

Level playing field – Agenda and briefing document for 9 December 2025 workshop to develop retail price consistency assessment guidance

Introduction and overview

The purpose of this workshop is to help the Authority produce high quality guidance on the recommended methodology for undertaking retail price consistency assessments (RPCAs).¹

The RPCA is part of our proposed non-discrimination obligations. As noted in the *Level playing field measures consultation paper* (the LPF Proposal paper), we intend to create guidance to ensure the RPCA is applied in a consistent and comparable manner.

To ensure guidance is complete in time to give practical assistance before gentailers would have to submit their first RPCAs, we have started its development ahead of any decisions on the proposed non-discrimination obligations. We acknowledge such work may not be needed if we decide not to go ahead with all or parts of the proposal after consultation. We appreciate stakeholders' input in this process.

Subject to consultation on the proposed Code amendment, we consider that, by demonstrating an economically justifiable link between its expected cost of supply and retail prices, a gentailer would be able to show it is not discriminating on price against buyers of risk management contracts in favour of its own retail arm. That is, a retailer as efficient as the gentailer's own retail arm would not be prevented from operating profitably by the combined effect of the hedge pricing and retail pricing of the gentailer.

We propose the assessment involves a forward-looking comparison to see whether the gentailer's expected 'netback' (ie, retail price *minus* network costs and levies, retail costs and metering costs) exceeds a measure of energy cost based on prices of risk management contracts observed in the electricity market.

The Authority's current thinking and proposals relevant to the RPCA are set out at paragraphs 3.52-3.82, 5.17-5.22, and 6.1-6.44 of its LPF Proposal paper.

We have framed the workshop questions below broadly to ensure we get the most out of our engagement with stakeholders. We appreciate that some of the topics proposed for the workshop could impact on the drafting of the proposed Code change (as set out in our LPF Proposal paper). We will, of course, be reassessing the proposed Code, in the context of the consultation on that paper before any final Code change decision. We will

¹ As proposed by the Authority in its *Level playing field measures consultation paper* dated 14 October 2025.

do this after the RPCA workshop and will take account of matters arising during it, alongside matters raised in submissions.

Format and agenda for the workshop

The workshop will be an in-person group session facilitated by our staff in Wellington. We are seeking substantive input from participants on key aspects of the RPCA to better enable the Authority to draft fit for purpose RPCA guidance, which we intend to publish for feedback in early 2026. Specifically, participant views will be sought on:

- how best to align guidance on specific aspects of the RPCA with the overall purpose of the RPCA
- the workability of the guidance – what will be easy, difficult, and why
- the potential impact of the guidance, ie, what it will likely incentivise them or other parties to do, and impacts on the system and consumers

The workshop will involve group discussion on different approaches to the RPCA. Where participants raise a concern about any aspect of the guidance, we would appreciate them also putting forward an alternative proposed approach that is consistent with the purpose of the RPCA, to the extent reasonably practicable.

As previously advised, each attending organisation can have a maximum of three representatives at the workshop. This is to ensure we can host all stakeholders who want to be involved. We are also considering how best to allow parties that do not attend, or other people in participants' organisations, to be informed about the workshop discussion.

The agenda below is approximate and subject to change on the day.

Topic	Indicative timing
Authority presentation covering:	9.15-9.45
• objectives and purpose of the day	
• high-level issues	
• a worked 'strawman' example to facilitate discussion	
Overarching issues	9.45-10.45
Morning tea	10.45-11.00
Retail prices	11.00-12.30
Retail costs	12.30-13.00
Lunch	13.00-13.30
Expected energy cost	13.30-15.00
Miscellaneous RPCA Issues	15.00-15.30
Hold for further non-RPCA topics	15:30-1700

We welcome any feedback on the proposed agenda, particularly if participants consider a topic is missing that will be material to successfully implementing the RPCA (subject to consultation on the proposed Code amendment).

Please let us know by 5pm on Friday 28 November if you have any suggestions for the agenda.

Potential further topics for discussion at the end of the workshop

Since releasing the LPF Proposal paper in October, we have received several questions regarding limb 2 of proposed Principle 1,² particularly whether our proposed approach to ‘uncommitted capacity’ is workable and will achieve its intended purpose (non-discriminatory supply of risk management contracts).

We encourage all parties to make full written submissions on all aspects of the proposed Code change including this matter by 5pm on Tuesday 2 December, and to propose any alternatives they consider would better achieve our intended purpose.

Once we have received submissions, we will consider whether it would be useful to further discuss uncommitted capacity, or any other matter, at the end of the workshop.³ That is why, at this stage, we are asking workshop attendees to be available until 5pm on 9 December. We will confirm on Friday 5 December 2025 whether we will include discussion on a further topic at the end of the workshop.

Process timeline

The process for the next few weeks will be as follows:

- 28 November – any suggestions for the agenda
- 2 December – submissions due
- 5 December – decision announced on any additional workshop content
- 9 December – workshop.

² Limb 2: “A gentailer must not discriminate against buyers in favour of its own internal business units for the supply of uncommitted capacity without an objectively justifiable reason.”

³ Acknowledging that this is a different topic to the RPCA guidance.

Briefing on workshop topics

Overarching issues

What are we trying to achieve?

To ensure the RPCA is practical and fit for purpose, ie,

- that it appropriately captures circumstances where a gentailer is discriminating on the price of risk management products or setting retail prices that are inconsistent with the cost of supply, while allowing gentailers to continue to compete and to make reasonable commercial judgements and decisions.
- that the costs of the RPCA system are proportionate to its benefits in terms of improving confidence in wholesale market outcomes and in competition.

