350 Aotearoa Submission

Collecting energy margin information – Dec 2025

350 Aotearoa welcomes the opportunity to submit on the Electricity Authority's proposal to regularly collect energy margin information from large generators. We strongly support this initiative as a crucial step toward greater transparency and accountability in New Zealand's electricity market.

As co-authors of the *Generating Scarcity* report series (2022-2023), we have extensively documented how excess dividend distribution by the four major gentailers has starved our electricity network of renewable investment while keeping prices unnecessarily high for consumers. The energy margin data collection proposed by the Authority directly addresses our core concerns about market transparency and profitability monitoring.

Responses to Consultation Questions

Q1. Do you agree the Authority should require generators to provide energy margin data?

Yes, we strongly agree.

Our research has consistently shown that transparency around generator profitability is essential for:

- Monitoring market power during scarcity periods: As documented in our reports, gentailers have paid $4.2 billion in excess dividends over the decade 2014-2023—more than they earned in profits. During periods of scarcity, when market power risks are highest, the public and regulators need clear visibility into whether high prices reflect genuine supply constraints or strategic behaviour.

- Ensuring investment in renewable capacity: For every dollar the gentailers invested in plant, property and equipment over this decade, $2.41 was paid to shareholders in dividends. This chronic underinvestment has resulted in only 1% growth in total generating capacity from 2013-2022, despite our urgent need to decarbonise. Energy margin data will help assess whether profits are being reinvested appropriately or extracted excessively.

- Addressing energy hardship: Over 110,000 households could not afford to keep their homes adequately warm in 2022. When gentailers collectively earned $2.7 billion in EBITDA in 2023 while 300,000 New Zealanders live in energy hardship, transparency about profitability is not just desirable—it's essential for climate and energy justice.

The Authority's winter 2024 analysis using section 46 data demonstrated the value of this information. Establishing ongoing collection through a clause 2.16 notice will provide the consistent monitoring needed to ensure our electricity market serves people and planet, not just shareholders.

Q2. Do you agree with the assessment of the costs and benefits?

Yes.

We agree that the benefits significantly outweigh the costs. The compliance burden on generators will be minimal as they already collect this financial information internally. The benefits, however, are substantial:

- Enhanced market confidence through transparency
- Evidence-based policy and regulatory decision-making
- Public accountability during scarcity events
- Support for the transition to renewable energy through better understanding of investment patterns

Greater transparency will help rebuild public trust in an electricity market where gentailers distributed $1.1 billion in dividends from only $521 million in net profit in 2023 alone—an excess dividend of $638 million in a single year during a cost-of-living crisis.

Q3. Do you agree the proposed notice is preferable to the other options?

Yes.

Q4. Do you agree with the criteria regarding who is required to comply with this proposed notice?

Yes.

Q5. Do you agree that these are the right categories to collect financial information for calculating energy margins?

Yes, but with important additions recommended.

The proposed categories provide a good foundation, but we recommend that the Authority expand data collection to include:

Separate reporting of thermal vs renewable generation revenues and costs: The current categories aggregate all generation together, obscuring the true profitability of fossil fuel generation during scarcity periods. Our *Generating Scarcity* research argues that gentailers have systematically under-invested in renewable capacity, creating artificial scarcity that drives up prices and makes thermal generation highly profitable. Disaggregated data would:

- Reveal whether thermal generation earns excess profits during scarcity
- Show if gentailers have incentives to maintain fossil fuel capacity
- Support evidence-based policy on phasing out thermal generation
- Enable public assessment of whether "dry year" pricing reflects actual costs or market power

Capital expenditure and dividend data: To directly address the core finding of our research—that gentailers paid $2.41 in dividends for every dollar invested in plant, property and equipment—the Authority should collect monthly data on:

- Capital expenditure on new renewable generation capacity
- Dividends declared or paid to shareholders
- This would enable real-time monitoring of whether profits are being reinvested appropriately or extracted excessively, particularly during high-margin periods

Retail margin data: Since these are vertically-integrated "gentailers," understanding their retail profitability alongside generation margins is essential for:

- Assessing whether retail customers subsidise generation losses or vice versa
- Understanding total profitability across the integrated business

- Monitoring whether vertical integration delivers efficiency or enables excess profits
- Evaluating competition in both wholesale and retail markets

These additions would significantly enhance the value of energy margin monitoring for achieving the Authority's statutory objectives.

