



COVERSHEET

Minister	Hon Simon Watts Hon Shane Jones	Portfolio	Energy Resources
Title of Cabinet paper	Government response to review of electricity market performance - enhancing New Zealand's energy security	Date to be published	15 December 2025

List of documents that have been proactively released

Date	Title	Author
22 September 2025	Government response to review of electricity market performance - enhancing New Zealand's energy security	Offices of Ministers for Energy and Resources
6 October 2025	Government response to review of electricity market performance - enhancing New Zealand's energy security CBC-25-MIN-0054 Minute	Cabinet Office

Information redacted

YES / NO (please select)

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Some information has been withheld for the reasons of:

- Confidential advice to Government
- Commercial information
- Legal professional privilege
- International relations



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Government Response to Review of Electricity Market Performance: Enhancing New Zealand's Security

Portfolios **Energy / Resources**

On 22 September 2025, the Cabinet Business Committee:

Review of electricity market performance

- 1 **noted** that Frontier Economics' report (the Review report) concludes that while the energy-only market is driving renewable investment, it is not delivering sufficient investment in long-duration firming generation and fuel, due in part to sovereign risk, creating security risks;
- 2 **noted** that the Government accepts the above conclusion but does not believe the ownership reforms and a centralised Crown entity for firming, as recommended by Frontier, are the optimal intervention;
- 3 **agreed** not to progress the following Frontier recommendations:
 - 3.1 removing electricity from the Emissions Trading Scheme;
 - 3.2 selling down Crown shareholdings in gentailers;
 - 3.3 establishing a new 'Energy Authority' by merging the Electricity Authority and the Gas Industry Company Limited;
 - 3.4 amalgamating the electricity distribution businesses (EDBs) into five 'super' EDBs;

Workstream 1: Investing in energy security

- 4 **noted** that the responsible Ministers will continue to engage with gentailers to ensure that adequate fuel stockpiles and prudent hydro storage practices are maintained to provide near-term assurance of supply and help moderate wholesale price pressures in 2026;
- 5 **agreed** to remove the perceived capital constraints on the Mixed Ownership Model companies and make clear that the Government's expectation is that they will bring forward opportunities for new generation and firming capacity;

- 6 **authorised** the Minister for Energy, Minister for Resources, Minister for State Owned Enterprises and the Minister of Finance to develop relevant communications, ensuring that any announcements or communications are in a manner that best enables any impacted listed company to respond in an orderly fashion (reflecting the guidance in Cabinet Circular *Guidelines for Dealing in Financial Products on Markets (Inside Information and Market Manipulation* [CO (23) 5]);
- 7 **agreed** to commence Phase One of a procurement process for a Liquefied Natural Gas (LNG) import facility to provide reliable dry-year fuel supply, with the Ministry of Business, Innovation and Employment (MBIE) to issue a Registration of Interest to test market interest, capability, and potential proposals for rapid delivery options;
- 8 **noted** that Cabinet is not being asked to make a decision on LNG infrastructure or commit funding to LNG infrastructure at this stage, and that decisions will follow once market information, and analysis of options, are provided to support Phase Two decisions in December 2025;
- 9 **authorised** the Minister for Energy to release the procurement documentation for Phase One of the LNG procurement exercise;
- 10 Confidential advice to Government [REDACTED]
- 11 **noted** that the Government will shortly be releasing a Request for Information to better understand how government energy use could be leveraged to support new energy investment;
- 12 **noted** that consenting barriers will be addressed by fast-tracking renewables under the Electrify NZ programme, and that officials will report back on further options to streamline processes to provide greater certainty and enable faster deployment of renewable generation;
- 13 **noted** that recent Fast-track and Resource Management Act reforms have also reduced consenting barriers for new thermal generation, which may provide additional flexibility to support system security and dry-year risk management;

Workstream 2: Building better markets

- 14 **agreed** to develop options to reduce market concerns about changes in policy, such as contracting and indemnities, recognising policy risk as a barrier to firming investment;
- 15 **agreed** in principle, subject to the report back in paragraph 24 below, to establish a regulatory framework to ensure the market has durable incentives to deliver long-duration dispatchable capacity, including:
- 15.1 requiring the System Operator to undertake more sophisticated assessments of the security-of-supply gap, to provide clear visibility of future risks;
- 15.2 consideration of further mandatory regulatory mechanisms such as [REDACTED]
Confidential advice to Government [REDACTED]

- 16 **agreed** to strengthen the Electricity Authority by giving it modernised functions, faster rule-making powers and stronger levers to ensure compliance, and an enhanced role in ensuring timely decisions on security, competition, pricing, and consumer participation;
- 17 **noted** that a key objective of strengthening the Electricity Authority's functions and tools is to improve long-term market confidence and deliver affordable energy where forward prices are aligned with long-run marginal cost and below the Organisation for Economic Co-operation and Development (OECD) average;
- 18 **agreed** to progress targeted reforms to improve transparency and efficiency, including:
- 18.1 improved disclosure of thermal fuel and gas market information, supported by a public dashboard and regular supply–demand studies;
 - 18.2 targeted reforms to improve hedge market transparency and liquidity;
- 19 **authorised** the Minister for Energy and Minister for Resources to jointly make policy decisions to bring forward the date for annual reporting described in the Crown Minerals (Petroleum) Regulations 2007;
- 20 **agreed** to progress measures to significantly improve the productivity, efficiency, and consistency of EDBs, including stronger regulatory tools and incentives to drive collaboration, standardisation, and better outcomes for consumers;
- 21 **agreed** to:
- 21.1 rescind Cabinet's October 2024 decision to remove the threshold and related restrictions in Part 6A of the Electricity Industry Participation Code on EDBs owning generation connected to their own network [ECO-24-MIN-0239]; and instead
 - 21.2 increase the current threshold (50MW) to a higher (250 MW) threshold;
- 22 **invited** the Minister for Energy and Minister for Resources to issue further drafting instructions to the Parliamentary Counsel Office Confidential advice to Government
- 23 **authorised** the Minister for Energy and Minister for Resources to approve any matters that arise during drafting and that may be required to align with the above decisions;

Next steps and implementation

- 24 Confidential advice to Government
- 25 **noted** that legislative change may be required to implement elements of the above reforms;
- 26 Confidential advice to Government

Communications

- 27 **noted** the high public and market interest in the outcomes of this work, including the potential impact of any announcements on financial markets;
- 28 **agreed** to release the Review reports alongside the Government response;

- 29 **noted** that the Minister for Energy, Minister for Resources and the Prime Minister's Office will coordinate arrangements for announcing the Government response and releasing the Review reports.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Christopher Luxon (Chair)
Hon David Seymour
Hon Nicola Willis
Hon Chris Bishop
Hon Simeon Brown
Hon Brooke van Velden
Hon Shane Jones
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston
Hon Mark Mitchell
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet