

Compliance and Enforcement Report

2025/26



Foreword

New Zealanders benefit when the electricity system is affordable, reliable and resilient. Achieving these outcomes depends on industry participants complying with the obligations that support competition, protect consumers, and maintain the secure operation of the electricity system. As the sector continues to evolve and become more complex, effective compliance is increasingly important.

The majority of industry participants take their obligations seriously and work constructively to address issues when they arise. Overall, the electricity sector continues to demonstrate relatively high levels of compliance, when considered against the breadth and complexity of the Electricity Industry Participation Code 2010. At the same time, the Authority continues to see recurring areas of non-compliance, alongside emerging risks associated with new market arrangements and regulatory requirements.

This report reflects the Authority's commitment to being a proactive and transparent regulator. For the first time, we are publishing an annual Compliance and Enforcement Report to provide greater visibility of our compliance and enforcement activities, the trends we are observing, and the areas where we intend to focus additional compliance attention.

The report demonstrates the importance of a risk-based and proportionate approach to compliance and enforcement. While some instances of non-compliance are low impact when viewed individually, recurring non-compliance can create inefficiencies, increase regulatory burden, and undermine confidence in market arrangements. Conversely, some forms of non-compliance have the potential to cause significant consumer, market or system harm and require a stronger regulatory response.

The Authority's compliance work supports our strategic outcomes of affordable and reliable electricity for New Zealand consumers. By promoting compliance with the rules that govern the electricity system and market, we help support an efficient electricity system that delivers reliable electricity at lowest cost for consumers. As a strong, responsive regulator, we use monitoring, education, enforcement, and data-driven insights to identify emerging risks, target regulatory effort where it can have the greatest impact, and hold participants to account when obligations are not met.

We will continue to work with electricity industry participants to promote high levels of compliance, support continuous improvement and help deliver better outcomes for consumers.

Sarah Gillies
Chief Executive
Electricity Authority Te Mana Hiko

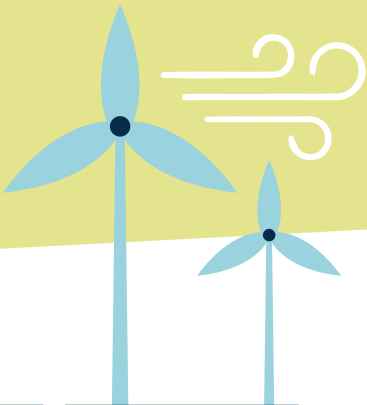


Paula Rose, QSO
Compliance Committee Chair



At a glance

Overall, the electricity sector continues to demonstrate high levels of compliance. 2025/26 was a year of increased compliance activity, stronger enforcement and increased efficiency.



BY THE NUMBERS



COMPLIANCE FOCUS AREAS FOR 2026/27

The Authority is focusing on six areas with the greatest potential impact on consumer protection, market competition and system security.



Consumer protection

- 1 Consumer Care Obligations



Market obligations

- 2 Non-discrimination obligations
- 3 Prudential and settlement obligations
- 4 Limitations on revised offers within gate closure



System reliability & efficiency

- 5 Protection setting requirements
- 6 Intermittent generation forecasting



KEY ACTION



Industry participants should review the Authority’s compliance focus areas for 2026/27 and assess whether their compliance arrangements support strong compliance outcomes.

Executive summary

The Electricity Authority's Compliance and Enforcement Report 2025/26 provides a summary of the Authority's compliance and enforcement activities during the last financial year, 1 July 2025 - 30 June 2026, and identifies non-compliance trends and emerging risks. It also looks ahead and identifies the focus areas for the Authority's compliance activities for 2026/27.

Effective compliance is a key component of the Authority's strategic priority to be a strong, responsive regulator. By promoting compliance and addressing non-compliance, the Authority helps ensure the electricity market and power system operate in a way that delivers affordable and reliable electricity for consumers.

Increased compliance activity driven by new obligations

The Authority experienced a significant increase in compliance activity during 2025/26. It received 193 notifications of alleged breaches of the Electricity Industry Participation Code 2010 (Code), the highest number recorded in the last five years. This increase largely reflects the introduction of the Consumer Care Obligations, with active self-reporting from retailers.

Despite the higher number of alleged breach notifications, the Authority's approach to enforcement remained broadly consistent with previous years. Formal investigations and Rulings Panel proceedings were reserved for matters involving more significant actual or potential harm, repeat non-compliance, or broader risks to consumers, market confidence or system operation.

The Authority appointed investigators to 11 matters and referred four complaints to the Rulings Panel, the highest number of referrals in any preceding year. This increase demonstrates the Authority's commitment to taking robust enforcement action where circumstances warrant it.

Improved case management efficiency

The Authority continued to respond to alleged non-compliance in a timely and effective way. The Authority assesses every notification of an alleged breach to determine the appropriate response, including whether to take no further action. This includes considering information provided by the participant, the circumstances and impact of the alleged breach, any remedial action taken, and the actual or potential risk of consumer, market or system harm.

The median time taken to close a case fell to 106 days in 2025/26, compared with 150 days in 2024/25 and 191 days in 2023/24. This improvement was achieved despite a higher number of alleged breach notifications and reflects process improvements, resulting in the faster resolution of compliance issues and greater certainty for participants.

Broader compliance functions

Alongside responding to alleged breaches of the Code, the Authority continued to undertake a wide range of compliance activities. These included delivering education initiatives, maintaining and reviewing the audit regime, determining exemption applications and under-frequency events, and undertaking proactive monitoring.

Proactive monitoring helps identify emerging risks and potential non-compliance before significant harm occurs. During 2025/26, the Authority observed generally high levels of compliance in areas where proactive monitoring and publication of outcomes occurred.

Non-compliance trends

Analysis of alleged Code breach notifications shows the most frequently notified relate to the following three areas:

1. **Financial and market obligations** – prudential security requirements (clause 14A.6) and settlement obligations (clause 14A.31). These requirements underpin confidence in the wholesale market by helping ensure participants can meet their financial obligations and generators are paid for the electricity they supply
2. **Operational and system security obligations** – compliance with dispatch instructions (clause 13.82) and automatic under-frequency load shedding obligations (clause 7 of Technical Code B, Schedule 8.3). Compliance supports the secure and reliable operation of the electricity system by helping maintain the balance of supply and demand and reducing the risk of widespread outages
3. **Data quality and provision of information** – submission of reconciliation information (clauses 15.2 and 15.4), spot price risk disclosure statements (clause 13.236A), and intermittent generation forecasting (clause 13.18A). Accurate and timely information supports transparent, efficient and well-informed market operation.

This analysis does not include alleged breaches of the Consumer Care Obligations, which came into full force on 1 April 2025. Self-reported breaches during the first year of implementation were high, which may reflect a conservative approach to self-reporting by retailers. Many reports related to implementation and system issues that retailers advised had been, or were being, resolved.

