

Discussion material: *Achieving joint aspirations in the electricity sector*

Not in scope

Not in scope

6. Key topics considered in the electricity market measures paper, include:

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- b. Competition issues in the retail and wholesale electricity markets, including whether vertically integrated firms, i.e., 'gentailers', are squeezing out independent retailers. If a competition issue exists, or has the potential to exist, it presents significant risk for the innovation potential in the retail market.

- i. *Note, Electric Kiwi has recently made a formal complaint to the Commission alleging market dominance by the major gentailers.*

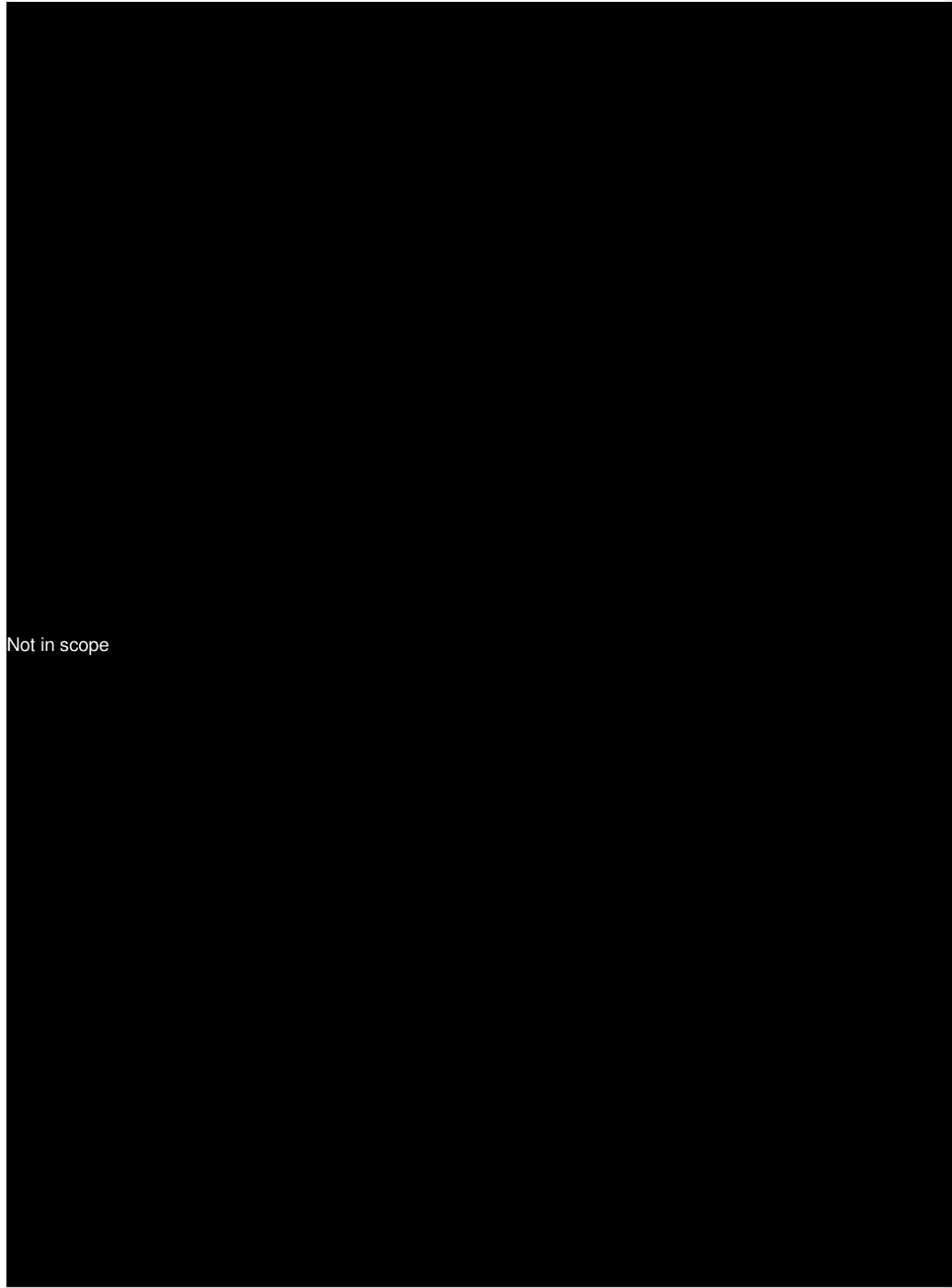
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***Potential competition issues in the existing wholesale and retail electricity market***

8. It is difficult to make any definitive conclusion about retail competition, with MBIE highlighting in the EMM issues paper that: (i) retail gross margins are similar across gentailers and independent retailers, (ii) high spot and hedge prices are presenting challenges for new entrants, (iii) comparisons of gentailers' internal transfer prices (ITPs) with benchmark ITPs represents a range of plausible retailer hedging strategies, (iv) benchmark ITPs appear large relative to the retail gross margins needed for a retailer to be competitive.
9. However, given the potential implications and recent events, this is an issue which the two regulators must inevitably provide their views on.

