ELECTRICTY AUTHORITY

OUR STRATEGY

10 JUNE

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OUR STRATEGIC FRAMEWORK

Our strategic framework sets out how we deliver on our statutory objectives and fulfil our role as New Zealand's electricity regulator

WHY

VISION

Reliable electricity at lowest cost for New Zealand consumers.

OUR STATUTORY OBJECTIVES

To promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. AND:

To protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

HOW

We take a whole system view to carrying out our work, which we deliver through our regulatory functions.

We engage with agencies, industry, consumers and other stakeholders to perform our regulatory functions.

- We make and administer the Code governing the electricity industry and promote market development;
- monitor and enforce compliance;
- contract to operate the electricity system and markets;
- inform and educate; and
- protect the interests of small electricity consumers.

WHAT

Affordable - Electricity is generated and delivered at lowest cost over time for New Zealand consumers.

Reliable - Our electricity system is secure and resilient, meeting consumers' demands at an efficient level of reliability.

These outcomes are delivered by an efficient electricity market for the long-term benefit of consumers.

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*This strategic framework is intended to deliver on the Authority's Statement of Intent 2024-28 and Statement of Performance Expectations 2026-27.

OUR ROLE

We regulate the electricity system to deliver reliable electricity at least cost for NZ consumers

Key actors

INVESTORS

BROKERS / TRADERS

MARKET OPERATION SERVICE PROVIDERS

INDUSTRY

SYSTEM OPERATOR & GRID OWNER

OTHER REGULATORS (e.g. Commerce Commission,* GIC, EECA)

EDBS

AGGREGATORS

INNOVATORS AND TECH PROVIDERS

CONSUMERS

BROKERS / TRADERS

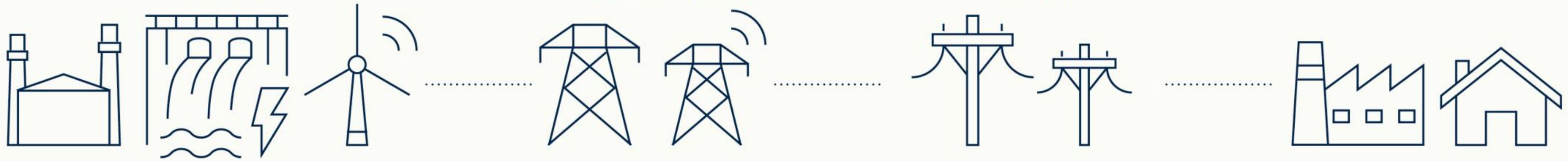
Electricity system

GENERATION

TRANSMISSION

DISTRIBUTION

RETAIL/END USE



Foundations

Effective wholesale market
There is public and political confidence in a competitive wholesale electricity market, with clear price signals and effective tools to manage risk and incentivise investment

Efficient transmission and distribution networks
Networks operate efficiently and reliably to deliver electricity at lowest overall cost to the system over time

Competitive retail market
Multiple retailers compete on price and service, giving consumers real choice and value and ensuring they fully benefit

Strong, responsive regulator

** The Commerce Commission regulates allowed price paths (regulated returns) that the Grid Owner and EDBs can charge for transmission and distribution networks; the Electricity Authority does not regulate this.*

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OUR CONTEXT

New Zealand's electricity system is changing rapidly, driving new strategic challenges

Key drivers of change in the electricity system…

The economics have changed

- Plunging cost of renewables and rising costs of gas and coal
- Accelerating decline of gas supplies
- Driving electrification of the economy
- Expected significant increase in demand for electricity over next 30 years

Investment at scale is required

- Huge investment in new generation and supply alternatives will be required (2.5x the rate achieved in the 30 years to 2020)
- Getting this major investment right - to deliver reliability at least cost to consumers

Technology and participation

- Technology enabling new players (including households) to provide generation, energy storage or demand response services.

...are transforming the system's physical dynamics

The system is becoming more weather-dependent

- Renewables make up a larger portion of generation
- Increasing sensitivity to short-duration weather events leading to spot price volatility and seasonal price variation
- Generation with storage and demand-side with flexibility become more important in balancing the system
- Transitional period of declining gas supply may put pressure on wholesale spot prices in periods of hydro shortages
- Gradual reduction in dry-year risk expected but it won't disappear. Batteries and peaking generation increasingly important in low-solar and low-wind periods.

The system is becoming more complex

- More participants in electricity system and types of devices to be coordinated by spot market.
- Cost pressure in transmission and distribution networks increasing.