The frequency of alleged non-compliance is one factor the Authority considers when setting compliance priorities. We also assess non-compliance rates as a proportion of the volume of relevant transactions or activities. In some areas, a high number of alleged breaches may represent a very low rate of non-compliance and may not warrant increased regulatory attention.

Looking ahead

For 2026/27, the Authority has identified six compliance focus areas. These areas will receive increased regulatory attention through monitoring, engagement, and compliance activity. Publishing these priorities helps industry participants understand the Authority's expectations and where they are likely to see increased scrutiny. It does not limit the Authority's ability to respond to non-compliance in other areas.

The focus areas have been selected based on compliance trends, emerging risks, significant new regulatory requirements, and their importance to achieving the Authority's strategic outcomes. High levels of compliance in these areas support an efficient electricity system that delivers reliable electricity at lowest cost for consumers.

The compliance focus areas for 2026/27 are:

1. **Non-discrimination obligations** – reflecting the significance of the new level playing field measures in supporting competition, and the need to monitor how the new regime operates in practice
2. **Consumer Care Obligations** – particularly protections for medically dependent consumers, disconnections and fees, given the potential for direct consumer harm
3. **Prudential and settlement obligations** – which are fundamental to the management of counterparty risk and confidence in the wholesale market

EXECUTIVE SUMMARY

4. **Protection setting requirements** – which help ensure faults on the grid are isolated quickly and accurately, reducing the risk of unnecessary power outages and impacts on system security
5. **Intermittent generation forecasting** – reflecting the growing importance of accurate forecasting as renewable generation increases, and the implementation of the new hybrid forecasting framework
6. **Limitation on revised offers within gate closure** – compliance promotes fair competition, transparent price formation, and the efficient operation of the electricity system by ensuring offer revisions are made in accordance with the Code.

Proactive monitoring remains an important component of the Authority's compliance approach. The Authority's [Compliance Monitoring Framework](#), refreshed and published in December 2025, identifies areas where proactive monitoring is likely to deliver the greatest regulatory value.

Priority areas are selected based on a risk assessment of the level of harm from non-compliance and the likelihood of undetected non-compliance occurring.

The Framework identifies eight priority areas for proactive monitoring for 2026/27:

1. **Trading conduct in the wholesale electricity market** – compliance promotes competitive and efficient market outcomes, supporting confidence in wholesale electricity prices and the integrity of the market
2. **Reasonable and prudent System Operator performance** – the System Operator plays a critical role in managing the power system. Compliance with this obligation supports the safe, reliable and efficient operation of New Zealand's electricity system
3. **Automatic under frequency load-shedding (AUFLS) readiness** – AUFLS helps prevent cascading electricity system failures, following major disruptions, which is critical to maintaining security of supply and reducing the risk of widespread power outages
4. **Wholesale market information disclosure** – these requirements improve market transparency and help ensure market participants have access to information needed for efficient decision making
5. **Risk management contract disclosure** – the obligations improve transparency in hedge markets and support effective competition by making information about risk management contracts more accessible
6. **Grid emergency planning** – ensures industry participants are prepared to respond effectively to grid emergencies, supporting system security and reliability and reducing impacts on consumers
7. **Restrictions on materially large contracts** – support competition by reducing the risk of inefficient price discrimination and help ensure the benefits of competition are shared more broadly across consumers
8. **Revisions to reconciliation submissions** – these obligations support the accurate and efficient operation of the electricity market by ensuring participants are correctly charged and paid for the electricity they buy and sell.

This report also highlights a broader regulatory challenge. Currently, the Authority has limited enforcement tools to respond to alleged breaches that require accountability and deterrence but may not warrant formal investigation or Rulings Panel proceedings. In addition, maximum penalties for the most

serious contraventions may not always provide adequate incentives to comply. Expanding the range of available compliance tools, alongside stronger deterrents for the most serious breaches, would support more proportionate regulatory responses, improve deterrence, and encourage sustained compliance improvements across the sector.

The Government has recognised these challenges, and Cabinet has agreed a [package of reforms](#) to strengthen the Authority's regulatory framework and provide it with a broader range of compliance and enforcement tools.

Overall, 2025/26 was characterised by increased compliance activity, greater use of escalated enforcement tools, and continued improvements in case management efficiency. Looking ahead, in 2026/27 the Authority will focus its compliance efforts on the areas of greatest risk and impact to support consumer protection, market competition and system security.



