



Fact Sheet: Review of New Zealand Electricity Market – Frontier Economics recommendations Government is not pursuing

Frontier Economics was commissioned as lead reviewer to provide an independent assessment of the performance of the market. Separately, two independent parties were also engaged to provide peer reviews of Frontier's report.

The Government agrees with Frontier's key finding: the market will not currently deliver investment in the dry-year backup supplies that New Zealand requires, and so intervention is required. However, as Frontier recognised, the market is performing well in delivering a strong pipeline of cheaper renewable generation. To avoid jeopardising progress, the Government intends to pursue targeted measures over some of the more disruptive structural changes that Frontier proposed.

Proposed structural reform	Government response
Creation of a new Crown entity to take responsibility for securing thermal fuel and firming capacity	Both peer reviewers were critical that creating a new centralised entity could invite political interference and reduce efficiency. Instead, the Government will enhance responsibilities for ensuring reliable fuel and firming supply: <ol style="list-style-type: none"> The Crown will begin a procurement process for LNG infrastructure to address medium-term fuel scarcity. The Government will also develop, in consultation with industry, a regulatory framework to create lasting incentives for investment in firm generation. Transpower (as system operator) will provide more sophisticated assessments of projected security-of-supply gaps, particularly for dispatchable and firm generation, to give clearer visibility of future reliability risks. The Electricity Authority will oversee and enforce a strengthened regulatory framework to create durable incentives for future investments in backup supply, and provide confidence that the current problem won't reemerge.
Removing electricity from the Emissions Trading Scheme (ETS)	Both peer reviewers disagreed with Frontier that including electricity in the ETS had no direct environmental benefit, noting the ETS incentivises fuel switching and renewable investment. The Government will not be progressing this proposal and remains committed to the ETS as central to climate strategy.
Divesting Crown shareholdings in Genesis, Meridian, and Mercury	The Government's view is that there is not sufficient evidence that this would improve investment outcomes. Instead, the Government is removing capital constraints on the majority Crown-owned Mixed Ownership Model companies, with a clear expectation that each of these companies should separately seek out and bring forward opportunities for new generation.
Amalgamating the Electricity Authority and the Gas Industry Company	Restructuring the electricity and gas co-regulators could disrupt investment and create uncertainty at a critical time. Instead, the Government will focus on delivering Frontier's recommendations for more gas market transparency, better electricity market monitoring, and faster rule-making, within existing structures.
Amalgamate the 29 electricity distribution businesses (EDBs) into five super distributors	Forced amalgamation would be expensive, complex, and undermine local decision-making. Rather than forcibly reducing the number of EDBs, the Government will make networks more efficient and innovative by encouraging greater standardisation and collaboration, strengthening governance and accountability, and improving network regulation.