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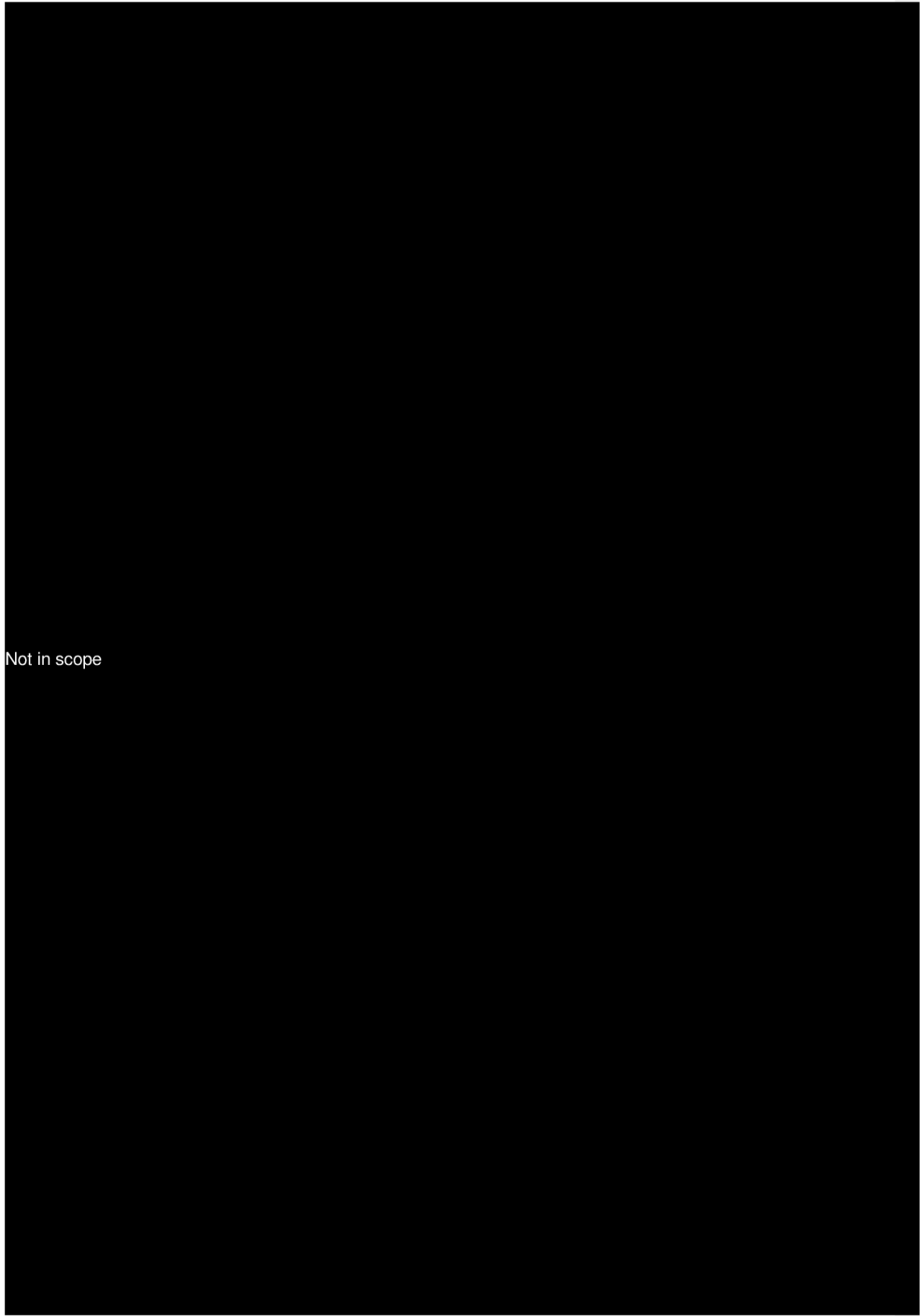
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## **Annex 1: Relevant questions from the market measures discussion document**