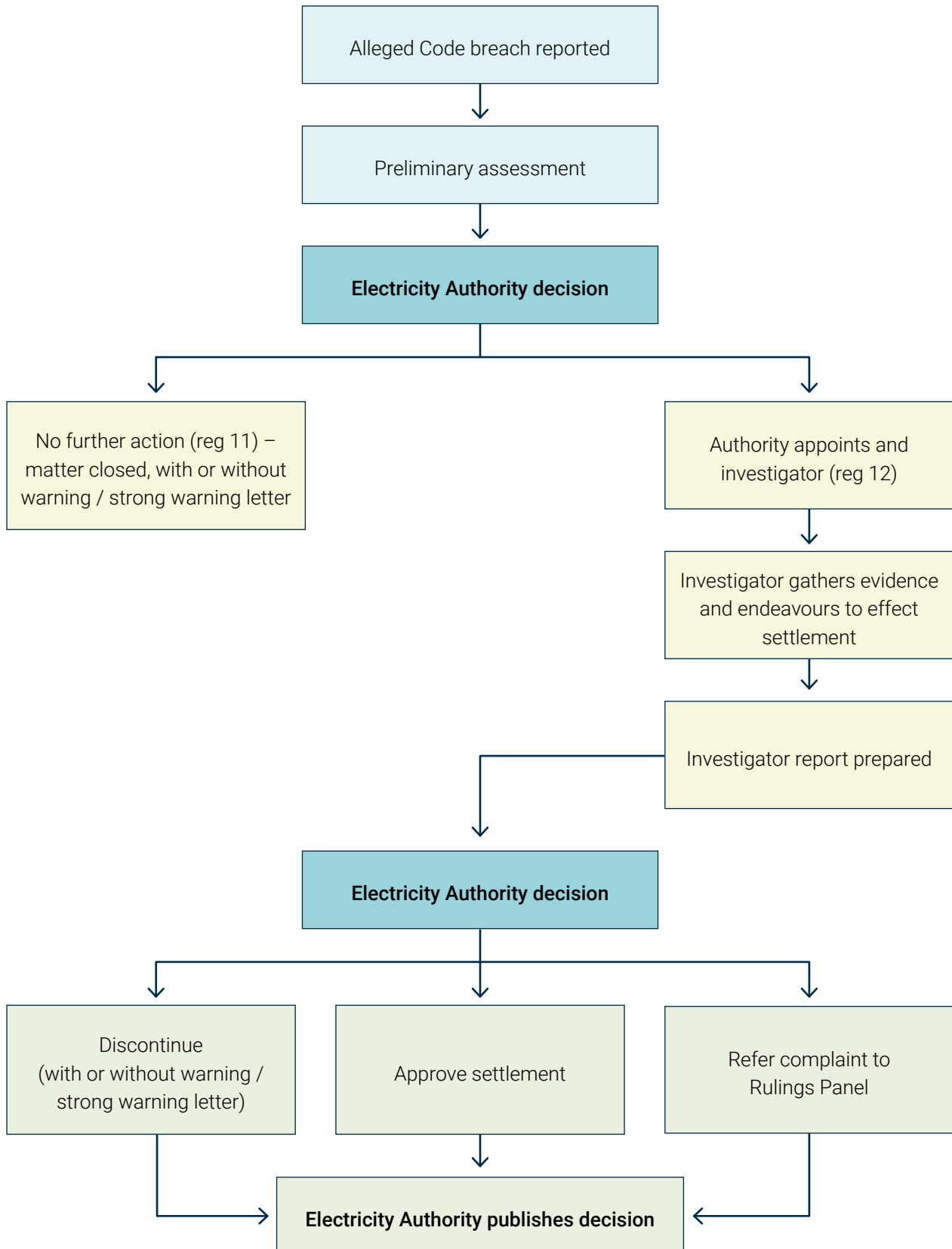
1. Compliance and enforcement activity

The Authority's compliance framework

Decisions about the Authority's compliance activities are based on a hierarchy of interconnected documents:

1. [Compliance Strategy](#) – sets out the Authority's overall approach to compliance and is underpinned by the VADE model (Voluntary, Assisted, Directed, Enforced). The model recognises that effective compliance requires trust and confidence in the regulator, high levels of voluntary compliance (via engagement, monitoring and education), and appropriate and proportionate enforcement activity
2. [Enforcement and Prosecution Policy](#) – sets out the Authority's approach to enforcing alleged Code breaches and prosecuting offences, including the criteria we may consider when determining the appropriate enforcement response
3. [Compliance Monitoring Framework](#) – sets out high priority areas identified for proactive compliance monitoring based on two key criteria: the likelihood of undetected non-compliance and the potential level of harm resulting from non-compliance
4. [Consumer Care Obligations Monitoring Framework](#) – sets out the Authority's approach to monitoring the effectiveness of the Consumer Care Obligations in the Code and our specific Consumer Care Obligations priorities.

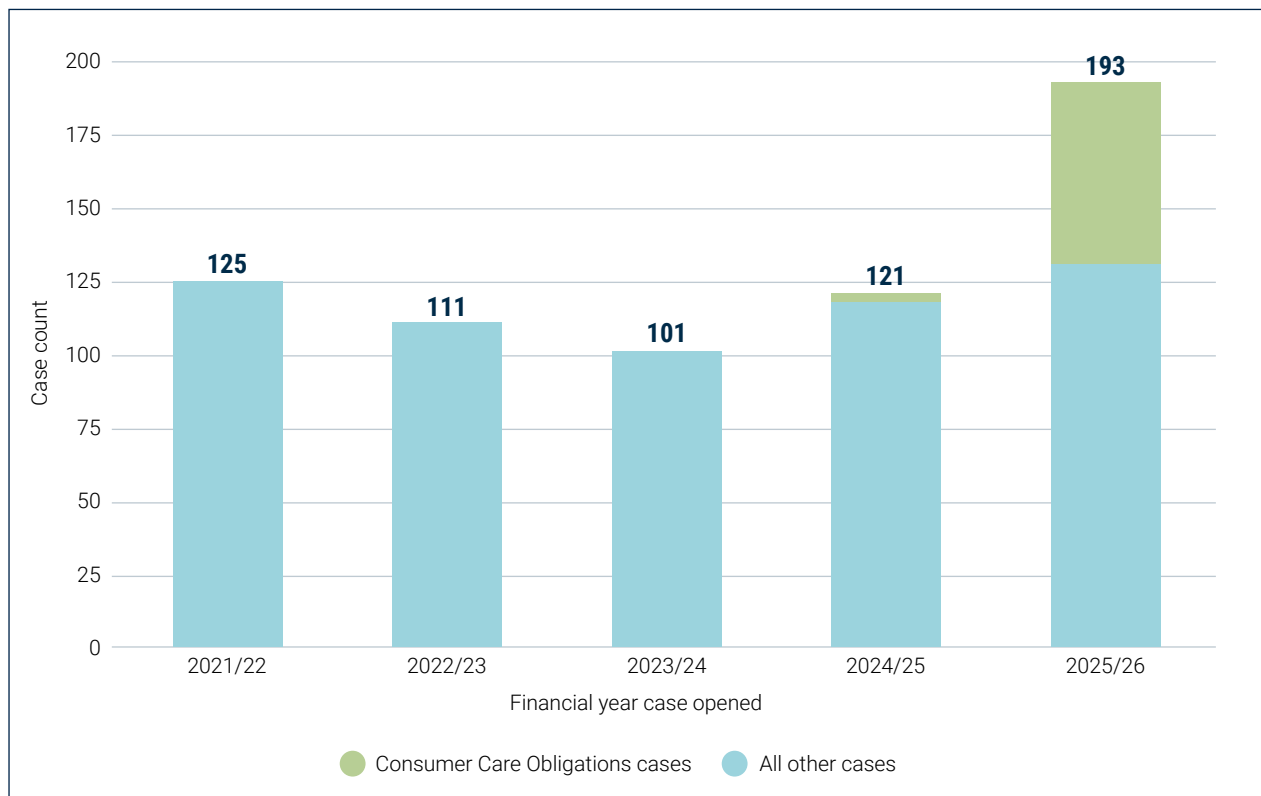
The process for receiving, considering and responding to an alleged breach are governed by a statutory framework.

Figure 1: Summary of statutory compliance framework

The number of alleged breaches is increasing

In 2025/26, the Authority received 193 notifications of alleged Code breaches. This was significantly higher than in the last five years (Figure 2), primarily due to the introduction of the Consumer Care Obligations, which fully came into force on 1 April 2025.

Figure 2: Alleged breach notifications by type



Alleged breaches can be self-reported or identified and reported by other participants or any other person, including the Authority. From 2021-26, the proportion of self-reported and reported breaches has been roughly even (Figure 3).

