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Submissions
Electricity Authority
Level 7, AON Centre
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Wellington 6011

Via email: monitoring@ea.govt.nz

ERGANZ SUBMISSION ON COLLECTING ENERGY MARGIN INFORMATION

The Electricity Retailers' and Generators' Association of New Zealand ('ERGANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper, 'Collecting energy margin information' from 10 November 2025.

ERGANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERGANZ welcomes the Authority's efforts to monitor wholesale electricity competition. We agree analysis of generators' financial information, when assessed and presented in the appropriate context, can promote transparency and confidence in the wholesale market.

Between August and December 2024, our members supported the Authority's Section 46 request for energy margin information, which was issued to monitor competition during a period of energy scarcity. The Authority's own analysis of this data found higher generation revenues, prompted by scarcity, did not translate into higher energy margins. Despite experiencing an increase in generation revenue, corresponding costs saw ERGANZ members generate less profit than for the same period in 2023. The provision of this data helped support market confidence, and we welcome the Authority's proposal to assess this data on an ongoing basis.

However, we strongly caution against using energy margin information as a measure of profitability. The data the Authority proposes to collect excludes key expenses for electricity generators, such as interest, depreciation, tax, Electricity Authority levies and operational costs. The data also excludes market making costs, which can run into millions of dollars a month. Viewing the data in isolation also fails to account for the significant portion of revenue that is reinvested into building new generation.

We support the move to a monthly reporting framework for energy margin information but suggest key details should be refined. Addressing these issues will help ensure the regime is proportionate, workable and genuinely supports consumers over the long term.

Submission points

Use of energy margin data

ERGANZ members recognise the importance of public confidence in the wholesale market and do not oppose disclosure of financial information. Our members already publish detailed financial statements, investor disclosures and operational reporting. We acknowledge that appropriately framed energy margin data can be a useful diagnostic for the Authority in monitoring market outcomes.

However, we strongly caution that energy margin must not be presented or interpreted as "profit". As the Authority recognises, energy margin excludes major expense categories, such as:

- interest and other financing costs,
- depreciation and amortisation,
- tax,
- operational costs such as staffing, maintenance, IT and corporate overheads,
- Electricity Authority levies, which are volume based and material for large retailers.

These omitted costs are real and substantial. If energy margin figures are presented without appropriate context, there is a high risk they will be mischaracterised as evidence of profitability.

The consultation document sends mixed signals about the intended application of energy margin information, simultaneously acknowledging the requested data does not capture actual profits, while proposing to collect this data from large generators to "assess their profitability".[1]

ERGANZ submits that this data should not be used in isolation by the Authority, other regulators, policymakers or the public to assess the functioning of the market.

Existing evidence

The Authority's own analysis of 2024 energy margin information is an important reference point for this consultation. That analysis found:

> *"In August 2024, high electricity spot prices significantly increased total generation revenue, but this did not translate into higher energy margins."*[2]

And:

[1] Electricity Authority, *'Collecting energy margin information Consultation paper',* November 2025, p.2
[2] Electricity Authority, *'Gentailer Energy Margins in 2024'*, April 2025 https://www.ea.govt.nz/news/eye-on-electricity/gentailer-energy-margins-in-2024/

> *"The gentailers generated less profit than for the same period in 2023 except Genesis – which generated significantly more electricity in 2024 compared to 2023, so had a higher profit level."*[3]

Similarly, the Frontier Economics '*Review of Electricity Market Performance',* released in October 2025, found no evidence large generators were receiving excessive margins. To the contrary, the report found:

> *"There is evidence that, rather than misusing market power at the expense of consumers, gentailers have in fact been shielding consumers at the expense of their own margins."*[4]

And:

> *"Smaller retailers generally have higher margins and lower energy supply costs than the gentailers they complain charge them too much."*[5]

These findings support ERGANZ's submission that the Authority should be cautious about using energy margin data as a standalone signal of market power concerns, particularly as not all market participants are subject to the Authority's proposal. Traders who are generators and have not sold 100GWh of electricity during any month of the previous financial year would not be captured by the Authority's proposal. This asymmetry of financial information, coupled with the findings cited above, means energy margin information is not an appropriate measure of profitability, competition or market power in the wholesale electricity market.

The relationship between energy margins and investment in renewable generation

New Zealand's transition to a more electrified, low-emissions economy requires substantial and sustained investment in new renewable generation and enabling infrastructure. New Zealand is in the midst of a renewables boom, and ERGANZ members have committed billions of dollars to new wind, solar, geothermal and grid-scale battery projects over coming years.

