

FN-25-05 Fortnightly report 14 March 2025

This report summarises items that may be of interest to the Minister for Energy but do not necessarily require a formal briefing. Further information on any topic can be provided on request. Substantive items and decision papers will be provided to the Minister in the form of briefings.

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1. Energy Competition Task Force update

Publication of the Authority's *Level playing field measures – Options paper* at the end of February commenced an 8-week programme of engagement with the sector.

The initial reaction for stakeholders has been relatively positive. For example, Octopus Energy said:

The changes proposed today will be welcome news for consumers. It's the start of action that is needed to get competition working more effectively and bring investment in generation and smart retailing, driving down the cost of electricity for households and businesses

We agree with Octopus – the success of this initiative should be judged by whether to achieves real, timely change for consumers, bringing them more choice and putting downwards pressure on retail prices. To best ensure that occurs – pursuing a less effective or value destroying change – the proposal needs to be thoroughly tested and tuned in this feedback phase – taking care now will allow us to move faster and more confidently in the implementation phase. That includes:

- Talking directly to the gentailers, regularly over the feedback period – they will provide valuable detailed responses
- Talking directly to other retailers – we've already met with Octopus, Electric Kiwi, Nau Mai Rā, Paua to the People
- Reaching out to consumer advocates
- Providing in person opportunities to debate key aspects of the proposal with a wider group of interested people¹ – we are hosting events in Auckland, Wellington and Christchurch in the week of 24 March
- Providing multiple, regular options for interested people to ask questions about the proposal and get a timely response – webinar, email, online 1:1 meetings.

2. Current and upcoming publications and advice

Decision: Improving access to thermal fuel information and notice	
Strategic outcome	Secure and resilient: <i>Effective risk management</i>
Purpose	The Authority has decided to publish a Clause 2.16 notice that enables the collection of timely and systematic information on the availability of thermal fuels for generation. The Authority will then begin publishing a subset of the information received to inform risk-management decisions by market participants.

¹ Eg, Academics, industrial users, niche advocacy groups such as Energy Resources Aotearoa, the group led by the Auckland Business Chamber that has recently proposed a ten-point plan for broad sector reform.

Action and timing	Intended publication: 25 March 2025 Notice to come into effect: 1 April 2025
Decision: Part 8 Code terminology and network information	
Strategic outcome	Secure and resilient: <i>Effective risk management</i> Affordable: <i>Effective competition</i>
Purpose	<p>As part of the Future Security and Resilience programme, the Authority has decided to amend the Code to address outdated or missing terms and insufficient information for network owners and operators in Part 8 of the Code. These amendments will:</p> <ul style="list-style-type: none"> • ensure comparable technologies are subject to equivalent testing obligations • update and clarify Code terminology • ensure the Code captures all relevant parties as potential causers of an under-frequency event, and • enable energy storage systems to better support common quality on the power system. <p>The Code amendments in this paper are intended to be implemented by 1 May 2025.</p>
Action and timing	Board to consider: 11 March 2025 Intended publication: 27 March 2025
MDAG Quarterly update dashboard January-March 2025	
Strategic outcome	Secure and resilient: <i>Effective risk management</i>
Purpose	This document aims to inform the electricity sector, wider stakeholders and the public of the progress made against the recommendations from the final MDAG Report released in December 2023.
Action and timing	Intended publication: 25 March 2025
Retail gross margin and internal transfer price data	
Strategic outcome	Affordable: <i>Effective competition</i>
Purpose	The Authority is publishing the retail gross margin (RGM) and internal transfer price (ITP) data for the 2023/2024 financial year. The data shows similar trends to previous years, however gentailers' margins

	<p>are the lowest since we began collecting data in 2022, while two of the five small to medium retailers' margins have increased.</p> <p>Our post implementation review last year highlighted that ITP and RGM figures are inadequate for assessing retail competition. We are now reconsidering the role of the ITP and RGM disclosure regime. We are aware of competition risks arising from the gentailers' vertical integration and control of New Zealand's flexible generation base, and have recently published a level playing field measures options paper to address these risks, which includes a proposal to require gentailers to establish economically meaningful ITPs.</p>
Action and timing	Intended publication: 18 March 2025

3. Consultations underway

Level playing field measures options paper	
Strategic outcome	Efficient: <i>Innovation and distributed energy</i>
Purpose	<p>The Authority is seeking feedback on a proposal to introduce mandatory non-discrimination obligations for hedge contracts that the gentailers - Genesis, Contact, Meridian and Mercury – would have to follow.</p> <p>This new rule would prevent the gentailers from giving preferential treatment to their retail arms for hedge contracts, ie make these contracts available to all industry participants on effectively the same terms they use when trading internally.</p>
Action and timing	Consultation closes: 23 April 2025
New ways to empower electricity consumers	
Strategic outcome	Efficient: <i>Innovation and distributed energy</i>
Purpose	<p>The Authority is consulting on two consultation papers for Task Force Package Two - one paper for Initiative 2A, and a combined paper for 2B and 2C. These papers seek feedback on proposed rule changes that would better enable consumers to manage their electricity use and costs and to harness the power of rooftop solar and batteries. We are consulting on:</p> <ul style="list-style-type: none"> requiring distributors to pay a rebate when consumers supply electricity at peak times (Initiative 2A)