Figure 3: Alleged breach notifications by reporting source

Enforcement outcomes remain consistent

To determine the appropriate response to an alleged breach notification, the Authority undertakes a preliminary assessment of every matter it receives. This assessment involves gathering and considering relevant information, including the circumstances of the alleged breach, whether it is admitted or denied, any remedial action taken, and the actual or potential impact of the conduct. The Authority also considers the seriousness of the matter and the risk of harm to consumers, the market or power system. A decision to take no further action does not mean the matter was not assessed. Rather, it reflects the Authority's conclusion, following its assessment, that no further compliance or enforcement action is appropriate in the circumstances and taking into account the regulatory tools available.

The Authority continued to respond to alleged breaches in a manner consistent with previous years. Under its statutory compliance framework (Figure 1), the Authority has two broad options following a preliminary assessment:

- 1. No further action** – The Authority can decide to take no further action on an alleged breach. In these cases, the Authority may issue a 'warning' or 'strong warning' letter
- 2. Appoint an investigator** – The Authority can decide to appoint an investigator to investigate an alleged breach. After considering the investigator's findings and recommendations, the Authority may discontinue the case, approve a settlement, or lay a complaint with the Rulings Panel. Where a case is discontinued, the Authority may also issue a 'warning' or 'strong warning' letter.

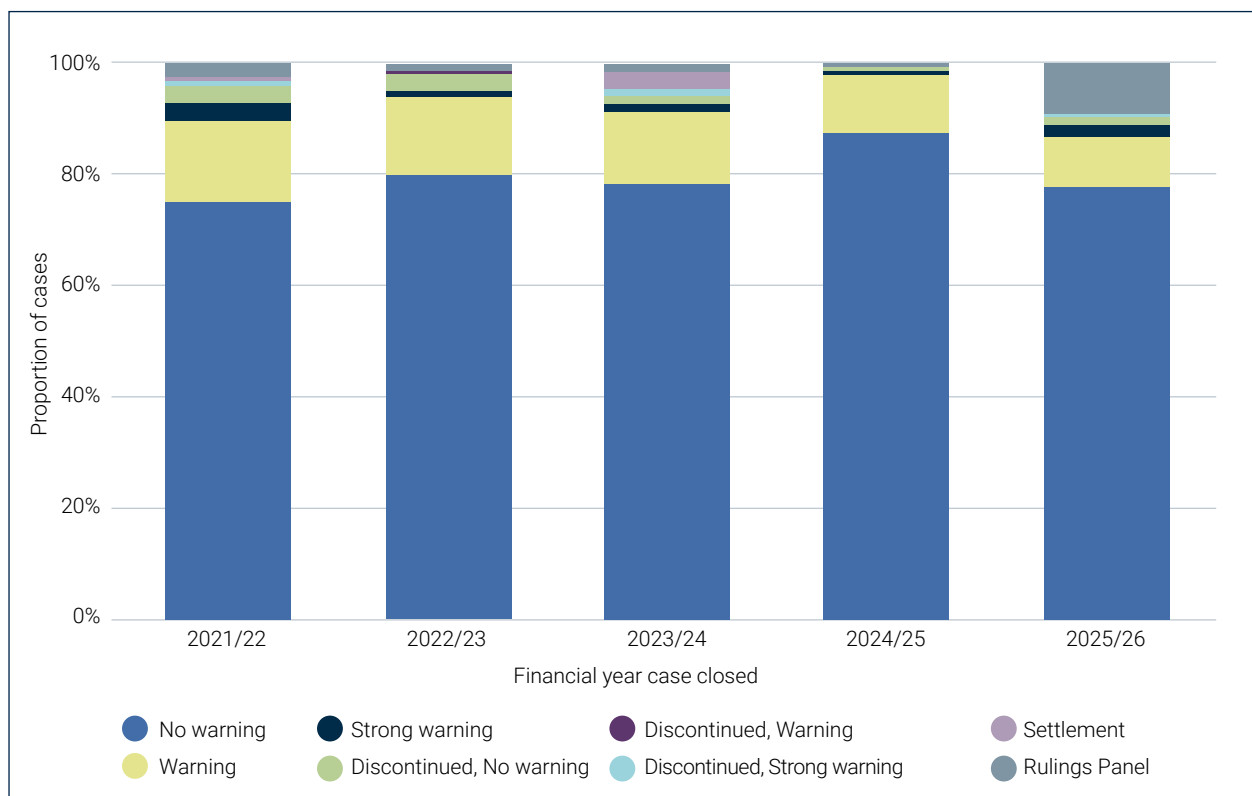
1. COMPLIANCE AND ENFORCEMENT ACTIVITY

Warning letters are a non-statutory enforcement tool. The Authority uses them to respond to non-compliance that may not warrant a formal investigation or referral to the Rulings Panel, but still warrants a formal Authority response to encourage future compliance.

Table 1: Closed case outcomes

Decision	Outcome	2021/22	2022/23	2023/24	2024/25	2025/26
No further action	No warning	94	132	54	126	112
	Warning	18	23	9	15	13
	Strong warning	4	2	1	1	3
Appoint investigator	Discontinued No warning	4	5	1	1	2
	Discontinued Warning	0	1	0	0	0
	Discontinued Strong warning	1	0	1	0	1
	Settlement	1	0	2	0	0
	Rulings Panel	3	2	1	1	13
Total		125	165	69	144	144

Note: 'No further action' means the Authority assessed the alleged breach and concluded that no further compliance or enforcement was required.

Figure 4: Closed case outcomes by percentage

While the volume of cases fluctuated, the proportion of different enforcement outcomes remained largely consistent over time (Table 1 and Figure 4). In most cases, the Authority decided to take no further action and did not issue a warning letter.

Escalated enforcement activity

The Authority makes enforcement decisions, including decisions to appoint an investigator, consistent with its Enforcement and Prosecution Policy. Criteria the Authority may consider include the actual or potential impact of the alleged non-compliance, a participant's compliance history and behaviour, and the Authority's objectives, functions and outcomes.

Following an investigation, the investigator prepares a report for the Authority setting out their findings and recommendations on any appropriate enforcement response. After considering the report and other relevant information, the Authority may decide to refer the matter to the Rulings Panel.

The Rulings Panel is an independent body responsible for determining alleged breaches of the Code, hearing appeals against certain decisions, and resolving disputes under the Code. If the Rulings Panel determines that a participant has breached the Code, it may make a range of remedial orders, including compliance orders, compensation orders, pecuniary penalty orders up to \$2 million,¹ and private or public warnings or reprimands.

¹ The Electricity Industry (Enforcement) Regulations 2010 sets additional limits on liability to Rulings Panel orders.

1. COMPLIANCE AND ENFORCEMENT ACTIVITY

In each of the last five financial years, the Authority decided to appoint an investigator in approximately 3-12% of cases, depending on the nature and severity of the alleged non-compliance. In 2025/26, the Authority appointed more investigators and made more referrals to the Rulings Panel than in any financial year since 2021/22 (Table 2).

