their own "reasonable forecast" of risk creates a legalised mechanism for withholding capacity from independent players.
- **Risk as a Business Standard:** In any other competitive industry, "risk" is a component of doing business. By protecting gentailers from "intolerable" positions, the Authority is shielding monopolies from the consequences of their own market dominance while stifling new entrants who are ready to manage that risk through physical assets like BESS.

4. The "Independent Coalition" Alternative

The market is currently a "Wild West" for small players because the rules are being written to accommodate the legacy models of the Big 4. Our coalition is bypassing this broken regulatory framework by:

- **Hosting BESS at Industrial Sites:** Placing batteries directly at anchor-load sites (e.g., Fonterra) to remove the gentailers' ability to claim grid or "intolerable" risk as an excuse for denial of service.
- **Multi-Resource Firming:** Linking independent solar, hydro, and geothermal assets to create a "Physical Hedge" that does not rely on the gentailers' opaque OTC (Over-the-Counter) market.

5. Closing Statement

The Electricity Authority must move beyond "learning by doing" and implement rigid, enforceable non-discrimination standards. If the goal is truly the "long-term benefit of consumers," the regulator must stop prioritising the "dynamic risk management" of the Big 4 over the physical energy security offered by independent renewable innovators.

Cheers,

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