

FN-25-24 Fortnightly report 5 December 2025

This report summarises items that may be of interest to the Minister for Energy and Associate Minister for Energy but do not require a formal briefing. Further information can be provided on request. Substantive items and decision papers will be provided by briefing.

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Mobile: s 9(2)(a) 

1. Consultation: Current and future

Monitoring distributors' performance connecting distributed generation to networks	
Strategic outcome	Affordable
Purpose	<p>The Authority will require distributors to provide information on connecting distributed generation to their networks over the past four years. This will include key information such as how long it took to process applications. We will meet with Electricity Networks Aotearoa in advance of the request.</p> <p>This will provide a benchmark for assessing the effectiveness of the upcoming Code changes that will improve the processes for connecting distributed generation.</p> <p>This will improve connection process transparency and help ensure it is easy, fast, and affordable for consumers to connect to networks.</p>
Action and timing	Notice release: early December. Responses required by mid-February

Current consultation	Consultation period	Outcome
Consultation on collecting energy margin information: Code amendment consultation	6 November - 8 December	Affordable
Consultation on market arrangements for batteries: issues and options paper	11 November - 23 December	Secure and resilient
Strengthening price discovery in the forward electricity markets: Code amendment consultation	14 November - 23 December	Affordable
Consultation on addressing high up-front charges to connect to networks	17 November - 19 December	Affordable
26/27 levy-funded appropriations consultation	18 November - 16 December	Other
Consultation on collecting hedge market information	21 November - 19 December	Affordable
Open letter on Energy Competition Task Force Work Plan	15 December – 23 January	Affordable

2. New monthly hedge market reporting

- 2.1. In the [Review of Electricity Market Performance by Frontier Economics](#), it was suggested that the Authority make better use of its newly expanded hedge market data and implement regular hedge market assessment.
- 2.2. We have introduced a hedge market summary report to be published monthly. This new hedge market reporting assists:
 - (a) by providing greater transparency for participants of pricing, trading volume, and trends in the market
 - (b) participants when negotiating deals, benefiting from that market transparency
 - (c) industry compliance, as participants know we are closely monitoring hedge activity.
- 2.3. The full October 2025 report is included in Appendix A.

3. Response to your question on the divergence in spot and forward pricing

Key messages

- Longer dated futures contracts reflect the market's view of the adequacy of future generation to meet demand but may include a risk premium for locking in a price.
- Futures prices did not move sharply on the Commerce Commission's Huntly announcement - this could reflect the market expectation that it would be approved.
- The forward curve shows participants expect prices to fall over the next four years.

Context

- 3.1. At the Thursday 27 November meeting with the Authority, you asked what might explain why forward prices haven't fallen further towards costs despite recent developments, eg, the Huntly strategic energy reserve announcement.
- 3.2. The following explains the relationship between spot and futures prices and outlines some of the factors that we consider will put downward pressure on futures prices over the next 12 to 18 months.

Spot prices and futures prices are doing different jobs

- 3.3. **The spot price is the real time price of electricity**, which is the lowest cost generation that can be dispatched to meet demand. This reflects the balance between demand and supply, the mix of generation offered and any transmission constraints.
- 3.4. **The forward price reflects the market's consensus view of future electricity prices out three calendar years.** The forward price should predict the average spot price over the period of the hedge. This means that over time, a purchaser or seller should gain or lose the same amount on their hedges as if they had been exposed to the spot price.
- 3.5. Hedges lock in a price for both the seller and the buyer, ie, buyers are protected against prices being higher than expected, and sellers are protected against periods of lower than expected prices. The point of a hedge is certainty for both parties.

Near term futures contracts (the current and next two quarters) are strongly influenced by hydro inflows and thermal fuel storage

- 3.6. For example, throughout October 2025, the future price for Q4 2025 dropped by \$36/MWh at Ōtāhuhu (from around \$97 to \$61) and \$33/MWh at Benmore (from around \$81 to \$48). This price decrease was likely due to high hydro inflows during October, which pushed down the wholesale electricity spot price (spot prices averaged \$30/MWh over the month of October 2025, the lowest in a decade).
- 3.7. This means that hedges bought for this period were high relative to the spot price. This will happen when it rains, while the opposite happens when it doesn't rain.

Longer dated futures contracts reflect the market's view of the adequacy of future generation to meet demand, but may include a risk premium for locking in a price

- 3.8. Prices for spring quarters in the next two to four years are generally below \$120/MWh, which is within the estimated levelised cost of energy (LCOE). As you

know, the risk premium is generally higher in the two winter quarters reflecting higher demand, greater uncertainty around hydro, and higher reliance on thermal fuels during those periods.

