New Zealand Steel

2 December 2025

Electricity Authority
Wellington.

Levelplayingfield@ea.govt.nz

Re: Submission on Level playing field (LPF) measures – consultation paper 14 October 2025.

Executive Summary

1. For large / industrial scale users a one-size-fits-all approach is unlikely to be appropriate
2. Those with non-standard load profiles require a bespoke approach

Thank you for the opportunity to submit on this paper which includes changes that have come about following consideration of submissions on the earlier options paper.

New Zealand Steel's submission aims to provide information from the perspective of a major industrial energy user, to inform the Electricity Authority's decision making.

We acknowledge the proposals are "…part of a broader package to improve the operation of the electricity market…"[1]. In addition, we agree that the problem definition needs to include the risk of harm to competition and so to consumers[2].

Inclusion of large users:

The October paper has moved to focus on what was Option 2 in the original LPF options consultation paper. The proposal now being a non-discrimination obligations (NDO) approach. This clearly places focus on retail and mass-market load profiles with Peak and super peak products are an important part of the proposals[3]. There is a clear focus for assessments "…with respect to (its) domestic and small business consumers"[4].

The Retail Price Consistency assessments (RPCAs) are intended for an "…efficient buyer to profitably operator in the retail electricity market…"[5]. Comparing retail $/MWh to expected cost of supply $/MWh is based around retail offerings[6].

From NZ Steel's perspective, it is not clear how the NDO obligations would apply in the case of our operations, whereby:

- We are a direct market participant

[1] Para 2.6
[2] Para 3.2, "While there has been some change to our understanding of the problem definition, the Authority's view remains that access to, and pricing of shaped hedges still indicate there is a material risk of harm to competition (and so to consumers, including industrial consumers) that it should respond to."
[3] Para 3.11, 3.28-3.31
[4] Para 6.19.
[5] Para 5.19
[6] Para 6.24 and 6.34.

- There are no retailer costs as envisaged in para 6.27.
- The load profiles and load management for our sites are tailored to our 24-hour operations.
- References to mass-market load profiles and average $/MWh assessments for retailers are not applicable to us.

The paper rightly questions the inclusion of "large commercial and industrial users" in the NDO regime[7]. The issue of "…being treated even-handedly…"[8] and in "…good faith…"[9] extends to large consumers who are direct market participants. Additionally, while hedge volumes may be greater and load profiles different, the issues faced by small retailers in contracting realistically priced hedges are also faced by large users.

The NDO approach using a (yet to be developed[10]) RPCA tool seems a pragmatic way forward to competitive energy pricing for independent retailers, but not for large users and/or those with unique load characteristics. **A one-size-fits-all approach is unlikely to be appropriate.**

The LPF Options paper proposed a broad definition of "buyer" and this was supported by MEUG[11]. There is now a narrowing of Option 2 with the NDO/RPCA approach and "…more focus on competition…" and "…that retailers are being treated even-handedly…"[12]. In relation to the call for feedback in para 5.64, on balance it would seem those with **non-standard load profiles require a more bespoke approach**. Reference is made to a "…wider reform package in relation to the hedge market…" "…in pursuit of improved hedge liquidity and (objective) assurance of competitive hedge pricing".[13] We will welcome engagement with the Authority to advance such initiatives.

While the NDO processes per se have limited application to those with non-standard load profiles, the non-discrimination principles as set out in Table 1 on page 47, are equally applicable. We agree with the Authority's assessment in 5.62, and in particular note Principle 1 and Principle 2 have particular application.

Other comments:

1. The Frontier Economics report suggests the NDO proposal "…will have the unintended effect of raising prices for customers."[14]. We note the Consultation paper does not comment on these observations in the Frontier Economics report. This is understandable given the Frontier report was released just before the LPF consultation paper. If the Authority has already tested this assertion, we suggest it publish this work. If not, we encourage the Authority to test further the Frontier assertion of an NDO regime actually increasing costs to consumers. If this was to be the situation it would be counter-productive to pursue the current proposals.
2. We support the proposal that non-discrimination obligations apply to the broad range of hedge contracts offered by gentailers[15]

[7] Paras 5.59-5.70.
[8] Para 5.60
[9] Para 5.7
[10] Para 6.37 7 6.38
[11] Para 5.55.
[12] Para 5.60
[13] Para 5.61
[14] *Review of Electricity Market Performance*, Frontier Economics, 23 May 2025, page 82
[15] Para 5.47.

3. It is proposed "…non-discriminatory access should apply to all parties that facilitate competition"[16] . We are sympathetic to the Meridian view that NDOs should be restricted to NZ physical wholesale market participants, but are accepting that intermediaries may bring additional liquidity to the market and add value to the process. In some cases by acting for physical participants. It is important the Authority maintain a monitoring role and intervenes decisively and quickly where speculation is the key driver for participation, distortion of the market occurs, or even non-value add 'ticket-clipping'.

4. We challenge the Authority's observation "…that expected costs can be observed from ASX and OTC contracts of relevant durations that look through any near-term volatility"[17]. Rather the 3-year ASX price reflects on-going risk premiums irrespective that such risk events are spasmodic. The information from gentailers in paras 3.61 to 3.63 should not been seen to support the Authority's observation (in 6.17). Overall, the four gentailers have continued to make 'healthy' profits since disruption of the market 7 years ago. What has changed is generation profits supporting the reduced margin mass-market retail part of the gentailer business.

We are available to provide further input if and when required.

Kind regards

Alan Eyes

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[16] Para 5.56.
[17] Para 6.17