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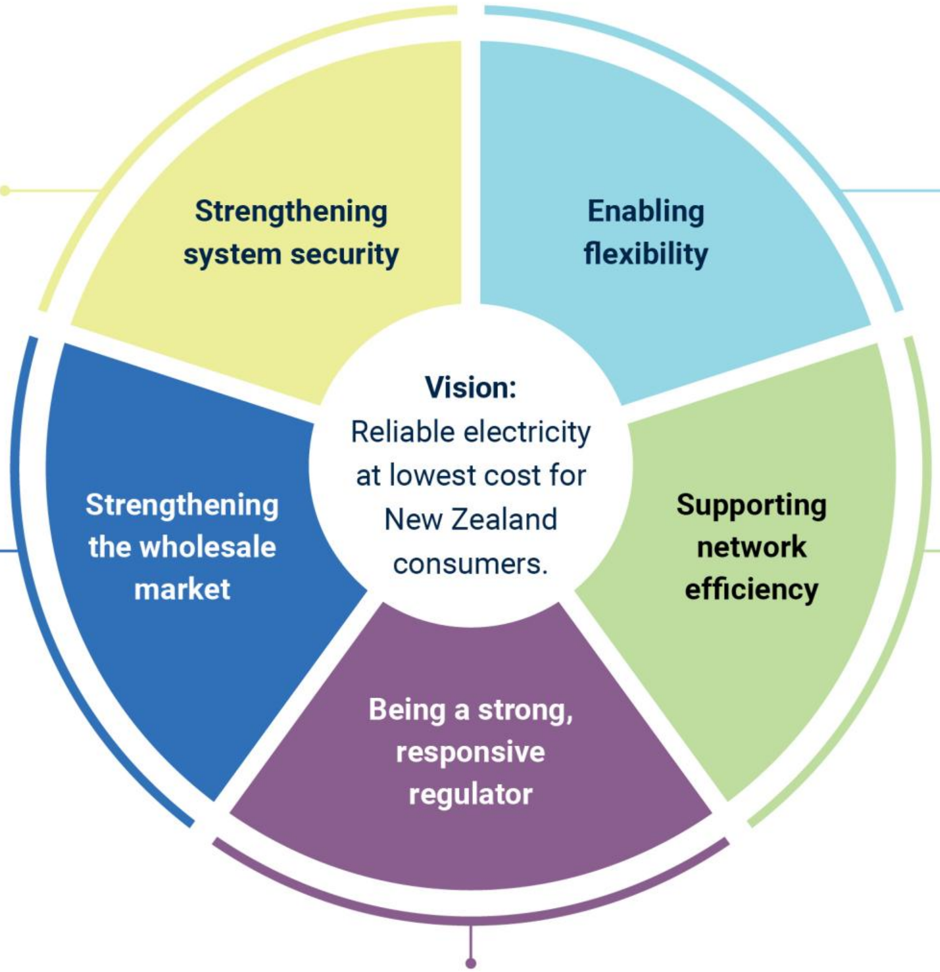
OUR STRATEGIC PRIORITIES

Strengthening the foundations and addressing new strategic challenges

The power system can consistently match supply and demand and operate within safe limits with an increasing share of renewable, storage and distributed energy technologies.

Flexible energy resources and services can firm renewables and balance the system so it delivers reliable electricity at lowest cost, including for peaks and longer time periods.



Accurate pricing, risk management tools and incentives, competition, and confidence in the market drive investment and put downward pressure on prices.

Standardising pricing and policies across distribution networks and enabling non-network solutions to compete with traditional infrastructure, reducing overall system costs.

Delivering our statutory objectives, including to protect consumers, through effective compliance, informed consumer choice, and data and digital technologies.

** These strategic priorities are intended to deliver on the Authority's Statement of Intent 2024-28 and Statement of Performance Expectations 2026/27.*

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OUR 2026/27 WORK PROGRAMME

Priority policy initiatives

Priority/initiative/project	Wholesale market	System security	Flexibility	Efficient networks	Strong regulator
Security & Resilience – Review of Part 8 of Code (common quality requirements)		✓			
Battery Energy Storage System (BESS) enhancements	✓	✓	✓		
Network connections pricing				✓	
Network connections – removing non-price barriers				✓	
Level playing field measures – implementation and compliance	✓		✓		
Wholesale products for long-duration firming investment	✓	✓	✓		
Develop standardised demand flexibility product	✓	✓	✓		
Transmission Pricing Methodology amendments and operational review				✓	
Implement market making updates, including for super-peak hedges	✓		✓		
Flexibility market and network visibility			✓	✓	
Distribution pricing to encourage demand-side flexibility			✓	✓	
System security review (hedge cover stress testing, security standards review, update VoLL/scarcity pricing)	✓	✓		✓	✓
Market Operation Service Providers (MOSP) long-term roadmap	✓	✓			✓
Consumer access and choice: consumer protections (prepay customers, medically dependent consumers and Consumer Care Obligations)					✓
Data programme (including supporting the Consumer Data Right for electricity, standardising electricity product and consumption data)					✓

** Note: This is an intended priority work programme, with any measures subject to consultation and Authority Board decisions. We will continue to assess expected costs and benefits of each measure and will adapt our work programme as needed to ensure it continues to focus on measures likely to deliver the greatest net benefits for consumers.*

OUR 2026/27 WORK PROGRAMME

Non-discretionary and implementation work

Non-discretionary initiatives and implementation	Wholesale market	System security	Flexibility	Efficient networks	Strong regulator
Compliance and enforcement (deliver on legislative changes)	✓				✓
Dry-year regulatory framework (deliver on legislative changes)	✓	✓	✓		✓
Monitoring enhancements (deliver on legislative changes)	✓				✓
System Operator Service Provider Agreement (SOSPA) renewal					✓
Procurement of new MOSP contracts for 2027	✓	✓			✓
Refresh Authority's statutory interpretation document					✓
Implement and enhance new comparison and switching service					✓
Implement better bills (standardisation and best plan)					✓
Implement Emergency Reserve Scheme		✓	✓		
Implement peak injection rebates			✓	✓	
Implement time-of-use pricing requirements			✓		✓

** Note: There are a number of non-discretionary initiatives which the Authority is or may be required to deliver in 2026/27 and future years alongside our priority work programme, many of which will also contribute to our strategic priorities. The full scope of these will be confirmed once legislation has passed, and may require additional resources and/or reprioritisation of our work programme to deliver. In addition, some initiatives from our 2025/26 work programme will require further implementation work in 2026/27.*

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