

Further stimulating generation investment and promoting competition

Energy Competition Task Force draft 22.08.24

Two packages of work

Package 1 – Supporting new generators and new retailers

Primary aims:

- Brings generation investment to market faster
- Improves market transparency
- Supports independent retailers, independent generators, and large industrial users, putting downward pressure on consumer prices

Package 2 – More options for end-users of electricity

Primary aims:

- Incentivises faster uptake of demand flexibility
- Better rewards end users for their flexibility
- Brings forward industrial demand response investment by better recognising the benefits (and costs)

Package 1 – Supporting new generators and new retailers

Name of measure	Purpose	Timeframes ¹
Require gentailers to offer firming Power Purchase Agreements (PPAs)	<ul style="list-style-type: none"> Support increased generation investment by providing long duration contracts to enable firming of intermittent generation. 	<ul style="list-style-type: none"> Implementation Q2 2025
Standardised flexibility products (MDAG recommendations 8 and 12 underway)	<ul style="list-style-type: none"> Increasing liquidity and competitiveness in the flexible contract market to put downward pressure on consumer prices. <ul style="list-style-type: none"> Requires gentailers to contract with independents more and in new ways to manage risks around high electricity prices. Also supports New Zealand’s large industrials. To be measured by competition dashboard (MDAG recommendation 12). 	<ul style="list-style-type: none"> Specialist design team already underway Initial trading from December 2024² Timing of any platform-based trading dependent on build requirements
Prepare for virtual disaggregation of the flexible generation base (backstop) (MDAG recommendations 13 and 31 underway)	<ul style="list-style-type: none"> Structural solution to address problems with liquidity. To be implemented with the least possible delay if recommendation 8 is not effective. 	<ul style="list-style-type: none"> EA Board to consider outline November 2024 Publish backstop February 2025
Investigate level playing field measures, such as operational separation and non-discrimination rules for gentailers	<ul style="list-style-type: none"> Investigate pros and cons³ of level playing field measures used in other countries as a regulatory backstop if earlier steps not effective. 	<ul style="list-style-type: none"> Initial views by the end of 2024

¹ Timeframes allow for statutory consultation requirements

² Assumes voluntary trading. An urgent rule change could be considered to require trading if in the public interest.

³ Including for generation investment incentives and hedge market liquidity.

Package 2 - More options for end-users of electricity

Name of measure	Purpose	Timeframes ¹
Require distributors to reward consumers for proving flexible power use at the local level	<ul style="list-style-type: none"> • Incentivise faster uptake of demand flexibility (eg, residential & business rooftop solar and batteries) at the local level. • Better recognises the value of consumer flex. • Contributes to EA's regional resilience programme. 	<p>Decisions made mid 2025</p> <p>Implementation from 1 April 2026 (industry lead in time required to accommodate changes to software and billing systems and matches distribution pricing year).</p>
Require all retailers to offer time-of-use pricing	<ul style="list-style-type: none"> • Supports consumer choice to shift demand to lower cost times. • Linked to EA data project already underway. 	Code change in mid-2025 and in effect end of 2025 (including implementation period for retailers).
Requiring retailers to better reward consumers for supplying power, linked to wholesale prices	<ul style="list-style-type: none"> • As above, incentivises faster uptake of demand flexibility; incrementally helps when system is tight. 	<p>Implementation from mid 2025.</p> <p>(Date to be confirmed following consultation as industry changes will be required for successful adoption in the system, and potential equity issues need to be well managed.)</p>
Financial incentives for short-term industrial demand flexibility	<ul style="list-style-type: none"> • Ensuring large users (industrials) are rewarded for the benefit their flexible use of electricity provides to the system. 	<p>Decision mid-2025 with implementation to be negotiated with system operator.</p> <p>Lead in times may be impacted by required system changes to reconciliation and pricing systems.</p>

¹ Timeframes allow for statutory consultation requirements