The Huntly strategic energy reserve improves security of supply, but does not fully remove dry year risk and has a high price

3.9. s 9(2)(b)(ii)

3.10. Futures prices did not move sharply when the Commission’s final decision on the Huntly application was announced. This could reflect the market expectation that it would be approved. In contrast, if the application was declined there may have been a significant elevation in future winter wholesale prices.

The current forward curve (Fig 1) shows participants expect prices to decline over the next four years, likely reflecting the amount of new generation planned and under construction

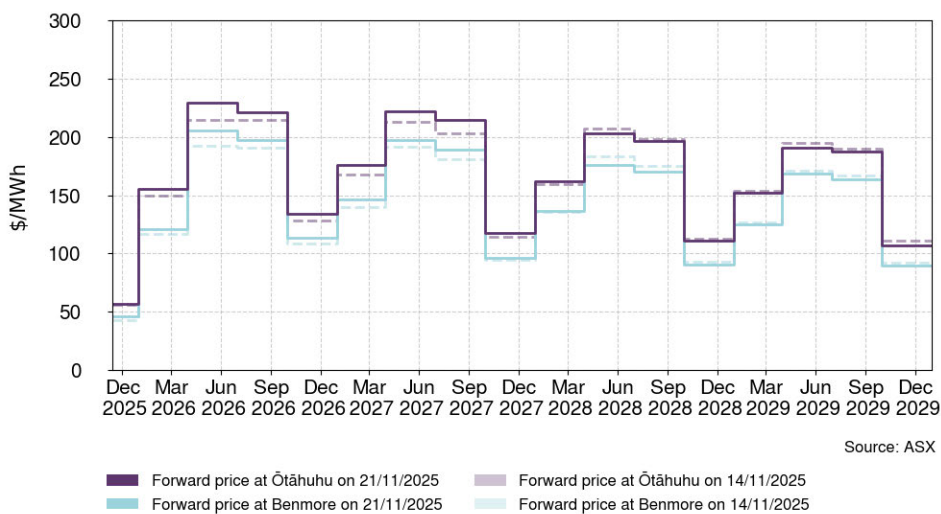
3.11. The Authority’s generation investment pipeline shows that 1415 MW of new generation capacity will start commercial operation during the next two years. Almost half of this is solar. Over the next couple of years, the increase in solar and wind generation will continue to displace more expensive thermal fuels helping to lower average wholesale electricity prices.

3.12. We expect to see more volatility in the spot market, ie, long periods of very low prices, combined with short periods of much higher wholesale prices. This will strengthen incentives to hedge for both buyers and sellers.

Our market making review and proposed non-discrimination obligations seek to strengthen liquidity and competitive pricing in the forward markets.

3.13. We are also improving our monitoring and reporting on the forward markets and will shortly commence publishing a regular monthly hedge market report (section 2 and Appendix A refer). This will provide participants with information about pricing (bids, offers and trades) to support their negotiations, investment decisions and increase trust and confidence through transparency.

Figure 1: Forward curve – average future wholesale electricity price week 16-22 November



Source: ASX

4. Response to questions about the impact of forecast errors on spot prices and generator outage

4.1. Below are responses to the following questions you asked:

- a) 20 November weekly security of supply report: How do wind forecast errors impact prices?
- b) 21 November weekly Prime Minister's Energy (Electricity) Dashboard: What's driving the upper quartile spot prices?
- c) 20 November weekly security of supply report: Why is generation on outage expected to be above average in the week of 1 December?

4.2. Given high storage and the likelihood of more inflows and spilling, we have provided you with information about the relationship between hydro spilling and spot price.

20 November weekly security of supply report: How do wind forecast errors impact prices?

4.3. In short, wind forecast errors are correlated with higher prices. Figure 2 shows wind generation for the week ending 21 November. The vertical stripes are high price periods (>\$250/MWh). It shows that on Tuesday evening there were a number of high-priced periods and a large deviation between forecast and actual wind generation.

