



BRIEFING

Review of Electricity Market Performance – Review update

Date:	5 December 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0006941

Action sought		
	Action sought	Deadline
Hon Simeon Brown Minister for Energy	Provide feedback on how you wish to be involved in the Review and kept informed of progress.	12 December 2024
Hon Shane Jones Minister for Resources	Agree whether you wish to brief the Lead Reviewer when they commence their work. Agree to announce the specialists appointed to undertake each of the three specialist roles.	12 December 2024

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Sharon Corbett	Policy Director, Energy Markets	Privacy of natural persons		✓
Victoria Coad	Principal Policy Advisor			

The following departments/agencies have been consulted

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Purpose

This briefing:

- provides an update on progress with the Review of Electricity Market Performance (the Review), including competitive procurement of three specialist roles – the Lead Reviewer, a New Zealand Expert Advisor and two Peer Reviewers
- sets out the key milestones and target timelines for the Review and next steps
- seeks your feedback on how you would like to be involved throughout the Review.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that you will receive an Aide Memoire on 18 December providing you with an update on the procurement process.
Noted
- b **Note** the key milestones and target dates for the Review: the Lead Reviewer's Draft report by end of March 2025; peer review of the Draft report, and MBIE feedback, by mid April; the Final report by end May; peer review of the Final report by mid June.
Noted
- c **Provide** feedback on how you wish to be involved in the Review and kept informed of progress.
Provided
- d **Agree** whether you wish to brief the Lead Reviewer in early February 2025 when they commence their work, and if so, whether Ministers wish to do so jointly or separately.
No briefing / Separate briefings / Joint Briefing
- e **Agree** to announce the specialists appointed to undertake each of the three specialist roles, once the contracts are finalised in January 2025.
Agree / Disagree

Sharon Corbett

Policy Director, Energy Markets

Building, Resources, and Markets, MBIE

5 / 12 / 2025

Hon Simeon Brown

Minister for Energy

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Hon Shane Jones

Minister for Resources

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Background

1. As the Minister for Energy and the Minister for Resources, you have initiated a review of the performance of electricity markets (Review) to ensure they are fit-for-purpose [ECO-24-MIN-0245 refers]. You announced the review on 15 November, publishing the Terms of Reference (ToR) and signalling that the Review was expected to get under way early in the new year. The ToR are attached for ease of reference (Annex One).
2. The Review is to advise on the impact of market structure, market design, and market rules (as set out in the Electricity Industry Participation Code 2010) on electricity market performance, and on options to improve market performance in terms of the Government's objectives. The review will look at whether current regulations and market design support economic growth and access to reliable and affordable electricity.
3. The review is part of a package of work the Government has underway to improve energy security and keep electricity prices down for New Zealand households and businesses.

We are engaging experts to fill three specialist roles for the Review

The three specialist roles align with Cabinet decisions for the Review

4. Cabinet agreed that the Review will be undertaken by suitably qualified experts with expertise and experience in electricity markets in comparable countries, but also with access to experts in NZ's electricity market and regulatory system [ECO-24-MIN-0245 refers]. The Cabinet Paper also sets an expectation that the review team must be independent and bring new (and clear) thinking to the task, providing fresh perspectives and insights from other markets. Cabinet agreed ToR that provide for two independent peer reviewers.
5. Drawing on Cabinet decisions, MBIE has prescribed three specialist roles for the independent experts who will undertake the Review of Electricity Market Performance:

Role	Description
A Lead Reviewer	The Lead Reviewer's role is to undertake the review of the performance of New Zealand electricity markets. They must be able to demonstrate they have independent perspectives and knowledge of electricity market systems and are able to apply their thinking in a manner that is relevant to the New Zealand electricity market system. They must be able to offer fresh perspectives and insights from outside NZ. They are required to address the seven questions specified in the ToR, and in the manner prescribed (refer Annex One). They must provide a draft written report within two months of the contract commencing, and the final report within four months of commencement. They must be available to present both their draft and final reports on-line or in-person. Respondents are asked to signal in their proposals, their availability and intentions relating to the potential to spend time in New Zealand at any point throughout the Review period.

