Sustainable Energy Association New Zealand

Feedback on Energy Competition Task Force Work Programme Open Letter

Submitted by: Gareth Williams, Manager Innovation Pathways, SEANZ
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To: Energy Competition Task Force
Email: levelplayingfield@ea.govt.nz

1. Executive Summary

The Sustainable Energy Association of New Zealand (SEANZ) welcomes the opportunity to provide feedback on the Energy Competition Task Force's proposed 2026 work programme. The Task Force's emphasis on strengthening competition, improving consumer outcomes, and enabling new market entry is strongly aligned with SEANZ's objectives and the interests of our members.

SEANZ plays a central role in New Zealand's energy market by representing the fastest growing and most innovative segments of the sector with membership across manufacturers, system integrators, distributors, technology companies, aggregators, software developers, finance providers, some retailers, and energy end-users involved in solar, battery storage and integrated energy systems across residential, commercial, and utility scales. Collectively, SEANZ members design, build, finance, and operate the technologies that are reshaping how energy is generated, managed, and consumed at the edge of the grid. As a result, SEANZ represents a significant share of industry activity, investment, and employment in the energy transition, as well as a concentration of practical, on-the-ground experience in delivering consumer-centric, flexible, and cost-effective solutions.

Overall, the proposed priorities reflect a market-design and conduct lens. However, we observe that the current framing tends to focus more on *market conditions* rather than the *capabilities and technologies* that will deliver practical and scalable outcomes. There is an opportunity to strengthen the work programme by more explicitly recognising the role of distributed energy resources (DER), consumer-side technologies, and digital platforms as core enablers of competition, innovation, and decarbonisation.

In particular, SEANZ recommends:

- Explicit recognition of DER and flexibility as *core system resources*, not adjuncts.
- Stronger focus on consumer-side technologies, digital platforms, and data infrastructure.
- Clear regulatory frameworks to support aggregation, virtual power plants (VPPs), and non-traditional business models.
- Greater integration between network pricing methodologies and network investment planning.

2. Framing of DER, Flexibility, and Market Capabilities

2.1 DER as Core Market Participants

A notable gap in the proposed work programme is the way distributed energy resources (DER) are framed. While DER and flexibility are implicit across several proposed workstreams, they are not explicitly positioned as core participants in the electricity market. Instead, they are often treated as alternatives or adjuncts to traditional generation and network solutions.

This distinction is critical. Long-term investment decisions, project bankability, and innovation depend on clear regulatory recognition of DER as integral components of the electricity system, rather than on informal acceptance or case-by-case accommodation. Explicit regulatory framing materially influences:

- Investor confidence
- Financing structures
- Business model development
- Market participation costs

SEANZ recommends that the Task Force explicitly recognises **DER, flexibility, and aggregation as foundational market resources.**

2.2 Role of Consumer-Side Technology and Digital Platforms

SEANZ represents a wide range of firms delivering home and building energy management systems, software platforms, data services, and orchestration solutions. These technologies enable:

- Self-generation
- Load optimisation
- Demand response
- Market participation
- Consumer engagement

In the open letter, these capabilities appear only indirectly via references to flexibility and consumer choice. There is significant scope to strengthen the Task Force's work programme by recognising **digital platforms as essential infrastructure for competitive electricity markets**.

Key enablers include:

- Data access
- Interoperability standards
- Open APIs
- Cybersecurity frameworks
- Consumer consent and portability mechanisms

Without explicit attention to these issues, competition risks being constrained not by market power alone, but by **technical and informational barriers outside traditional regulatory frameworks.**

2.3 Consumers as Active Market Participants

While consumer outcomes are strongly emphasised, end-users are not consistently framed as *active participants* in the electricity system. The roles of households and businesses in self-generation, optimisation, and demand response remain underdeveloped.

Similarly, the role of finance providers – who require regulatory certainty, standardisation, and scalable frameworks – is largely absent. **Clearer recognition of consumers, technology providers, and financiers as system participants** would accelerate innovation, competition, and consumer benefit.

2.4 Market Architecture for Services

SEANZ recognises the need for reliable and bankable system services, but caution against overly conservative definitions of firmness that implicitly favour traditional generation or network assets. Aggregation, diversity, and advanced control systems allow DER portfolios to meet reliability standards when those standards are clearly defined and proportionate. Explicit performance obligations, measurement and verification frameworks, and transparent consequences for non-performance are preferable to implicit exclusion of new resource types.

3. Feedback on Specific Workstreams

3.1 Level Playing Field

SEANZ strongly supports the Task Force's focus on:

- Non-discrimination obligations
- Improved PPA access (1A workstream)
- Super-Peak product development
- Wholesale liquidity and market making reforms

However, there is a risk that the practical benefits of these initiatives accrue primarily to mid-scale generators and established retailers unless deliberately extended to aggregated and distributed models.

Standardisation is particularly important for enabling participation by DER, aggregators, and virtual power plants. High transaction costs, bespoke contract structures, and unclear performance definitions act as material barriers for smaller and aggregated resources, even where they may be economically efficient. SEANZ encourages the Task Force to ensure that emerging flexibility and hedge products are designed with sufficient granularity, appropriate contract terms, and transparent performance requirements so that DER-based solutions can credibly supply them.

