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22 July 2026

Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
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By email: wholesaleconsultation@ea.govt.nz

Tēnā koutou,

Electric Kiwi Submission: Review of the Application of Loss and Constraint Excess to the Settlement of Financial Transmission Rights

Introduction and summary

Thank you for the opportunity to respond to the Electricity Authority's consultation on the application of loss and constraint excess (LCE) to the settlement of Financial Transmission Rights. Electric Kiwi supports the consultation paper's overarching objectives and intentions – especially those focused on improving market efficiency, future-proofing the FTR framework, and ensuring participants have effective tools to manage locational price risk as the market transitions to a renewables-dominant system.

We support the proposal to make all LCE available to settle the FTR market, and to remove the current calculation in Schedule 14.3. We think this is a sensible and overdue change, and we encourage the Authority to progress it to a final decision.

FTRs matter for competition

As an independent retailer without generation, we rely on FTRs to manage locational price risk across the grid. Anything that makes the FTR market more robust, more liquid and easier to expand is good for competition and, ultimately, good for consumers. This is especially important as more renewable generation is built in new parts of the country and price differences between regions become more pronounced.

The Code shouldn't hold back the FTR market

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The current calculation effectively caps the FTR grid at nine hubs and makes any expansion costly and complex. That's a regulatory constraint the market shouldn't have to work around, particularly with the FTR manager's hub review underway. Fixing this now is the right call.

Allocating 100% of LCE is the sensible option

On average, 91% of LCE is already allocated to FTR settlement – and that share would only grow as hubs are added. Keeping a complicated calculation to arrive at a number that's already close to 100% doesn't make sense. The proposed approach is simpler, more transparent, and removes the risk of the FTR manager missing its deadlines.

The impact on transmission customers is small

We accept the Authority's analysis that any reduction in payments to transmission customers is small (around 0.67% in aggregate) and is best characterised as a wealth transfer rather than a real cost. Residual LCE will continue to flow back to transmission customers, and the 2022 decision requiring distributors to pass through LCE rebates means the benefits reach retailers and consumers.

The wider benefits are probably understated

The Authority's estimated $127,000 net benefit is a conservative floor. The more meaningful benefits – greater FTR availability, better liquidity, lower forecasting costs for participants, and stronger conditions for retail competition – aren't quantified but are real and important.

Timing

We support implementation in the second half of 2027 to align with any hub changes arising from the FTR manager's review. Delay beyond that would risk constraining the hub review and prolonging an unnecessarily complex process.

Broader FTR market issues

We note that broader FTR market funding and design issues (such as the prioritisation of wash-ups) are out of scope for this consultation. We accept that, but encourage the Authority to progress a further review of the FTR funding model in due course.

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Conclusion

Electric Kiwi supports the proposal. We have no concerns with the drafting, including the sensible fallback for volume disputes. We encourage the Authority to make a final decision in September 2026 as signalled.

We would be happy to discuss any aspect of this submission.

Yours sincerely,

Huia Burt,

CEO, Electric Kiwi