4.4. Large forecast errors can be correlated with high prices, particularly when wind generation is over-forecast. Over-forecasting of wind generation can lead to generators with firming assets to offer too little generation because of low price signals. This can create a shortfall that is covered by higher priced firm generation. On Tuesday 18 November, there were underlying conditions that exacerbated this impact:

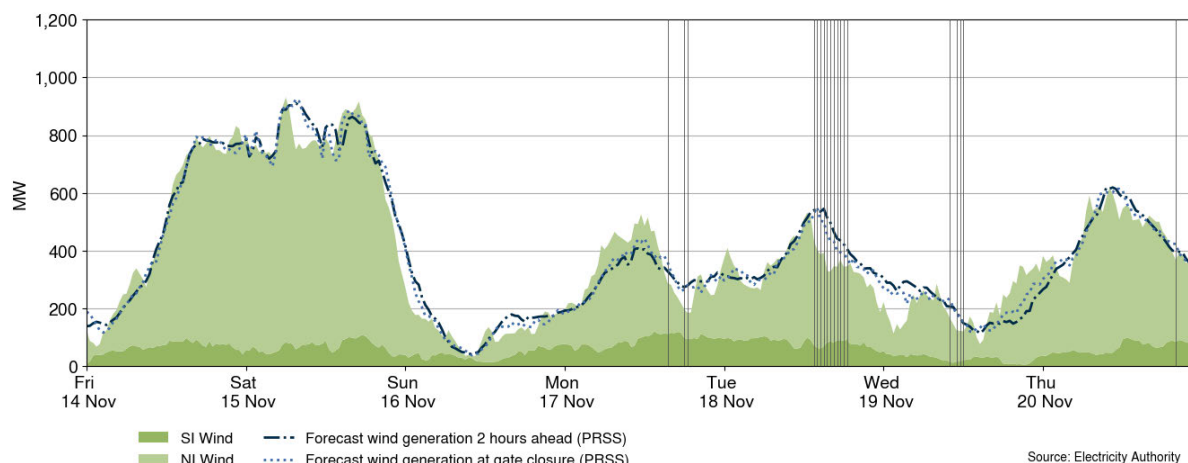
- (a) It was the evening peak
- (b) Demand was higher than expected and demand was increasing (not shown)
- (c) Wind generation was low
- (d) The HVDC was at its capacity so no more energy could be sent to the North Island

4.5. Figure 2 also shows large wind forecast errors overnight on Tuesday. This didn't cause high prices as two of the other causes were absent: it was not the evening peak, and demand was falling quickly.

4.6. In July 2025, the Authority introduced a new hybrid forecasting arrangement. Under a hybrid arrangement, a central forecaster provides wind and solar forecasts to all intermittent generators. Intermittent generators can use their own forecaster provided they meet minimum performance standards.

4.7. The hybrid arrangement aims to improve the accuracy of intermittent generators' offers across all trading periods, increasing confidence in the availability of their generation. More accurate forecasts and offers will increase price signal accuracy, contributing to the most efficient and lowest cost generation. This is a key initiative to support security of supply and affordable electricity for consumers.

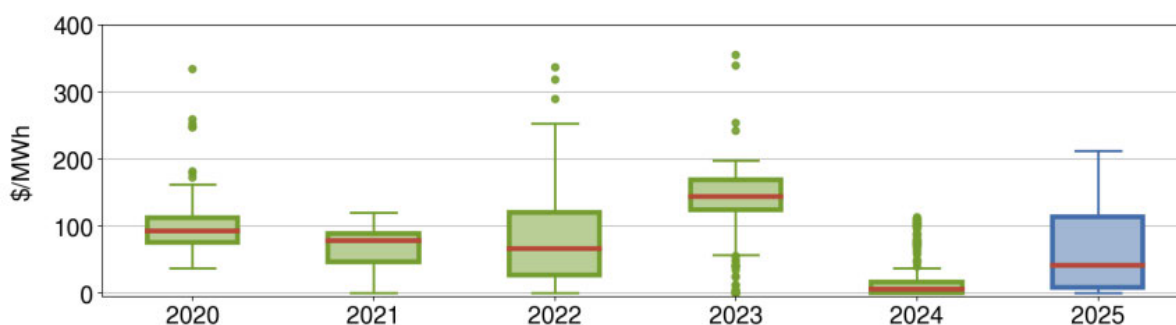
Figure 2: wind generation, wind forecast and high price periods (>\$250/MWh)



21 November weekly Prime Minister’s Energy (Electricity) Dashboard: What’s driving the upper quartile spot prices?

- 4.8. The upper quartile over the period of 14-20 November in 2025 in Figure 3 of the Prime Minister’s Energy (Electricity) Dashboard is what we understand your question to be about.
- 4.9. The broad upper quartile range was primarily caused by the high prices in the evening of Tuesday 18 November, with Monday evening and midday Wednesday also having high prices. The drivers of the high prices are covered in paragraph 4.4.
- 4.10. As discussed above, over time we can expect the accuracy of wind forecasts to improve under the hybrid arrangement that is now in place. As wind forecast errors are generally correlated with higher spot prices, improved wind forecast accuracy should contribute to lower spot prices.