	<ul style="list-style-type: none"> improving pricing plan options for consumers: time-varying retail pricing for electricity consumption and supply (initiatives 2B and 2C).
Action and timing	Consultation closes: 26 March 2025 Cross-submissions close: 16 April 2025
Distributed generation pricing principles	
Strategic outcomes	Efficient: <i>Innovation and distributed energy</i>
Purpose	<p>The Authority is consulting on ways to improve the distributed generation pricing principles that guide the cost of connecting distributed generation, such as wind and solar farms, directly to the network.</p> <p>Distributed generation plays an important role in bringing electricity to where it is needed most, and we want to ensure it is efficiently rolled out at the right places and at the right time.</p>
Action and timing:	Consultation closes: 26 March 2025

4. Upcoming Electricity Industry Participation Code 2010 amendments

The following table has Electricity Industry Participation Code amendments that need to be presented to the House by the Minister's office **within 20 working days** following the date on which it is made.

Tracking number	Name	Date made	Date of Gazette notification	Date in force	Due date for presentation to the House
EIPCA-25-0001	Code review programme	24/02/2025	25/02/2025	1/04/2025	24/03/2025

5. Key external engagements

- 17 March: Minister Watts/MBIE/CE meeting
- 17 March: Vector/Slalom/CE and Chair meeting
- 20 March: Downstream Conference 2025
- 24 March: SEANZ/CE and Chair meeting
- 24 March: Level playing field measures Wellington in-person event, Chair
- 26 March: Level playing field measures Auckland in-person event, Board member

- 27 March: Level playing field measures Christchurch in-person event, Board member

Energy Competition Task Force Package One progress update and next steps

Initiative	Progress to-date	Next steps
1A: Consider requiring gentailers to offer firming for PPAs: Gentailers would be required to offer a minimum volume of flexible electricity in the form of long-duration contracts that could be used to firm (or 'sleeve') new generators' Power Purchase Agreements	<ul style="list-style-type: none"> Working paper on PPA context, headwinds and options published on 17 January <ul style="list-style-type: none"> Feedback closed 28 February Overlap with level playing field work more pronounced 	<ul style="list-style-type: none"> Authority Board discussed options following stakeholder feedback on 11 March; Task Force member discussion to follow Update Minister on next steps; timeline – fortnightly report on 28 March
1B: Introduce standardised flexibility products: Developing over-the-counter flexibility products that provide retailers and industrials buying on the wholesale market with protection against high spot prices at specific times	<ul style="list-style-type: none"> Three trading events for the standardised super-peak hedge contract have occurred – attendance and trading volumes have been encouraging 	<ul style="list-style-type: none"> Trading events continue every fortnight Authority Board to consider trading to date; (backstop) options for regulation and triggers in late March Discuss with Minister
1C: Prepare for virtual disaggregation of the flexible generation base (backstop measure): Designing rules that would require gentailers to offer a share of their flexible generation base to buyers on the wholesale market in the form of risk management contracts.	<ul style="list-style-type: none"> Virtual disaggregation outline published on 27 February 2025 as an appendix to the <i>Level playing field measures - Options paper</i>. 	<ul style="list-style-type: none"> See level playing field measures below
1D: Investigate level playing field measures (backstop measure): Investigating what measures are appropriate, risks and possible triggers	<ul style="list-style-type: none"> <i>Level playing field measures - Options paper</i> published for feedback on 27 February 2025, along with related risk management review update paper (following submissions) <ul style="list-style-type: none"> Feedback closes 23 April 	<ul style="list-style-type: none"> Programme of stakeholder engagement throughout feedback period, including 3 industry events in the week of 24 March Update Minister on next steps – fortnightly report on 24 May S9(2)(f)(iv) [REDACTED]

Energy Competition Task Force Package Two progress update and next steps

Initiative	Progress to-date
<p>Consumer-focused initiatives:</p> <p>2A: Cost-reflective distribution export tariffs: Distributors would be required to pay a rebate when consumers export surplus energy back into the system at peak times</p> <p>2B: Time-varying retail pricing: Requiring retailers to offer time-of-use pricing plans to shift electricity demand to times when it is cheaper and more abundant</p> <p>2C: Time-varying retail feed-in pricing: Better rewards for consumers who export electricity onto the network at peak times</p>	<ul style="list-style-type: none">• Two consultation papers covering the three initiatives published on 12 February 2025.<ul style="list-style-type: none">- Submissions close 26 March- Cross-submissions close two weeks later

S9(2)(f)(iv)

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