An NZ-based Expert Advisor	The role is to support the Lead Reviewer and ensure the Lead Reviewer has good awareness and understanding of relevant NZ-specific matters. They must be available for workshops, and to respond to ad hoc questions, at the request of the Lead Reviewer. The NZ Expert Advisor role may be incorporated in a consortium with the Lead Reviewer proposal. However, we reserve the right to instead separately engage an independent NZ-based expert advisor to work with the Lead Reviewer.
Two Peer Reviewers	We will appoint two separate Peer Reviewers. The peer review role provides an added layer of quality assurance and accuracy to ensure the review reports are robust and reliable. The role also enhances credibility and demonstrates transparency by showing the reports have been scrutinised by multiple experts. The role includes identifying additional insights or perspectives and in contrast any errors, inconsistencies, or biases in the reports. Peer Reviewers must be able to demonstrate they have independent perspectives and knowledge of electricity market systems and are able to apply their thinking in a manner that is relevant to the New Zealand electricity market system. Each Peer Reviewer is required to deliver their peer review reports within two weeks of receiving the Lead Reviewer's draft report, and within two weeks of receiving the final report.

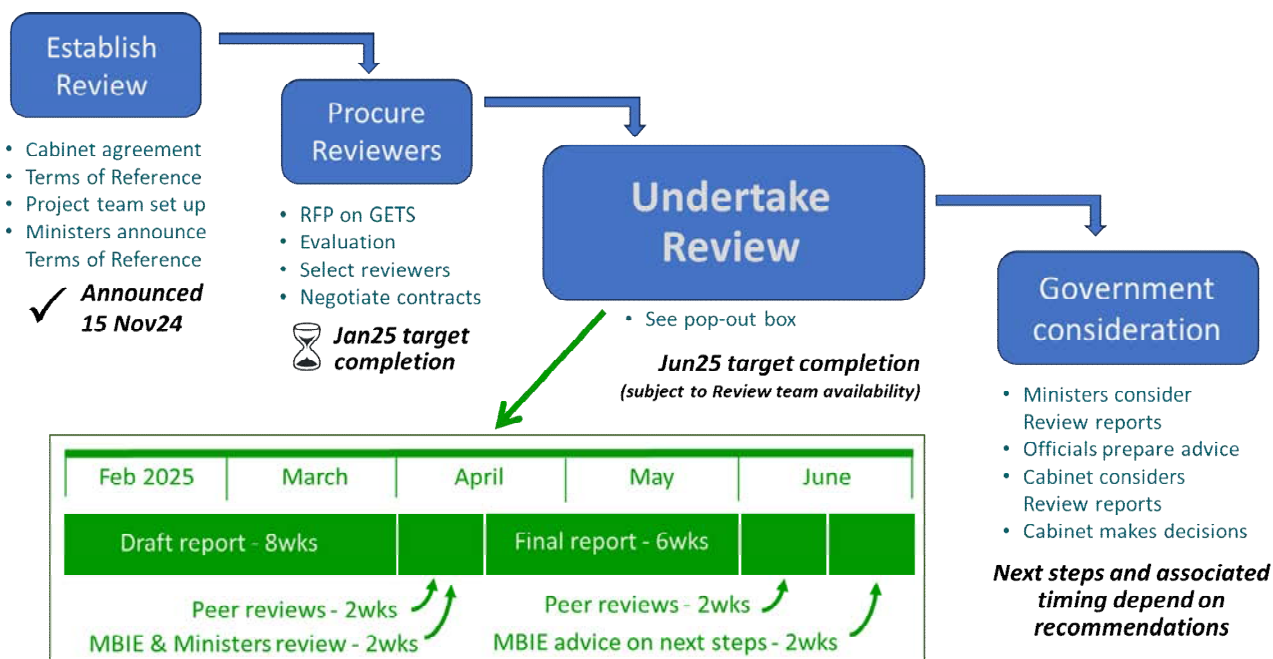
Competitive procurement for the specialist roles is well-advanced

6. Upon Ministers' announcement of the ToR on 15 November, MBIE issued the Request for Proposals (RFP) for competitive procurement of these three specialist roles. The RFP was published on the New Zealand Government Electronic Tenders Service (GETS), and MBIE contacted a wide range of potential respondents in New Zealand and internationally alerting them to the RFP.
7. We provided a briefing session for potential respondents on 26 November, which was well-attended by local and international experts.
8. The RFP for all three specialist roles closes on 11 December, 18 working days after release which is the minimum time allowed under GETS rules. An evaluation panel of suitably qualified people within MBIE, **Privacy of natural persons** has been assembled to consider proposals received and identify the preferred suppliers for each of the specialist roles. The panel is due to meet across the week commencing 16 December to agree its recommendations, before finalising Contracts in January.
9. We will provide you with an Aide Memoire on 18 December setting out an update on the procurement process and next steps.

