

## **Energy Competition Task Force Level Playing Field measures**

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### **Q&As from Level Playing Field measures webinar, 13 March 2025**

**Q: How open to feedback and alternate ideas is the Task Force / Authority, given the options in the consultation paper are already spelled out in some detail?**

A: We are open to all feedback. We wanted to provide a concrete proposal in our Options paper to make it easier for people to provide detailed feedback in their submissions.

What we are steadfast about though – irrespective of the option – is these outcomes in relation to gentailer-supplied hedges: more liquidity, competitive pricing, even-handedness.

**Q: How long do we expect it to be until the retail market is working properly, and how will we know when that is the case?**

A: We can't at this point signal a specific timeframe. We are paying close attention to the key inputs – hedge offers, trades and prices – as these will be indicators of what we hope to see.

We are committed to monitoring and continuing to engage with both those who are concerned and those who feel the hedge market is already working as it should be.

It's also been put to us that due to the lack of availability of hedging, the growth of new entrants has slowed and their ability to offer innovative products has been limited.

We would expect that this level playing field proposal, along with the Standardised Flexibility Product, should provide a greater degree of certainty around a key input to competition and that we would start to see things shift.

**Q: Who makes the final decision on these options?**

A: All the options we have put forward are intended to be within the existing powers of the regulator. The ultimate decision will be made by the Authority. However, part of the design of the Task Force is for all three agencies to work together – so we would seek alignment across all three agencies before anything is progressed through the Code change process.

**Q: Perfect competition needs perfect information – is that something that can be achieved at this stage?**

A: We are seeking workable competition, not perfect competition.

We agree that data and disclosure is important. Our proposal outlines disclosure requirements – some of those will be to the Authority, but some will be public as well. The standardised flexibility product initiative is also seeking to produce more information to give the sector access to a forward curve for shape. We've had clear feedback on the importance of this.

**Q: What's your take on the issue of contracted vs non-contracted volumes?**

A: The Options paper acknowledges that scarcity can be an issue and that at times there simply isn't sufficient flexible supply to back these hedges (due largely to fuel availability).

We expect to see hedges being made available on an even-handed basis, rather than operators favouring their own internal arms over the external market.

Gentailers will have internally and externally committed hedge volumes, but also at various points in time the ability to offer further hedges. At any point where uncontracted volumes are available, under the proposal they would need to be offered on an even-handed basis (which ultimately means all volumes get offered this way).

All parties should retain incentives to invest in more flexibility too – including demand response, virtual power plants, batteries etc.

**Q: The 2A & 2B papers seem to imply that regulation will be needed for five years to enable better competition. Isn't that a long time?**

A: That is not the impression we want to give. The sunset clause proposal was more that we acknowledge that parties in the retail market should be compete as they see fit, so we shouldn't be putting regulatory requirements on them for any longer than needed. If we do regulate, we also need to consider when we should review the intervention.

It's unusual for the Authority to regulate specific retail service offerings. But we see the evidence – the number of consumers able to access time-of-use options through their retailer isn't as good as we'd like it to be.

This is intended to be a relatively surgical intervention that shouldn't be too distortionary.

**Q: Can you provide more information on the issue of prudential?**

A: The Appendix B to the Options paper proposes some guidance on this issue.

There is a balance to achieve between appropriate security for sellers and avoiding prohibitive barriers to entry.

**Q: What's the Authority's view on the balance between maintaining market competition and the need/opportunity to work more collaboratively on national opportunities?**

It's important for the sector to have a clear view of the collective outcomes we seek so we can all assess whether we're achieving them or not.

NZ's current model is a market-based model, which is based on the market being a good way to determine key parameters, eg, price signals. Our job is to make sure the market is working properly, and to put regulatory scaffolding in place as appropriate. That's what the Task Force is doing.

The Government's current electricity market review is a chance for them to look more broadly, outside of current settings.

**Q: What is the Authority's view on balancing the efficiency of the market with the risks of privatisation? Referencing three waters conversation as an example.**

A: It's not a case of markets for markets' sake. But based on experience over time we generally expect that a market-based system will get better outcomes for consumers from efficient markets.

The Government Policy Statement on Electricity released last year clearly assumes an efficient market-based structure.

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