Table 2: Investigators appointed and complaints laid with the Rulings Panel

Financial year	Investigators appointed	Complaints laid with the Rulings Panel
2021/22	9	3
2022/23	2	2
2023/24	3	1
2024/25	7	1
2025/26	11	4

Note: the Authority can group multiple cases into a single investigation or Rulings Panel complaint. As a result, the case outcomes in Table 1 and Figure 2 are higher than the number of investigations and Rulings Panel referrals in Table 3.

Following an investigation, the Authority may discontinue a matter, approve a settlement, or lay a complaint with the Rulings Panel. Not all investigations are concluded within the financial year in which they commence, and complaints laid with the Rulings Panel during a financial year may relate to investigations commenced in an earlier year. As a result, the difference between investigators appointed and complaints laid with the Rulings Panel does not represent the number of matters discontinued or settled during that year.

The Authority appointed investigators to 11 matters in 2025/26 (Table 3).² Three cases concerned alleged breaches of the Consumer Care Obligations involving the disconnection of a medically dependant consumer. The other cases involved alleged breaches with the potential for significant security or market impact, including failures to follow dispatch instructions, inaccuracies of unmetered load databases, failure to comply with voltage support obligations and inaccurate submission information. Some investigations also concerned participants with a history of alleged non-compliance where there was a risk of recurrence.

² Further details of Authority investigations into alleged non-compliance can be found on the Authority's [Investigations and Rulings webpage](#).

Table 3: Investigator appointments in 2025/26

Participant	Description of alleged breach
Contact Energy Ltd	Failure to ensure that all electricity conveyed is quantified in accordance with the Code
Genesis Energy Ltd	Failure to reduce generation in accordance with dispatch instructions
Genesis Energy Ltd	Several failures to ensure the distributed unmetered load database for NZTA Bay of Plenty was up-to-date, complete and accurate
Genesis Energy Ltd	Several failures related to ensuring the distributed unmetered load database for NZTA Bay of Plenty was up to date
Glo-Bug Ltd	Failure to take all practicable steps to ensure submission information was accurate Failure to provide corrected information once it became aware of inaccuracies
Manawa Energy Ltd	Submitting offer revisions for its Matahina power station without making the megawatt reduction from the highest priced bands
Meridian Energy Ltd	Failure to comply with voltage support obligations at Harapaki Wind Farm
Nova Energy Ltd	Disconnection of premises at which a medically dependant consumer resided for a period over 57 hours
Pulse Energy Alliance LP	Disconnection of premises at which a medically dependant consumer resided
Switch Utilities Ltd	Disconnection of premises at which a medically dependant consumer resided
Waverley Wind Farm Ltd	Failure to reduce generation in accordance with dispatch instructions

1. COMPLIANCE AND ENFORCEMENT ACTIVITY

The Authority laid four complaints with the Rulings Panel in 2025/26 (Table 4).³

Table 4: Complaints laid with the Rulings Panel 2025/26

Participant	Description of alleged breach	Rationale for laying complaint
Contact Energy Ltd	Failure to submit accurate and correct information for the Christchurch City Council distributed unmetered load (DUML) database (clause 15.2(1) and clause 11 of Schedule 15.3)	• The alleged breaches were over a long period • The alleged breaches were reported following a series of audit reports that indicated deficiencies in database accuracy and inadequate steps to improve • Contact relied on other parties to ensure that the database was accurate and did not take steps to improve the database and submission accuracy even though there were mitigation or remedial steps available • The market impact of the alleged breaches was assessed as high
Genesis Energy Ltd	Failure to comply with dispatch instructions and failure to immediately advise the System Operator of a bona fide physical reason (for plant safety) in relation to why Huntly unit 5 was unable to comply with the issued dispatch instructions (clause 13.82(2) and 13.82(3))	• Moderate level of severity, including the market and operational impact • History of alleged non-compliance • Potential security impact from a shortage of generation provided due to non-compliance • The Authority aims to prevent similar incidents happening in the future

³ Further details of Rulings Panel decision and current cases can be found on the [Rulings Panel website](#).

1. COMPLIANCE AND ENFORCEMENT ACTIVITY

Participant	Description of alleged breach	Rationale for laying complaint
South Pacific Energy Ltd	Failure to make settlement payments and provide prudential security (clauses 14.31(1)(a), 14.32(1), 14A.6(2))	- Late payments, and particularly repeated late payments, result in an operational impact for the clearing manager - South Pacific Energy, based on the number of alleged Code breaches, did not exercise due care and consideration for its payment obligations - Demonstrated pattern of repeated non-compliance - There is a moderate risk of recurrence.
Transpower New Zealand Ltd as grid owner	Operation of a protection scheme was not selective resulting in the temporary loss of supply to the Huirangi grid exit point (clause 4(4)(a)(ii) of Technical Code A of Schedule 8.3)	- High level of severity - Conscious non-compliance - Moderate operational impact and consumer impact as a consequence of the alleged breach. - The potential operational and security impact could have been greater if the trip event had occurred on a larger grid connection point - Pattern of alleged non-compliance - Common quality obligations are in place to support the System Operator's role and to reflect the impact that asset owners may have on other parts of the grid or network - The Authority aims to prevent similar incidents happening in the future

The Rulings Panel issued one decision in 2025/26 on a dispute relating to the calculation of prudential security requirements for financial transmission rights,⁴ and one decision in relation to a complaint laid by the Authority.⁵

The complaint laid with the Rulings Panel concerned a number of alleged failures by a retailer, South Pacific

⁴ [Haast Energy Trading Limited v Energy Clearing House Limited – D-2025-001](#)

⁵ [Electricity Authority v South Pacific Limited C-2025-003](#)

1. COMPLIANCE AND ENFORCEMENT ACTIVITY

Energy Limited, to make settlement payments and provide prudential security in accordance with its obligations under Parts 14 and 14A of the Code. The Rulings Panel upheld the complaint and ordered South Pacific Energy Limited to pay a pecuniary penalty of \$88,000.