Figure 3: Distribution of national spot prices from 14-20 November (2020-2025)



20 November weekly security of supply report: Why is generation on outage expected to be above average week of 1 December?

- 4.11. Table 1 shows recent large outages. Overall, this level of outages is typical for this time of year. Spring, following winter, is an ideal period for scheduled maintenance. In addition, these outages involve large generation units, which contributed to the weekly total being above average. For example, Huntly Unit 5 is the largest single generator in the country, and the Manapōuri hydro units are also among the largest individual hydro units nationwide.

- 4.12. At the beginning of the year, the Authority strengthened outage disclosure requirements to enhance visibility and coordination, improving system reliability and security for consumers. We continue to monitor the effectiveness of these rules and will make further changes if any issues are identified.

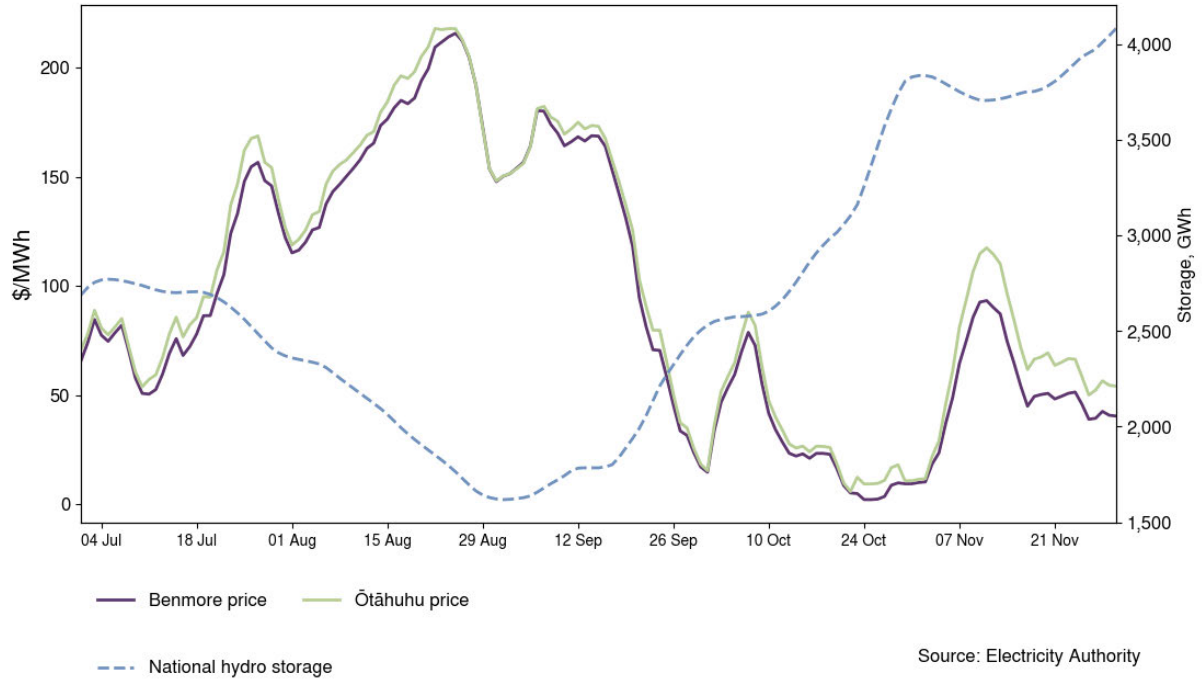
Table 1: Recent large outages

Plant	MW Loss	Start	End
Huntly Unit 5*	385	01-Oct-25	31-Dec-25
Huntly Unit 2	240	24-Nov-25	27-Nov-25
Tauhara	173	02-Nov-25	22-Dec-25
Nga Awa Purua	136	02-Nov-25	28-Nov-25
Manapōuri Unit 4	128	04-Jan-25	12-Jun-26
Manapōuri Unit 0	128	25-Nov-25	25-Nov-25
Manapōuri Unit 2	128	20-Nov-25	20-Nov-25
Huntly Unit 4	100	18-Oct-25	26-Nov-25
Stratford Peaker 2	100	23-Nov-25	23-Nov-25

What is the relationship between hydro spilling and the spot price?

