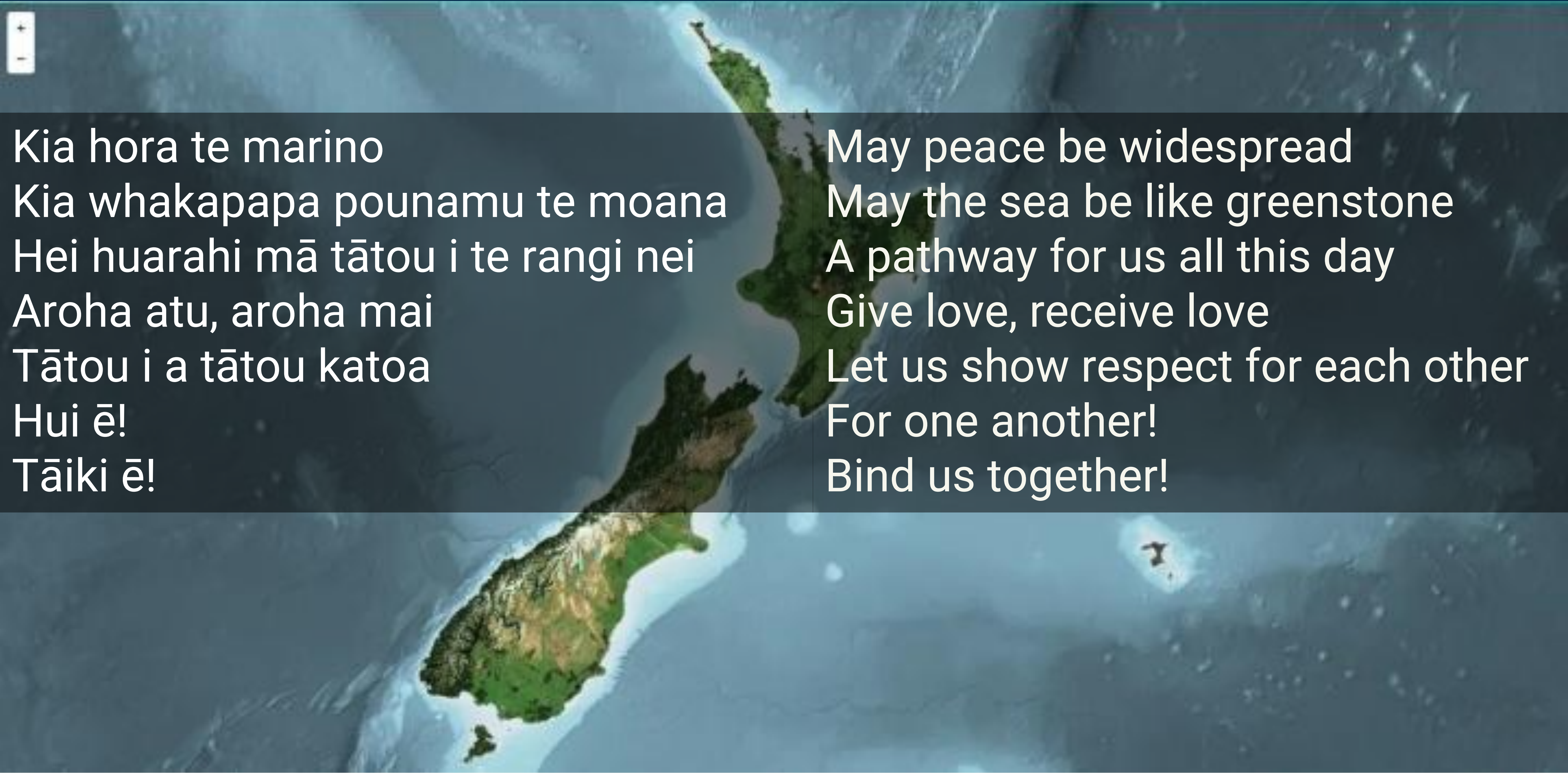
Level playing field measures Consultation paper