Questions to be discussed:

- We propose that the RPCA is a forward-looking comparison of the expected cost of supply to retail prices that apply in the period ahead. In our view this approach best answers the question of whether a gentailer is discriminating on the price of risk management contracts in a way that impacts independent retailers and retail competition:
 - What guidance should be provided on the appropriate risk management contracts to be used to measure a gentailer's cost of supply for the RPCA (eg, current prices of futures that are of certain duration at the time of the assessment vs historic risk management costs)?
 - What, if any, guardrails would be consistent with the RPCA's intended purpose, without overly limiting each retailer's⁴ choice of business model?
- There may be good reasons for slim or negative gentailer retail margins in the short-term. What time horizon(s) would be appropriate for the RPCA to assess whether 'netbacks' cover the expected cost of supply? What factors are relevant to deciding on this time horizon?
- Related to this, what reasons should be considered when assessing the results of the RPCA? That is, what legitimate business reasons could there be for a gentailer to have negative retail margins for a group of customers over a period (eg, short-term discounting to grow market share, or investing in customer retention)?
- Should the assessment make any adjustment to account for material, economically justified differences, if any, between observed (market) risk management contract prices and the cost of self-supply (eg, transaction costs, credit risk)?

⁴ Including the retail arms of the four large gentailers.

Netback calculation

Retail prices

What are we trying to estimate?

A measure of retail prices for each relevant customer group (\$/MWh)

→ *the benchmark price we expect a retailer would likely need to meet to win customers in that group*

Questions to be discussed:

Customer groups:

- The proposed Code amendments say the gentailer must undertake an RPCA for each of its retail brands within each retail segment. We are seeking input on which retail segments should be used in the assessment and how granular the segmentation should be. Potential segmentation parameters include:
 - customer type: should the assessment focus on mass market (residential and small business) customers? If C&I customers are included, should they be assessed separately?
 - whether existing customers and new customers should be separate segments: Should grandfathered tariffs be excluded and, if so, how should these be defined?
 - geographic location: should different regions⁵ be assessed separately?
 - retail brand: should gentailer sub-brands be assessed separately from main brands?
- Should the shape of each relevant segment be assessed, or should it be just in aggregate (an average customer)?
- More generally, should the RPCA primarily operate segment by segment, target specific segments where negative margins are most likely (eg, where gentailers offer the lowest mass market retail prices) or be an aggregate assessment (with weightings)?

Retail prices:

- Does the measure of retail prices need to be of expected retail prices, current retail prices, or a combination (depending on the relevant timeframe)?
- Approach to calculation:
 - What balance should the assessment strike between accuracy and practicality, eg, should it include all tariff codes or just major tariff codes?
 - To convert the fixed and variable components in retail tariffs to a per MWh amount for a segment, we propose to make this conversion by dividing revenue

⁵ Corresponding to EDBs, or some other reporting region

per customer by consumption. We welcome any stakeholder feedback or alternative proposals.

- How should the RPCA deal with retail variety – multi-product bundling (including where retail pricing accounts for some level of demand response), variety in tariff structures, variety in consumer profiles?

Retail costs

What are we trying to estimate?

An indicator of the incremental cost of retailing (eg, billing systems, customer service, marketing) per MWh, in the short run and long run

→ the benchmark cost of operating its business that we expect a non-integrated retailer would likely need to meet or beat to be competitive

Questions to be discussed:

- How to allocate these types of costs has been substantially debated through the Commerce Commission's processes for setting input methodologies under Part 4 of the Commerce Act 1986 and Part 6 of the Telecommunications Act 2001. We are seeking input on whether an accounting-based approach, consistent with the Commerce Commission's cost allocation input methodologies, should be taken to allocating or attributing each gentailer's costs of retailing.
- Alternatively, we welcome any suggestions of a simpler fit for purpose approach, eg, a benchmark type approach to estimate retailing costs.
- Should retail costs be measured separately for each customer segment? Is this practically possible?

Network costs and levies

What are we trying to estimate?

An indicator of the external costs, other than energy, that a retailer must pay to third parties, and needs to recover through their retail pricing

We have not allocated any time to this topic at the workshop. This is because we expect the quantification of network costs and levies to be relatively uncontroversial. We anticipate that the guidance will suggest that expected network costs and levies will be applied, weighted as appropriate by any regional differences among the customers in the relevant retail segment.

If participants want to raise any issues on this point, please contact us ahead of time with details.

Expected energy cost

What are we trying to estimate?

A wholesale energy cost of supply benchmark (\$/MWh) based on market prices (preferably observable to all parties):

- starting point for wholesale energy cost: market observed prices of risk management contracts (OTC/ASX)
- the cost of which is adjusted to account for the differences between the portfolio's shape and the shape of customers' demand
- for an appropriate duration

→ *the key benchmark input cost for which we are seeking to ensure that gentailers are not discriminating between their own retail functions and other retailers*

Questions to be discussed:⁶

- What types/durations of risk management contracts could a gentailer reasonably include in their expected energy cost?
- How should the RPCA take account of different approaches to risk management by the four large gentailers? For example, to what extent should it provide guidance on the following topics and what should that guidance be?
 - Use of aggregate market pricing of specific types of hedges vs use of specific prices from contracts sold by that gentailer
 - How to calculate the cost to supply for a segment's shape, for example, as if perfectly hedged or some other manner
 - Whether shape should be considered at the segment or aggregate level (an average customer)
- How should market prices be assessed for risk management contracts that don't trade regularly, eg, long-term off-take contracts?

⁶ Some of the questions in the overarching issues section are also closely related to this expected energy cost discussion.