

Energy Task Force 1A - Entrant generators – options for PPAs

Open Forum (18 February 2025)

FAQ's

Q: Can you provide more detail of how some of the proposed solutions could work, especially those pertaining to firming and scrutiny?

A: In terms of process scrutiny, we've outlined in the consultation paper that this could involve setting out some principles and requirements for dealings between incumbent generators and parties seeking access to sleeving or firming.

There is already a voluntary code of conduct for over-the-counter transactions, so something is there already. Regulatory scrutiny would involve some sort of codification and then monitoring of performance against those obligations.

Pricing scrutiny then could operate without process scrutiny, or it could sit alongside it. It could be around incumbents disclosing pricing and the rationale for that pricing. It could cover pricing for deals that are concluded but it could also include pricing for things that weren't taken up and the disclosures could be confidential just to the regulator to help the regulator assess the market.

Public disclosure may be difficult to achieve since entities are competing against each other to bring generation to market. Public disclosure can have pros and cons in the market for entry, but it could build on what the Authority already does and enable the scope to expand coverage and focus on PPA related matters.

Q: Are you separately looking at mechanisms to encourage generators to participate?

A: The consultation paper looks at options beyond incentives and into obligations. The scrutiny options also create an incentive to make sure you are behaving in a certain way, such as participating in offers. For incentives to come to the table, I'm sure there are other options open to us.

Q: It seems like the Issues Paper has identified the intervention proposed by the Task Force is the highest level of possible interventions. Is doing nothing an option?

A: While doing nothing is always an option, we're looking at what is most practical and feasible to get the outcome we are looking for.

The proposal is in a sense the highest level but it's not a strict hierarchy of interventions.

It's a significant intervention to allocate volumes and we need to work through how that would actually work and how that would look.

If you think of firming resources as the flexibility in a hydro lake or in a thermal plant or just the financial capacity of a large player, underpinned by physical, that's a finite resource. It's got an opportunity cost. Whenever you put it in some shape or form to firming residual demand for PPA buyers it may be a misallocation risk.

The key things to think through is what could misallocation look like. Could it have impacts on retail market competition, could it have impacts on non-PPA generation development, could it have impacts on system security?

Q: Are there any possible options that could be considered to create separate entities to hold the physical instruments of firming such as hydrothermal or other mechanisms to separate energy supply and firming supply?

A: This sounds like a kind of structural intervention that's out of scope. Task Force 1C - virtual desegregation - as conceived of by MDAG in their December 2023 report - to some extent goes down that path, noting MBIE 's view was that it was a very targeted intervention.

The Task Force is on track in to publish consultation papers at the end of February. There'll be an opportunity for people to provide feedback in terms of what you think the option set should be in terms of any broader problems, issues, opportunities.

Q: The most substantial proposal was firming allocation - what would that look like?

We have partly spelled this out in the consultation paper. Obviously, it would need some sort of mechanism for taking that resource and making it available to support PPAs. Whether that's to support firming of residual demand for a party who's buying a PPAs so that the PPAs can happen or whether it's firming to a PPA seller so they can bundle that with their PPAs. Whatever it might be it's a mechanism to ensure that resource is made available for that use.