Online Q&A session – 17 October 2025

ELECTRICITY AUTHORITY
TE MANA HIKO

He Karakia Tīmatanga me te Whakakapi Kaupapa



Kia hora te marino	May peace be widespread
Kia whakapapa pounamu te moana	May the sea be like greenstone
Hei huarahi mā tātou i te rangi nei	A pathway for us all this day
Aroha atu, aroha mai	Give love, receive love
Tātou i a tātou katoa	Let us show respect for each other
Hui ē!	For one another!
Tāiki ē!	Bind us together!

Overview

- Task Force remains concerned about competition risks arising from the hedge market
- Pursuing non-discrimination obligations (NDOs) for the four large gentailers in response
- Part of a broader package of pro-competition reform
  - intended to work alongside the development of standardised flexibility products and a market making review
- Aims to build confidence in the wholesale electricity market, supporting competition and investment.
  - Over time this will give New Zealanders better access to affordable electricity

What's changed since February (1)

Problem definition

After submissions and further analysis, our view is:

- Less likely that prices for super-peak hedges reflect a premium above competitive levels
- <u>But</u> ongoing risk that gentailers have opportunities to use market power in a way that would harm competition (pricing or access)
    - This has contributed to a lack of confidence in the market from new entrants and participants looking to expand

Proposed response

Approach to NDOs refined since February, taking account of feedback:

- More pragmatic, faster to implement, easier to enforce
- Removed proposal for gentailers to put robust internal hedge portfolios in place
- Regular Retail Price Consistency Assessment (RPCA) now required
    - More directly tests price discrimination – gentailers favouring their own retail arms – and addresses margin squeeze concerns

What’s changed since February (2)

Proposed response continued

- Uncommitted capacity must be allocated on a non-discriminatory basis
- New good faith requirement
- No longer proposing three-step progressive approach
  - More prescription will be added to principles-based NDOs as needed
  - Further escalation reassessed in 2027 effectiveness review of broader reform package

Retail Price Consistency Assessment (RPCA)

Assesses whether another retailer that is as (or more) efficient with regard to operating costs as the gentailer's own retail business, and which adopts a reasonable risk management approach, is prevented from operating profitably in the retail electricity market

- Each gentailer must demonstrate economically justifiable link between expected cost of supply and its retail pricing
- Guidance on key RPCA parameters (eg, time horizon for assessment of wholesale electricity cost) will be developed with the sector
  - Briefing document released mid-November
  - In person workshop December 2025 (date tbc)
  - Technical consultation February/March 2026
  - Guidance finalised and published April 2026
- First RPCAs submitted by gentailers in July 2026; six-monthly after that

Proposed timeline and next steps

Pre-implementation steps

Oct 2025	Nov 2025	Nov 2025	Feb/March 2026	April 2026	1 July 2026
Code change consultation commences	Industry engagement on RPCA guidance commences	Consultation closes 25 Nov	Final Decision on Code change issued	RPCA guidance issued	Proposed start date

Post-implementation steps

Subject to Consultation

1 July 2026	Feb 2027	April 2027	Sept 2027	Oct 2027
• Gentailer Implementation Plans and first RPCAs Due	• Interim Reports from Gentailers on compliance with NDOs due • Second RPCA due	• Authority feedback on Interim Reports	• Annual compliance reports published • Third RPCA provided to Authority	• Effectiveness review of pro-competition reforms commences

ELECTRICITY AUTHORITY
TE MANA HIKO

ANY QUESTIONS?

He Karakia Whakakapi

Kia whakairia te tapu	*Restrictions are moved aside*
Kia wātea ai te ara	*So the pathways is clear*
Kia turuki whakataha ai	*To return to everyday activities*
Kia turuki whakataha ai	*Forward together!*
Haumi e. Hui e. Tāiki e!	*Strong together!*