



Fact Sheet: Strengthening the regulatory framework for dry years

Preventing dry-year problems from re-emerging

- New Zealanders deserve to have confidence that the problems the energy system is facing will not re-emerge. To do this, we need to impose safeguards to make sure the electricity market delivers better outcomes for consumers.

Ensuring the market is not caught out again

- The market can't continue to be caught on the back foot like it was with declining gas supplies. Market participants need clear information about future supply and demand so they can plan investments properly.
- We will work with Transpower, as the System Operator, to ensure their security-of-supply assessments are fit for purpose for our evolving energy system. This includes ensuring it can adapt to evolving information about declining gas supplies, the changing generation mix, the forward pipeline of new generation, and the economic impacts of tight energy supplies.
- The Security Standards Assumption Document, which currently specifies the methodology for Transpower's Security of Supply Assessments, hasn't changed since 2012.

Creating lasting incentives for future investments

- To ensure there are durable incentives for new investors in renewables, the Government will develop a regulatory framework to create lasting incentives to build firm generation. This will then be overseen and enforced by the Electricity Authority (EA).
- New Zealand's energy-only market is unique. While there is a range of regulatory mechanisms used internationally to support investment and reliability, these serve only as reference points. Our framework will be designed specifically for New Zealand's market conditions and long-term objectives and will be developed in consultation with industry.
- In parallel, the new rules being advanced by the Energy Competition Task Force will ensure hedge contracts are traded fairly. The Task Force's proposals for new 'non-discrimination' rules would create a level playing field by requiring gentailers to treat independent generators, industrials and small retailers the same as their own retail businesses. The EA will consult on the new non-discrimination rule this October and will also soon start a review of market making – the obligations on gentailers to supply forward contracts.
- New renewable generators, industrials and small retailers need to be able to access reliable electricity supply and contracts to manage price risk. The contract market must work to both help underwrite investment in new generation, and for industrials and retailers to manage their power costs.