Overview of the Review process

10. The RFP specifies the key milestones and target timelines for each of the three specialist roles, consistent with Cabinet decisions and the ToR. These are shown in Figure 1 below.

Figure 1: Overview of the Review process and target timelines



11. The ToR expressly set out that the Review is not expected to consult the public or stakeholders on its findings or recommendations, but may test preliminary views with target stakeholders.
12. As set out in the Cabinet Paper, the Review team will be supported by an MBIE-based secretariat. We have established a small project team in MBIE to provide this support. The role of the project team is to support the Review team, while respecting independence, provide project management and coordination, and keep Ministers informed on progress and any key issues. We anticipate the MBIE project team would hold weekly project meetings with the Lead Reviewer, and one or more members would attend all meetings the Lead Reviewer holds with the NZ-Based Expert, and with targeted stakeholders.
13. As shown in Figure 1, the first step in the Review process is completed, and the second step is well-advanced.

We seek feedback on how you wish to be involved through the Review

14. We seek your guidance on how you wish to be involved in the Review and kept informed of progress and key issues. We intend providing you with regular updates through your respective Weekly Reports. You may also wish to receive briefings and/or provide input to the Review at key milestones in the Review process (refer Figure 1).
15. As the Ministers responsible for the Review, you may wish to brief the Lead Reviewer in February 2025 as they commence their work. If the Lead Reviewer is based overseas, this will most likely be an on-line briefing. This could be a joint briefing, or you may wish to each brief the Lead Reviewer separately. We seek your guidance on this matter in particular.

Communications

16. You issued a joint press release on 15 November announcing the Review's ToR. The November Cabinet Paper will be proactively released shortly [BRIEFING-REQ-0006913 refers].

17. We have established a page on the MBIE website to provide a public face for information such as your Review announcement and the ToR, and related documents such as the Government Policy Statement on Electricity.¹
18. Once the contracts have been finalised (expected January 2025), you may wish to announce the experts appointed to undertake each of the three specialist roles. If so, we would work with your respective Offices to prepare communications material.

Risks

19. We have identified several key risks for the timely and successful completion of this Review, and possible measures to mitigate these.
20. There is a risk that we do not receive proposals from suitably qualified candidates for one or more of the specialist roles. We have sought to mitigate this risk by contacting a wide range of potential respondents in New Zealand and internationally alerting them to the RFP.
21. Our expectations around timeframes have been clearly set out in the RFP, and demonstrating how milestones and timeframes will be met is an important aspect of the evaluation criteria for considering proposals. However, commencement timing is dependent on the availability of the specialist providers.
22. Once underway, there is a risk that one or more of the specialist providers fails to meet their agreed deadline. As the steps in the prescribed Review process are sequential, a delay in completion of one step, for instance peer review of the draft report, will have a flow-on effect for subsequent steps. The project team will be actively working with the Review team to identify potential timeline risks and take action accordingly.
23. Although the ToR and GPS clearly set out the scope of the Review and Government's policy objectives for electricity, there is a risk that the Lead Reviewer's line of enquiry departs from Ministers' expectations. Ministers opting to brief the Lead Reviewer on commencement, and providing comment on the Draft report, are both key measures to mitigate against this risk.

Next steps

24. MBIE will complete procurement of the three specialist roles by evaluating proposals received and selecting the preferred entity for each of the roles. We will provide you with an Aide Memoire on 18 December setting out an update on the procurement process and next steps.
25. If you wish to brief the Lead Reviewer, we will work with your Office to identify possible dates and times for this briefing.

Annexes

Annex One: Terms of Reference for a review of electricity market performance

¹ <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/review-of-electricity-market-performance>

Annex One:
Terms of Reference for a review of electricity market performance