- 4.13. Recent strong hydro inflows have meant that South Island hydro lakes are very full—Manapouri has been over full since mid-September. Lakes Tekapo and Pukaki are also currently above their maximum range. Nationally, hydro storage is at 150% of long-term average.
- 4.14. The increase in hydro supply has driven a sharp decline in spot and near-term forward prices. This trend is illustrated in Figure 4, where spot prices fall as storage levels rise. However, early November saw some price increases due to significant outages—though prices remained relatively low overall.
- 4.15. With more rain coming we are monitoring spot prices and compliance with our trading conduct rules. We anticipate a lot of spilling between now and the end of the year. Spilling is inevitable and we monitor it. Generators anticipate spilling and often make public statements about it to warn people about increased river flows. When spilling occurs, we ensure that hydro offers are such that prices are consistent with the abundance of water.
- 4.16. With more intermittent generation being built, we expect spilling to increase in future. Intermittent generation will displace thermal and hydro generation because it is normally offered at a lower price. This will result in hydro lakes being full more often and spilling more often.

Figure 4: Hydro storage and Benmore and Ōtāhuhu prices



5. Update: Proposed decision on targeting mass market consumers for rebates at peak times

Key messages

- The Authority is clarifying requirements for distributors to apply 'rebates' for electricity supplied by households and small businesses at peak times, effective 1 April 2026.
- 93 submissions were received – most support – but there are some reservations.
- This decision is subject to Board approval on 18 December.

Proposed changes will clarify who can receive rebates

- 5.1. From 1 April 2026, distributors must reward households and small businesses for supplying power at peak times. Following feedback we proposed changes to:
 - (a) Make the policy easier for distributors to apply, and
 - (b) Prevent unintended inclusion of larger generators by clarifying thresholds.
- 5.2. This is intended to achieve the following outcomes:
 - (a) Support consumers with solar and batteries
 - (b) Better reward consumers for injection at peak times
 - (c) Enable more choice and greater control over power use
 - (d) Maximise use of localised energy to reduce network costs over time, lowering lines costs for consumers.
- 5.3. The rationale for the proposal is:
 - (a) This decision targets mass market consumers – our analysis shows more than 85 percent of New Zealand farms with generation, and a similar proportion of schools would remain eligible.
 - (b) Expansion of eligibility will be considered in early 2026 – careful design is required to prevent unintended consequences, eg, higher costs for consumers
 - (c) The decision improves workability for distributors, increasing certainty for consumers
 - (d) Submitters' arguments shift focus from mass market to larger distributed generation
- 5.4. This decision is subject to Board approval on 18 December. Pending approval, we will provide you with a Ministerial Briefing on 19 December confirming the decision, followed by advising the industry of the change and Gazetting the Code change in the new year.

Submissions indicate the proposal is robust, although there were some reservations

- 5.5. The Authority received 93 submissions: six submissions from electricity distributors and one submission from the Electricity Networks Aotearoa (ENA) and 86 submissions from consumers and industry groups. Based on the submissions, we consider that our original proposal is robust, will help distributors introduce the negative charge by 1 April 2026, and targets mass market consumers as intended.

6. New dashboard of residential disconnections for non-payment

Key messages

- The Authority is releasing a new disconnections dashboard based on enhanced retail market data collected this year. This will help increase the transparency and accountability of the retail market, for the benefit of consumers.
- For the first time we are publishing disconnections for non-payment from both postpay and prepay accounts. This provides enhanced prepay market visibility that wasn't possible previously.
- We intend to release this dashboard on 15 December and update it monthly.

New data enables new insights

- 6.1. In 2025 we implemented a new enhanced approach to data collection, collecting more detailed and accurate retail market data to provide greater transparency and better insights.
- 6.2. A key dashboard we are about to release shows disconnection information. Disconnections provide a good indication of electricity market health. In particular, prepay disconnections can be an indicator of energy hardship, although not in all cases (for example, they can be used for properties that are not occupied full time).
- 6.3. The data enables us to show disconnections for an electrical connection by type (postpay and prepay), duration (length of time disconnected), and frequency (how often a consumer was disconnected).
- 6.4. The image below from the dashboard shows postpay disconnections from January 2025 to October 2025:



- 6.5. This dashboard will be updated monthly as new data arrives, enabling us to track trends over time.