SEANZ recommends:

- Explicit recognition of **DER-backed PPAs**, including aggregation and VPP-enabled structures
- Development of **wholesale products that value flexibility and responsiveness**, not just energy
- Material reduction in transaction costs for small-scale and aggregated participants
- Support for non-traditional offtake and settlement structures
- Standardisation of emerging flexibility and hedge products to support DER supply

Off-market transactions and DER owner rights

Level playing field provisions should also consider **DER owners' rights to sell excess generation directly to other parties through off-market arrangements**. Currently, DER owners must either:

- Export via a retailer, or
- Use retailer-provided sleeving services (if available)

Allowing direct bilateral transactions, with exported volumes netted from market settlement, would significantly increase competition and unlock new business models (including options for renters to benefit from solar generation).

3.2 Flexibility Markets and Market Power in Adjacent Markets

This workstream directly affects the future commercial opportunities of many SEANZ members. The recognition that incumbents in monopoly or near-monopoly positions may constrain flexibility markets is critical.

SEANZ strongly supports decisive action to ensure:

- Functional separation where required
- Neutral and transparent procurement of flexibility services
- Contestable flexibility markets
- DER-based solutions competing on equal footing with traditional network investments

This likely requires a fundamental rethink of current incentive structures, including potential implications for the Commerce Commission's DPP5 process. SEANZ would encourage urgent engagement on this process with industry to ensure that outcomes are well defined and designed ahead of the process.

Flexibility should be treated as a **primary system resource**, not an ancillary service.

3.3 Connections Pricing and Competition

Improving transparency and efficiency of distribution connection pricing is welcome. However, connection challenges are not simply a cost issue, they are a **commercial viability and bankability issue**.

Key barriers include:

- Long and uncertain processing timeframes
- Opaque technical requirements
- Lack of predictable decision-making
- Inconsistent approaches across the 29 EDBs in New Zealand

Faster, more predictable, and more transparent connection processes are as critical as absolute pricing levels. Without this, many innovative projects remain commercially unviable regardless of theoretical market reforms.

3.4 Non-Network Solutions for Network Upgrades

This workstream is pivotal. It directly determines whether storage, demand response, and local generation can be deployed as credible substitutes for conventional network upgrades.

SEANZ recommends:

- Early-stage and genuine consideration of non-network options
- Transparent and comparable evaluation frameworks
- Procurement processes accessible to non-incumbent providers
- Regulatory expectations that alternatives must be demonstrably assessed

This represents one of the most powerful levers for accelerating DER deployment and improving system efficiency. This is fundamental to delivering long-term consumer value.

Linkage Between Network Pricing and Network Investment Plans

A key mechanism for incentivising efficient network use is tariff design. Currently, **pricing methodologies and investment allowances are largely disconnected**.

In many cases network pricing has:

- Weak incentives for consumers to reduce peak demand
- Increasing moves towards fixed daily charges versus variable charges
- Limited behavioural signals to support demand shaping

SEANZ recommends establishing mechanisms that integrate:

- Approved investment allowances
- Asset management plans
- Pricing methodologies

This would ensure that pricing signals are provided to directly support **deferral of capital investment and encourage consumer-side flexibility.**

4. Summary of Recommendations

SEANZ encourages the Task Force to:

1. Explicitly recognise DER, aggregation, and flexibility as **core system resources**.
2. Strengthen focus on **digital platforms, data, and interoperability**.
3. Ensure **level playing field reforms explicitly include aggregated and distributed models**.
4. Enable **off-market trading arrangements for DER owners**.
5. Deliver **strong regulatory frameworks for non-network solutions**.
6. Integrate **network pricing methodologies with investment planning**.

Appendix 1: Issues Not Yet Addressed

While recognising the Task Force's need to prioritise discrete and deliverable initiatives, SEANZ notes several cross-cutting issues that materially affect competition and innovation and may warrant consideration as dependencies, sequencing issues, or future workstreams.

1. Metering, Measurement, and Verification (MMV)
Access to timely, granular, and reliable data underpins effective participation in flexibility, aggregation, and demand response markets. Inconsistent metering arrangements and opaque verification processes risk undermining competition by increasing costs and uncertainty for non-incumbent providers. While acknowledging this may sit partly outside the Task Force's immediate scope, SEANZ considers MMV a foundational enabler for many proposed reforms.

2. Distribution-Level Market Coherence
The increasing role of flexibility and non-network solutions highlights the absence of coherent, system-wide approaches to distribution-level market design. Divergent procurement practices, technical standards, and contractual arrangements across New Zealand's 29 EDBs create complexity and scale barriers for aggregators and technology providers operating nationally. Greater consistency would materially enhance competition and reduce transaction costs.

3. Innovation and Export Spillovers
Clear, well-designed domestic market frameworks can function as reference points for international deployment of New Zealand-developed technologies and services. New Zealand has a strong and active energy innovation sector with several of SEANZ's members commercialising innovations that drive down consumer costs and support more choice and competition.
While consumer benefit remains paramount, SEANZ notes that regulatory leadership can also support innovation, scale, and export potential without compromising competition objectives, but this is not actively recognised in an aligned manner across the Electricity Authority, the Commerce Commission and the Ministry of Business, Innovation and Employment.