

Terms of reference for the Energy Competition Task Force

Purpose of this document

The Electricity Authority (Authority) and the Commerce Commission (Commission) have established a joint committee referred to as the Energy Competition Task Force (Task Force) to determine any actions within the existing regulatory mandates needed in the short and medium term to improve the performance of the electricity markets.

The Task Force brings together the market regulators, with deep sector and regulatory expertise of the independent electricity regulators. Together they are well placed to urgently consider the complex factors underlying wholesale prices and put in place short and long-term measures to address the current issues across the energy system. MBIE will also attend.

This document describes the scope and intent of the Task Force.

Background

Wholesale market volatility has been observed since the Pohokura outages (2018) and is expected to continue in the transition to renewable generation (consistent with New Zealand reaching net zero by 2050).

Retail (mass) market customers remain largely on fixed price variable volume contracts. Retailers must manage the risk of wholesale cost volatility and fixed retail prices and do this mainly through hedge contracts (independent retailers) or vertical integration (gentailers).

Fuel scarcity combined with lag in new investment in generation has created conditions leading to unprecedented spikes in wholesale prices. It is important that these conditions are addressed as quickly as possible,

The transition to renewable generation will make it more difficult to supply hedge contracts; at the same time the associated increase in wholesale cost volatility will increase demand for risk management.¹

The Task Force enables the Commission and Authority to make a holistic assessment of the options available to further stimulate generation investment and promote competition.

Intent of the Task Force

The group will focus on rapidly identifying and assessing options within the current powers of the regulators to improve the performance of the electricity industry and ensure secure and affordable energy within the context of a financially sustainable market.

The Commission and Authority already have a memorandum of understanding setting out their respective roles, areas of common interest and information protocols. To effect any necessary changes, we intend use of our existing powers where possible, and to make recommendations to the government for any further measures required.

¹ Refer, for example, to Frontier Economics, *Future Financial Risk Management in the NEM: a report for the ACCC*, 16 November 2023 – [appendix-d-future-financial-risk-management-nem-frontier-economics-inquiry-national-electricity-market-december-2023-report.pdf](https://www.accc.gov.au/system/uploads/attachment_data/file/100000/appendix-d-future-financial-risk-management-nem-frontier-economics-inquiry-national-electricity-market-december-2023-report.pdf) (acc.gov.au).

Function and powers of the Task Force

The Task Force will:

- undertake all matters relevant to the Task Force's intent as described above consistent with the functions, powers and duties of the Authority or Commission; and
- advise their respective boards on options identified and assessed and any actions recommended.

As independent regulators, the members will continue to operate in accordance with their existing powers and mandate. The Task Force may issue joint statements or recommendations.

Members of the Task Force

The Task Force includes the Chair of the Commission and the Chair of the Authority and will be attended by the Deputy Secretary of MBIE.