Postpay disconnections are trending down

- 6.6. The new data shows that there are on average 650 postpay disconnections per month, affecting 6,500 customers in total between January and October (less than 0.1% of postpay customers). Around half of these disconnections lasted less than one day. Postpay customers make up around 98.6% of total ICPs.
- 6.7. While postpay disconnections dropped significantly in April when the consumer care obligations came into force, they increased through the winter period and into spring.
- 6.8. We will continue to monitor postpay disconnections to assess whether this increase is seasonally related. It could be an indication of increased energy costs through winter– or reflect a return to the long-term postpay disconnections average, now that retailers have fully implemented the consumer care obligations.

Prepay disconnections remain stable, but most disconnections last less than a day

- 6.9. Prepay and postpay plans are fundamentally different offerings, and disconnections are not directly comparable (with prepay, supply stops automatically when credit runs out and resumes once topped up).
- 6.10. Some consumers use a prepay account because it gives them more control over their electricity costs, or because it provides them with greater flexibility. Other customers may be unable to secure a postpay connection due to credit worthiness concerns. Frequent disconnections can be a sign that a household is facing energy hardship.
- 6.11. On average there were 27,000 prepay disconnections per month, affecting 10,000 prepay customers in total between January and October (35% of prepay customers). Prepay customers make up around 1.4% of total ICPs.
- 6.12. A significant majority (94%) of prepay disconnections (for where we know their duration) lasted less than one day. These disconnections lasting less than a day have increased between January and October, likely reflecting seasonal effects of higher energy costs during the winter months.
- 6.13. Disconnection data enables us to better target our information and support for prepay consumers. This data informs our priorities for future retail consumer protections, building on the success of the consumer care obligations. We intend to consult on these protections in the first half of 2026.
- 6.14. Some prepay customers who face frequent disconnections may require additional support or may be suited to a better plan. As part of publishing this dashboard, we are meeting with prepay retailers to remind them of their obligations around disconnections.
- 6.15. We expect consumer groups will be interested in this data – particularly the prepay disconnection data.

7. Update: Open letter on Energy Competition Task Force priorities for 2026

Key messages

- Subject to Task Force decisions, an open letter to stakeholders will be released on or around 15 December seeking feedback on proposed areas of focus for the Task Force in 2026.
- This will be discussed at the Energy Competition Task Force Ministerial meeting scheduled for Thursday 11 December.

The Task Force is looking for new projects while delivering existing work

- 7.1. The Task Force wants projects that:
 - (a) Focus on the most material competition or regulatory issues in the electricity system
 - (b) Are discrete, in the sense that they can be completed or deliver a materially positive impact within 12 months
 - (c) Involve both the Electricity Authority and the Commerce Commission, either because decisions are required by both agencies or because shared expertise or involvement would be beneficial.
- 7.2. A key part of the 2026 work programme remains the completion and delivery of the suite of measures underway, including Level Playing Field measures, and other work to improve wholesale market liquidity on power purchase agreements, a super-peak Product and commercial market making.
- 7.3. Stakeholder feedback will be considered in the new year with final decisions on the work programme targeted for February.

8. Code exemption for peer-to-peer trading trial

Key messages

- Counties Energy and Paua to the People will trial peer to peer solar generation trading.
- The trial will test how off-market settlement could work and how local generators, consumers and communities can be rewarded for having a flexible energy demand.
- The Code exemption will be Gazetted in the week of 15 December.

Aligns with work around affordable energy, supplier choice and decentralisation

- 8.1. The Authority granted an exemption from certain Code provisions to Counties Energy and Paua to the People to undertake a trial to allow excess solar generation to be allocated to another consumer, instead of selling through the market. This type of arrangement is known as peer-to-peer trading. The trial will test how off-market settlement could work, as well as demonstrating how local generation can provide value to the community.
- 8.2. This trial complements existing work on multiple trading relationships – building on the current Kāinga Ora trial, which led to proposed Code changes to allow multiple retailers. The trial also has strong links to existing Authority work and supports decentralisation.
- 8.3. The trial uses using off-market trades as a way to test a different way to use dispersed renewable electricity generation assets. Peer-to-peer trading of this type could reward local generators, consumers and communities for being flexible with their energy demand and where it comes from.
- 8.4. Strict conditions are attached to the exemption to govern participant behaviour and ensure the Authority is receiving useful information to inform policy decisions.

