



8 December 2025

2degrees supports gross margin disclosure

2degrees supports the Electricity Authority's proposal to permanently require Contact, Genesis, Mercury, Meridian and Nova to disclose wholesale gross margins. [Q1]

We consider that the disclosure requirements should apply to all large generators that have significant or substantial market power. The consultation is clear the purpose of the disclosures is to monitor "market power risks" which is the underlying market failure. [Q4]

We also support the disclosed information being made publicly available. [Q7]

The consultation flags issuing section 46 requests during periods of scarcity as a potential alternative option. We note that market power is likely to be strongest during times of scarcity, but the December 2019 UTS and other potential examples demonstrate that the large generators have and can exercise market power even in times when there is a surplus of electricity and water needs to be spilled. [Q3]

2degrees supports improving transparency and wholesale market monitoring

Effective market and competition monitoring requires a wide range of information and competition/market concentration metrics. The Authority's proposals align well with the Authority's Structure-Conduct-Performance (SCP) approach to market and competition monitoring.¹

While the disclosure will help with monitoring and transparency in the electricity market it cannot provide "benefits of improved competition" as suggested by the consultation. Likewise, "improving transparency and oversight" will assist the Authority to understand the extent of competition problems in the electricity market rather than "giv[ing] consumers and investors greater confidence that wholesale prices are being competitively set and that they have access to fair prices." Addressing underlying market power problems will provide consumers and investors confidence wholesale prices are competitively set, not information disclosure on its own [Q2].

Monitoring trading cannot determine a market is competitive

The Authority should be mindful of the limitations of energy margin data and other current monitoring activity for understanding whether or not generators are setting prices above the level that would be expected in a workably competitive market.

These are short-term monitoring measures and have limited functionality for determining medium to longer-term workably competitive market outcomes such as that "the earning by firms of normal rates of return, and the existence of prices that reflect such normal rates of return, after covering the firms' efficient costs."²

The Authority's trading conduct monitoring regime, including with the addition of gross margin disclosure, is not designed to test or determine whether "prices are ... for too long significantly above costs" or whether market participants have been limited in their "ability to

¹ Electricity Authority, [Industry and market monitoring: Competition Information paper](#), 31 August 2011.

² Wellington International Airport & Ors v Commerce Commission [2013] NZHC 3289 at [18].

extract excessive profits”.³ These are measures which go beyond assessment of isolated trading periods or the short-term duration of the gross margin disclosure periods. The consultation is clear gross margin disclosure “does not tell us the actual profit of generators” and is limited to being “a measure of the profitability of energy”.

We agree with Octopus Energy that “The narrow, short-term, trading period focus of the trading conduct rules means that trading conduct monitoring cannot be used to assess whether a market is workably competitive.”^{4,5}

The Authority should also adopt the EPR financial separation recommendations [Q3]

While we consider that it is a good idea for the Authority to require the large incumbent generators to disclose gross margins, it should also consider what other information it needs to have better clarity about the extent of market power and how it is exploited in the electricity market. 2degrees considered that the type of modelling the Authority undertook during the Wholesale Market Review was very useful for identifying potential excessive pricing and outcomes outside of a workably competitive market.⁶ This analysis should be updated regularly.

We also consider that the Authority’s market and competition monitoring would be enhanced and assisted by adoption of full financial separation of the large, incumbent generators’ electricity retail and wholesale businesses.⁷ This would help provide evidence of excess profits and whether wholesale prices have been too high for too long (contrary to the outcomes in workably competitive markets). It would also complement the proposed Retail Price Consistency Assessment (RPCA) for identifying potential margin or price squeeze issues.

Our recent non-disclosure obligations submission provided prima facie evidence of potential excess profits/price squeezes based on Contact, Genesis, Mercury and Meridian’s Annual Reports but regulated financial disclosures would provide a firmer basis for determining the extent of the problem. We note the disclosure of Return on investment and Return on equity is rated high in importance in the Authority’s SCP framework.

³ Wellington International Airport & Ors v Commerce Commission [2013] NZHC 3289.

⁴ Octopus Energy, Reply to Letter from Chair of the Electricity Authority and Chair of the Commerce Commission – Measures to ensure level playing field for competition, 31 July 2024.

⁵ Also, the trading conduct regime was purposely designed to exclude excessive profits as a basis for breaches so excludes an important element of the tests for whether pricing is workably competitive.

⁶ We agree with Octopus Energy that “If the Authority wants to establish the extent to which the wholesale market resembles a workably competitive market it should, at the very least: (i) update its WMR analysis – At the time of the wholesale market review, this was identified by various stakeholders including MEUG and the Independent Electricity Retailers as a gap in the review/a gap compared to the Authority’s SCP framework; (ii) address the “uncertainties” it was concerned about in the WMR final report; and (iii) analyse incumbent generator (gentailer) profits.”

⁷ Preferably as part of corporate separation.