Q6. Do you agree that data should be reported by week but submitted monthly?

Yes.

Q7. Do you support publishing the information provided, excluding market making costs?

We support publication, but disagree with excluding market making costs.

We strongly support publishing energy margin data for the reasons outlined in the consultation paper. However, we believe market making costs should also be published, contrary to the Authority's proposal.

Why market making costs should be published:

These costs are used to justify market behavior: Gentailers regularly cite their market making obligations as a cost burden that affects their operations and profitability. If these costs genuinely constrain profitability and limit investment capacity, the public and policymakers need to see the evidence rather than accepting industry claims at face value.

Public interest outweighs commercial sensitivity: During the cost-of-living crisis, when 110,000 households cannot afford to heat their homes adequately and gentailers are distributing excess dividends of $638 million annually, commercial sensitivity cannot justify withholding information about costs that affect electricity prices and market competition. The public interest in understanding the full picture of generator profitability is paramount.

Transparency enables evidence-based policy: Market making obligations are a regulatory requirement designed to ensure market liquidity. If these obligations impose excessive costs, policy reform may be needed. But without transparent data, we cannot assess whether market making costs are reasonable, excessive, or being used to justify other business decisions.

Aggregate publication could address commercial concerns: If individual company-level data is deemed too commercially sensitive, the Authority could publish aggregate market making costs across all generators, which would still provide valuable insights while protecting specific commercial positions.

All other categories should be published as proposed: We strongly support publication of generation revenue, ancillary market revenue, sales revenue, direct generation costs, and spot electricity costs. The published data from the 2024 winter period demonstrated the value of transparency and was widely used by stakeholders. Ongoing publication will maintain this accountability.

Q8. Do you have any comments on the drafting of the proposed amendment?

The drafting is clear and appropriate.

However, we recommend the Authority require backdated submissions to create a robust historical baseline. Specifically, generators should be required to submit energy margin data using the same format for the period from January 2022 (or at minimum January 2024) through March 2026. This would:

- **Enable comparison with the 2024 winter scarcity period:** The Authority's analysis of the July-December 2024 period under the section 46 request was valuable, but having data from earlier periods would provide crucial context about whether 2024 was anomalous or part of a pattern.
- **Support long-term trend analysis:** Understanding profitability patterns across different hydro conditions, demand levels, and price environments requires more than a few months of data. Historical data would enable identification of structural issues versus temporary fluctuations.
- **Validate existing research with standardised data:** Our Generating Scarcity reports used publicly available financial statements, which lack the granularity and consistency of the proposed energy margin format. Backdated submissions would allow verification and refinement of our findings using standardised, comparable data across all major generators.
- **Establish credible baselines:** Without historical context, it will take years to understand whether current profitability levels are normal, excessive, or inadequate. Backdated data would provide immediate analytical value.

Since generators already possess this historical financial information in their internal systems, the incremental cost of formatting and submitting historical data should be modest compared to the analytical value gained. We recommend this backdating requirement be included in the final notice.

Conclusion

This consultation represents an important step toward the transparency and accountability that New Zealand's electricity market urgently needs. Our *Generating Scarcity* research has shown how a decade of excess dividend distribution has prioritised shareholders over investment in renewable capacity, contributing to high prices, energy hardship, and slow progress on decarbonisation.

Regular collection and publication of energy margin data will not solve these systemic issues on its own. However, it provides essential information for monitoring market performance, informing policy reform, and ensuring that the electricity market operates in the long-term interests of consumers rather than short-term shareholder returns.

We strongly encourage the Authority to proceed with this proposal as drafted.

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