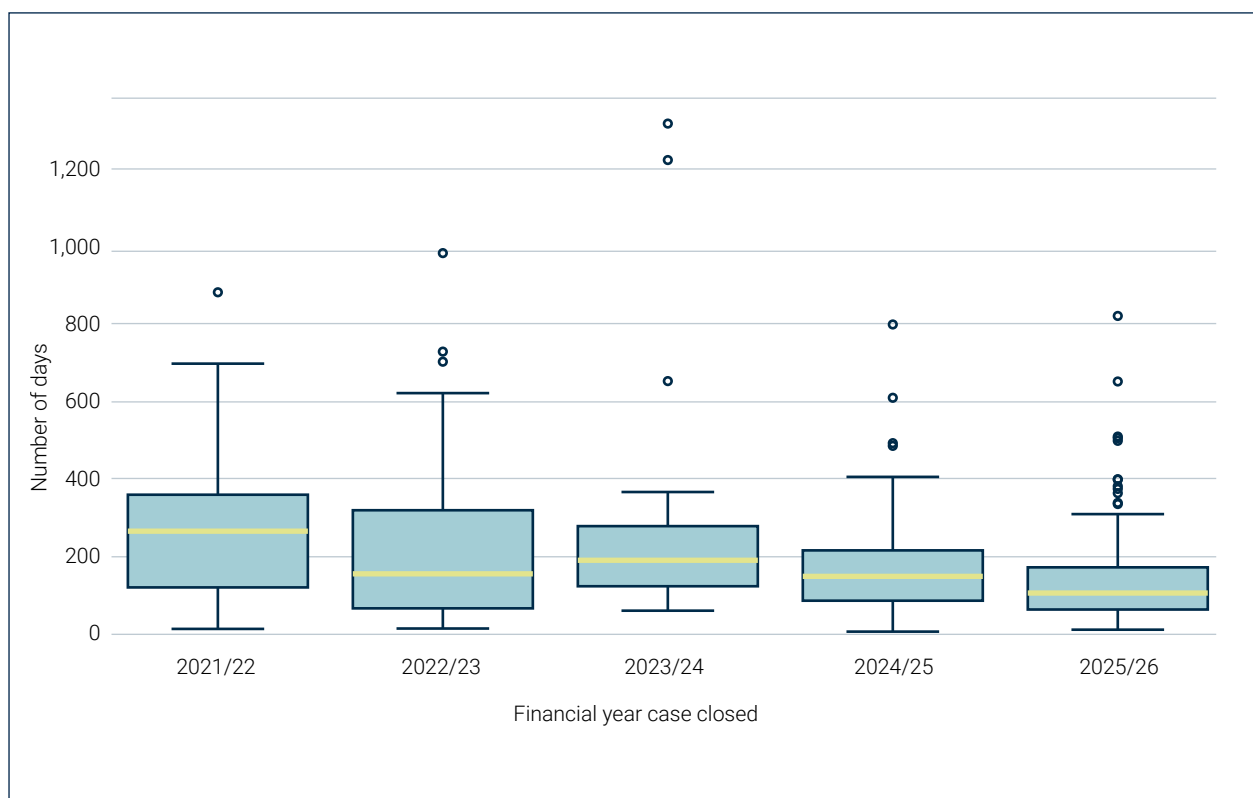
The Authority's decision to refer the complaint to the Rulings Panel, and the Panel's decision, reflects the importance of the prudential and settlement obligations to market confidence and efficiency. They also demonstrate the need for stronger enforcement responses where non-compliance persists despite previous compliance interventions. Prudential and settlement obligations remain a compliance focus area for the Authority (Table 5).

The time taken by the Authority to close cases is decreasing

The time taken by the Authority to close cases has decreased over recent years, showing improvements in case management. The 2025/26 year shows the strongest performance to date.

Figure 5 shows a downward trend in median days to close cases (shown by the yellow lines). The median time taken to close a case fell to 106 days in 2025/26, compared with 150 days in 2024/25 and 191 days in 2023/24. The middle 50 percent of cases (shown by the blue boxes) in 2025/26 were closed within 64-173 days, compared with 87-216 days in 2024/25 and 124-279 days in 2023/24. There continues to be outliers (shown by the dots) for cases that take considerably longer to resolve due to their complexity or because the case has not been resolved and cannot be closed.

Figure 5: Distribution of days taken to close case



2. Additional compliance activities

In addition to responding to alleged breaches, the Authority carries out a range of other compliance activities.

Education

Education is a key part of the Authority's Compliance Strategy, which is based on the VADE model. The Authority encourages and supports industry participants to meet their obligations before resorting to more formal intervention.

Throughout 2025/26, the Authority delivered a range of education initiatives to support voluntary compliance and address areas of high-risk and frequent breaches. These initiatives included:

- **Guidance materials** – guidance documents and reports to support participant understand of existing, new and upcoming Code obligations. This included the [2025 Consumer Care Obligations Annual Compliance Report](#), guidance on the forthcoming electricity billing obligations, and resources related to high-priority areas for proactive monitoring such as the [guidelines on materially large contracts](#) regime
- **Case studies** – targeted case studies illustrating common compliance issues and lessons learned
- **Webinars and forums** – interactive sessions that provided opportunities for engagement and clarification of Code obligations. These included training on the Consumer Care Obligations, the Auditor Forum and Registry Manager training courses.

Audits

Audits are a direct and regular method for the Authority to get independent compliance data on certain participants. Effective auditing ensures participants have robust systems and processes in place.

Many participants are required to undergo regular independent audits of relevant Code-mandated activities to assess ongoing compliance. Auditors use standard templates and guidelines to promote consistency. Completed audits are submitted to the Authority. The Authority reviews all audit reports and discusses the audit outcomes with participants where required.

Audit findings are an important source of compliance intelligence and can result in further regulatory action where non-compliance is identified. This may include investigations and, where appropriate enforcement action. For example, in May 2026 the Authority laid a formal complaint with the Rulings Panel after a participant failed to address data accuracy issues identified across multiple audit reports.⁶

Audit frequency is risk-based, with the Authority setting future audit dates according to the level of compliance demonstrated, ranging from three to 36 months between audits.

2. ADDITIONAL COMPLIANCE ACTIVITIES

Exemptions

Under the Electricity Industry Act 2010, the Authority may exempt an industry participant from complying with the Code. The Authority may grant an exemption if compliance with the Code is not necessary to achieve the Authority's statutory objectives, or where an exemption would better achieve those objectives.

In 2025/26, the Authority received 18 exemption applications, of which three were subsequently withdrawn. The Authority approved 14 exemption applications and took an average of 91 days to reach a decision.

A summary of approved exemptions is available on [the Authority's website](#).

Monitoring

Proactive monitoring is an important component of the Authority's Compliance Monitoring Framework. It complements reported breaches by identifying emerging risks, unusual patterns and potential non-compliance that may not otherwise come to the Authority's attention. Monitoring outcomes help inform participant engagement, education activities, compliance priorities and, where appropriate, enforcement action.

During 2025/26, the Authority continued a range of proactive monitoring activities, including active monitoring of trading conduct in the wholesale electricity market and other priority areas identified in the Compliance Monitoring Framework.

The Authority publishes monitoring information to improve transparency and support participant understanding of its regulatory expectations.