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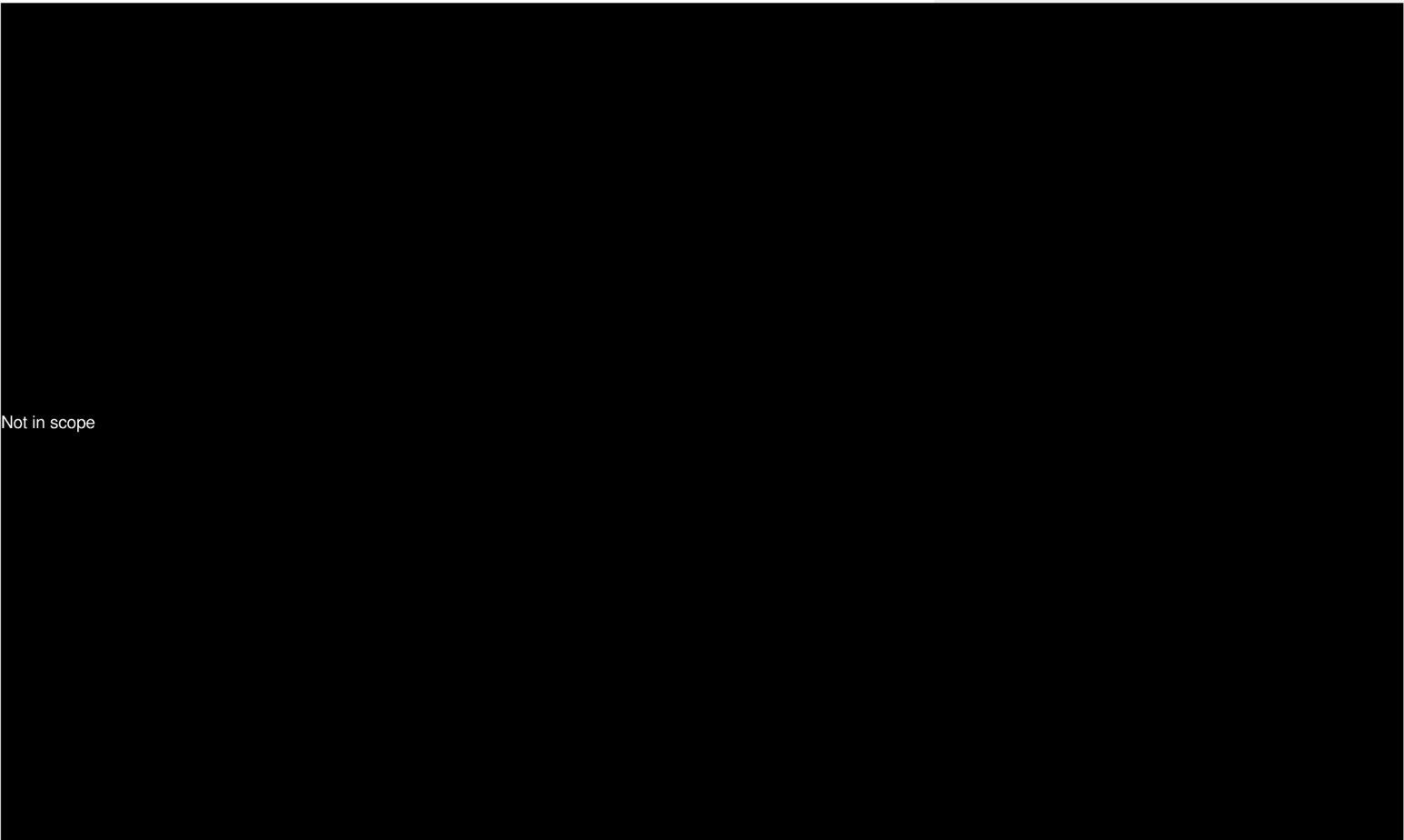
### **Chapter 6 – Workably competitive electricity markets**

1. Do you agree that the key competition issue in the electricity market is the prospect of increased market concentration in flexible generation, as the role of fossil fuel generation reduces over time?
2. Aside from increased market concentration of flexible generation, what other competition issues should be considered and why?
3. What extra measures should or could be used to know whether the wholesale electricity market reflects workable competition, and if necessary, to identify solutions?
4. Should structural changes be looked at now to address competition issues, in case they are needed with urgency if conduct measures prove inadequate?
5. Is there a case for either vertical separation measures (generation from retail) or horizontal market separation measures (amending the geographic footprint of any gentailer) and, if so, what is this?
6. Are measures needed to improve liquidity in contract markets and/or to limit generator market power being used in retail markets? If yes, what measures do you have in mind, and what would be the costs and benefits?
7. Should an access pricing regime be looked at more closely to improve retail competition (beyond the flexibility access code proposed by the Market Development Advisory Group or MDAG)?
8. What extra measures around electricity market competition, if any, do you think the government should explore or develop?
9. Do you think a single buyer model for the wholesale electricity market should be looked at further? If so, why? If not, why not?



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