Energy margin data, particularly when focused on short periods such as weeks or individual months, does not capture these long-term investment commitments or the risks associated with them.

Determination of Direct generation costs

We are concerned that the current definition of Direct generation costs leaves too much room for interpretation. The definition of generation costs in EM5 explicitly excludes the opportunity cost of water, but does not provide a directive on how to value other fuel sources, particularly thermal fuel.

In practice, different generators could legitimately choose to:

- use purchased cost (the contract or invoice price actually paid for fuel); or

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[3] Electricity Authority, *'Gentailer Energy Margins in 2024'*, April 2025 https://www.ea.govt.nz/news/eye-on-electricity/gentailer-energy-margins-in-2024/
[4] Frontier Economics, *'Review of Electricity Market Performance',* October 2025, p.65
[5] Frontier Economics, *'Review of Electricity Market Performance',* October 2025. p.9

- use mark-to-market cost (valuing fuel at the prevailing market or opportunity cost, reflecting what it could have been sold for or used for at that time).

These two approaches can result in vastly different reported margins for identical physical generation and contract positions. A generator using purchased cost will appear to have significantly higher energy margins than one using mark-to-market costing, even where their underlying economic position is similar.

There is also scope for divergent treatment of transmission costs. Some members may allocate a substantial share of transmission costs directly to specific generating assets and include them in direct generation costs, while others may treat these charges as portfolio-level overheads. Again, both approaches can be reasonable internally, but they are not comparable if used side by side in the Authority's dataset.

To achieve the Authority's stated objective of transparency and robust cross-participant comparison, ERGANZ submits that the notice should:

- clearly specify whether thermal fuel should be valued on a purchased-cost or mark-to-market basis; and
- provide guidance on how transmission-related costs should be classified for the purposes of energy margin reporting.

Without this additional prescription, there is a significant risk that apparent differences in margins will reflect accounting choices rather than underlying market conduct.

Timing issues

ERGANZ supports the proposal to move from an ad hoc information-request framework to a standing monthly reporting regime.

However, the proposed timing of requiring submission by Business Day 10 is problematic. Generators will not be able to reliably produce accurate energy margin data by this date, as it falls before settlements from the clearing manager are available and before some internal reconciliation and validation processes can be completed.

Shifting the submission deadline to Business Day 15 would better align with existing settlement and reporting cycles and improve data quality without undermining the usefulness of the information for the Authority.

While accurate monthly data can be provided on this timetable, some members have indicated that the requested weekly breakdowns will not be readily available. In those cases, participants would simply divide monthly figures by the number of days in the month, which is unlikely to reflect actual weekly patterns. We recommend the Authority reconsider whether weekly breakdowns are necessary to achieve its stated objectives.

Commercial sensitivities

ERGANZ accepts that some degree of publication can help build confidence in the market. However, publication of financial information must respect commercial sensitivities and avoid undermining competition.

High-frequency or near real-time publication of firm-level energy margin data could:

- reveal participants' financial positions and risk exposures at a granular level,
- facilitate inference of trading strategies, contract cover and hedging positions, and
- in some circumstances, enable tacit coordination by giving participants clearer visibility of each other's realised margins.

We therefore recommend that:

- publication be limited to an appropriate lag,
- consideration be given to aggregation or anonymisation where necessary, and
- the Authority assess and document any potential signalling or coordination risks in its final decision and cost-benefit analysis.

Compliance costs

While ERGANZ members are happy to comply with the Authority's directive to provide energy margin information, we note that regular reporting will create an additional compliance obligation for participants.

These costs come on top of a large number of other regulatory initiatives currently progressing through the Authority and other work programmes, many of which also impose significant new compliance requirements on retailers and generators. As we have noted in other recent submissions, it is important that the Authority considers the cumulative impact of these obligations on participants and, ultimately, consumers.

Conclusion

In summary, ERGANZ supports the Authority's objective of enhancing transparency and strengthening its ability to monitor workable competition in the wholesale market. Our members welcome the proposal to provide ongoing energy margin information on a monthly basis, provided it is used in the appropriate context and the issued identified above are considered.

ERGANZ would like to thank the Authority for considering our submission.

If there are any outstanding questions or a need for further comments, please let me know.

Yours sincerely,

Kenny Clark
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