The Authority will proactively monitor compliance with the new non-discrimination obligations, which came into force on 1 July 2026. This monitoring will draw on Retail Price Consistency Assessment reports, participant disclosures and other market information, as set out in detail in the Authority's [Monitoring approach: Non-discrimination obligations and Retail Price Consistency Assessment](#) document. Monitoring outcomes may be published⁷ and may inform compliance and enforcement activity where appropriate.

Under-frequency events

The normal frequency band in the New Zealand power system is between 49.8Hz and 50.2Hz. An under-frequency event occurs when the frequency falls below 49.25Hz because of a change to the injection of, or demand for, electricity of more than 60 megawatts. The Code requires the Authority to determine the causer of an under-frequency event and sets out the process for making that determination.

In 2025/26, the Authority considered six under-frequency events. On average, final determinations were made within approximately 76 business days of receiving the causer report. The timeframes varied depending on the complexity of the event and the extent of consultation required.

⁷ Where information is published, the Authority may determine the appropriate level of aggregation, anonymisation and explanatory commentary, having regard to the purpose of publication and the circumstances of the case. More information is available in the [Authority's Information Management Policy](#).

3. Non-compliance trends

Analysis of reported breaches since 2021 shows that, while alleged non-compliance occurs across a broad range of Code provisions, the same provisions consistently appear among the most frequently reported alleged breaches.

Figure 6: Code clauses allegedly breached most frequently⁸

	2021/22	2022/23	2023/24	2024/25	2025/26	
Part 13, Clause 13.18A		3		7	4	Intermittent generators to submit revised offer following each approved forecast
Part 13, Clause 13.19AA			4	6	5	Limitations on revised offers
Part 13, Clause 13.236A	5	7	7	10	10	Disclosing participants must prepare and submit spot price risk disclose statements
Part 13, Clause 13.82	11	7	10	12	9	Dispatch instructions to be complied with
Part 14, Clause 14.31	4	6	5	6	5	Deadlines for settlement payments
Part 14A, Clause 14A.6	8	3	2	12	7	Provision of prudential security
Part 15, Clause 15.2	14	13	8	3	4	Provision of complete and accurate reconciliation information
Part 15, Clause 15.4	5	7		11	9	Submission information to be delivered for reconciliation
Part 8, Schedule 8.3 Technical Code B Clause 7		4	6	2	5	Requirement to ensure at all times that an AUFLS system is installed

⁸ For each financial year, the 15 most frequently reported alleged breach clauses were identified. Clauses that appeared in the top 14 for three or more financial years were selected for further analysis.

3. NON-COMPLIANCE TRENDS

Figure 6 shows the most frequently reported alleged Code breaches for each financial year from 2021-26, excluding Consumer Care Obligations provisions.

The data highlights several recurring themes:

- recurring alleged non-compliance with prudential and settlement obligations, which are important to market confidence and linked to trader default risk
- continued alleged compliance issues relating to system operation and reliability, including protection systems and forecasting obligations
- recurring administrative non-compliance relating to information and disclosure requirements.

Separate data relating to Consumer Care Obligations shows an increase in consumer-focused compliance activity and a high number of self-reported alleged breaches following the introduction of the Consumer Care Obligations in 2025.

These trends, together with the Authority's proactive monitoring activities and assessment of emerging risks, have informed the compliance focus areas for 2026/27 (Table 5).

However, the frequency of reported breaches is only one factor considered by the Authority. The Authority also considers the potential impact of non-compliance, the significance of the obligation, emerging risks, and the rate of non-compliance when measured against the volume of relevant transactions or activities. For example, while dispatch instructions are among the most frequently reported provisions, the rate of alleged non-compliance is approximately one in 400,000 (0.00024%) of all dispatch instructions. Accordingly, not all provisions identified in Figure 6 are considered to warrant additional compliance focus.

4. Looking ahead

Focus areas for 2026/27

Compliance across the electricity sector is generally good, particularly given the breadth and complexity of Code obligations. Most breaches are not deliberate or reckless, and enforcement outcomes indicate a high level of voluntary compliance.

The Authority has identified and published compliance focus areas for 2026/27 (Table 5) to provide transparency about where it intends to direct additional monitoring, engagement, and compliance resources. Focus areas are selected based on a range of factors, including trends in non-compliance, emerging risks, the potential consequences of non-compliance for consumers, market outcomes, competition and system security, and the successful implementation of new regulatory requirements.

The Authority's compliance focus also reflects areas where effective compliance is particularly important to achieving its strategic outcomes of affordable and reliable electricity. For example:

- **non-discrimination obligations** support competition and transparency through the even-handed supply and pricing of risk management contracts, which helps place downward pressure on consumer electricity prices over time
- **Consumer Care Obligations** help protect consumers from harm, including through requirements relating to medically dependent consumers, disconnections and reasonable fees
- **protection settings obligations** support the secure and reliable operation of the electricity system by helping ensure faults are isolated quickly and accurately, reducing the risk of unnecessary consumer outages
- **intermittent generation forecasting obligations** improve the accuracy of wind and solar forecasts and offers through a hybrid forecasting framework, reducing forecast-driven price spikes and reliance on costly backup generation, supporting affordability, system security and reliability.

These focus areas have been selected because they are critical to maintaining confidence in the electricity system and market and achieving the Authority's strategic outcomes. High levels of compliance support an efficient, reliable and competitive electricity system that delivers reliable electricity at lowest cost for the long-term benefit of consumers.

While these areas will receive particular attention, the Authority will continue to assess alleged breaches across the full scope of the Code on a case-by-case basis in accordance with its Enforcement and Prosecution Policy. The compliance focus areas help inform the Authority's prioritisation of compliance activities and assessment of regulatory risk. They do not limit its ability to take enforcement action in relation to any obligation under the Code where the circumstances warrant it.

4. LOOKING AHEAD

Table 5: Focus areas for 2026/27

Focus area	Reason
Non-discrimination obligations (Subpart 5C of Part 13)	The non-discrimination obligations came into force on 1 July 2026. They require the four major gentailers to supply price risk management contracts on a non-discriminatory basis. The obligations are intended to promote effective competition by supporting independent generators and retailers to compete on a level playing field with the four major gentailers, contributing to a more competitive and efficient electricity market for the long-term benefit of consumers. Given the significance of these obligations and their role in supporting effective competition, the Authority will proactively monitor compliance, engage with participants on implementation issues, and take enforcement action where appropriate. Participants should expect a high level of regulatory scrutiny as the regime becomes established.
Consumer Care Obligations (Part 11A)	The Consumer Care Obligations protect the interests of residential consumers by imposing a set of minimum standards on retailers in relation to the supply of electricity to those consumers. Given the potential for consumer harm from non-compliance, continued compliance focus is required to ensure the intended benefits of the regime are realised, to identify emerging risks early, and to maintain confidence that consumers are receiving the protections intended by the Code. The Authority will continue to closely monitor compliance with these obligations, particularly those relating to medically dependent consumers, disconnections and fees. The Authority expects retailers to prioritise compliance in these areas and will continue to take enforcement action where the potential for consumer harm warrants a stronger response. The Authority has published a separate Consumer Care Obligations Monitoring Framework setting out how we will monitor their effectiveness.
Prudential and settlement obligations (clauses 14A.6 and 14.31)	Prudential and settlement obligations are fundamental to the effective operation of the wholesale electricity market. They help manage counterparty credit risk, support market confidence, and ensure generators receive payment for the electricity they supply. Changes to the obligations take effect from 30 November 2026, providing modest relief in prudential costs to alleviate the impact of these obligations on smaller retailers. While the overall rate of non-compliance with these obligations remains relatively low, breaches continue to occur and have consistently featured among the most frequently reported Code provisions over recent years. Participants should prepare for the upcoming changes (where affected), and expect continued scrutiny of repeated non-compliance, particularly where it may indicate financial stress, deficiencies in systems and controls, or broader risks to market confidence.

Focus area	Reason
Requirement for asset owners to ensure they have protection systems in place which are selective when operating (Part 8, Technical Code A, Schedule 8.3, clause 4)	These obligations are critical to the secure and reliable operation of the electricity system. They require asset owners to ensure protection systems isolate only the faulted asset, preventing unnecessary outages to other parts of the network. Non-compliance has featured prominently in previous years and has been the subject of sustained compliance attention, including a complaint the Authority referred to the Rulings Panel in 2025/26. The Authority will continue to monitor compliance outcomes, assess the effectiveness of remediation measures, and consider enforcement action where non-compliance creates unacceptable risks to consumers or system security.
Intermittent generation forecasting (clause 13.18A)	Renewable generation continues to increase. Accurate forecasting is becoming increasingly important to the efficient operation of the electricity market and the secure management of the power system. Inaccurate forecasts can affect prices, dispatch outcomes and security of supply. Last year, the Authority introduced a new hybrid forecasting framework to improve forecast accuracy. The Authority will maintain active oversight of forecasting performance and compliance with the new framework. Monitoring outcomes will be used to assess whether the new arrangements are delivering the intended improvements and to inform any future compliance or regulatory response.
Limitation on revised offers within gate closure	Compliance with these obligations is important to maintaining confidence in wholesale market outcomes and ensuring prices are formed through transparent and competitive market processes. The obligations restrict generators from revising offers within gate closure except to reflect genuine changes in expected generation capability and prescribes how reductions in offered megawatt must be allocated across price bands. These requirements reduce the risk of strategic offer revisions that could distort price signals, affect dispatch outcomes, or undermine confidence in the integrity of the wholesale market. The Authority will continue to regularly review revised offers submitted within gate closure to assess compliance with this obligation. Participants should ensure they have appropriate systems, controls and governance arrangements in place to support compliance with these requirements.

High-priority areas for proactive monitoring

Proactive monitoring complements the Authority's response to reported breaches. It improves visibility of participant conduct, identifying potential issues at an earlier stage, and helps direct resources to areas of greatest risk and potential harm.

The Authority selects areas for proactive monitoring in accordance with its Compliance Monitoring Framework. The assessment is based on two key criteria: the likelihood of undetected non-compliance and the potential level of harm resulting from such non-compliance.

Following a review of priority areas in December 2025, the Authority has identified the following areas for proactive monitoring during 2026/27:

1. **Trading conduct in the wholesale market** – the Authority monitors trading conduct to ensure appropriate behaviour in the wholesale electricity market
2. **Reasonable and prudent System Operator performance** – the System Operator must carry out its obligations to the 'reasonable and prudent' standard in the Code
3. **Automatic Under-Frequency Load Shedding (AUFLS) readiness** – the AUFLS readiness regime ensures appropriate systems are in place to prevent cascade failure following significant generation loss⁹
4. **Wholesale market information disclosure** – including wholesale market information disclosure requirements and requirements to provide complete and accurate information
5. **Risk management contract disclosure** – requirements on participants to submit contract information to facilitate the ready comparison of electricity prices and other key terms of risk management contracts
6. **Grid emergency planning** – essential to ensuring appropriate system readiness for a grid emergency
7. **Restrictions on materially large contracts** – these provisions restrict generators from entering into contracts with large load users unless certain conditions are met, to prevent inefficient price discrimination that could impact consumers
8. **Revisions of submission information for reconciliation** – participants to deliver revised submission information for reconciliation.

Strengthening the compliance framework

The existing statutory framework governing the Authority's compliance activities (Figure 1) has remained largely unchanged since 2010. It limits the Authority to a binary decision to either take no further action or escalate an alleged breach to investigation. Following an investigation the Authority can discontinue, approve a settlement or refer a complaint to the Rulings Panel. The maximum pecuniary penalty the Rulings Panel may impose is \$2 million, although the Enforcement Regulations limit this further for specified roles.

The Authority needs a range of tools to promote and incentivise compliance. Currently, it lacks efficient and effective options for responding to alleged breaches that require accountability and deterrence, but may not justify a formal investigation or Rulings Panel proceedings. While the Authority can issue warning letters, there are administrative tools rather than statutory enforcement measures and have no direct legal consequences.

⁹ In July and August 2026, the Authority consulted on a new requirement for director certification of AUFLS readiness: <https://www.ea.govt.nz/projects/all/code-amendment-omnibus/consultation/code-amendment-omnibus-7/>

Recurring lower-level non-compliance can undermine confidence in regulatory arrangements, create system inefficiencies, and require significant resources to assess and resolve. Repeated instances of non-compliance may also indicate underlying weaknesses in participant systems, processes, or compliance culture, even where the impact of any individual breach is limited.

At the other end of the spectrum, some forms of non-compliance have the potential to cause significant consumer, market, or system harm. An effective regulatory framework should support proportionate responses across the full spectrum of non-compliance, including both meaningful incentives for behavioural change and credible deterrence for more serious misconduct. A broader range of compliance and enforcement tools would support these objectives. Additional intermediate tools could provide greater accountability in circumstances where formal investigation may not be warranted, while stronger enforcement options and penalties would enhance deterrence and reinforce the importance of complying with key obligations.

The Government has recognised these challenges. In 2025, Cabinet agreed a package of reforms intended to strengthen the Authority's regulatory framework. The reforms include a broader range of compliance and enforcement tools to enable more efficient and proportionate responses to recurring and lower-level non-compliance, as well as stronger deterrents for the most serious breaches, including increased maximum penalties. Together, these reforms are intended to support more effective regulatory responses across the full spectrum of non-compliance and align the Authority's framework more closely with contemporary regulatory practice. The reforms have not yet been introduced into Parliament and progress remains subject to future government decisions following the election.



