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To the next Minister of Energy

No portfolio in the government you are about to join will have more bearing on New Zealand's trajectory as a nation than Energy.

Over most of the last decade, the electricity market has failed to serve the interests of New Zealand households and businesses. Residential prices have increased by 20% in the last two years alone; the prices paid by businesses have gone up by a similar amount since 2022. Energy has become an inhibiter of growth and wellbeing, rather than an enabler.

At the core of the problem is a market structure that incentivises scarcity. Despite 25 years of competition, the four gentailers maintain a stranglehold: their combined retail market share sits at 87%; they control 90% of New Zealand's generation capacity (including nearly all of the back-up, firming power).

Scarcity ensures elevated prices, maintaining returns across existing gentailer portfolios.

In our view, gentailers are commercially incentivised to leverage their dominant position and vertically integrated structure in ways that discourage new entrants and dampen competitive pressure. They can withhold access to firming for independent generators, whose projects cannot proceed without it. They invest just enough in new generation to stave off an immediate supply crisis, we believe, but not enough to put long-term downward pressure on prices.

The 'renewables boom' of the last 12-18 months has been more a case of gentailers catching up than getting ahead, and still falls well short of what is required.

The goal for the incoming government must be to turn this around, and to shift the dominant incentive from scarcity to abundance. This is the key to energy affordability, energy security, and economic prosperity.

Energy market reform represents the most important opportunity the next government – and, perhaps, any government for a generation – will have to drive economic growth and lift living standards.

We write to you as independent energy sector players, business leaders, and consumer representatives to urge you to seize this opportunity with both hands, and to provide you with a policy prescription that will enable you to do so, quickly and effectively.

We are calling on you to commit to the following three actions, and bring them to the centre of a bi-partisan infrastructure programme:

i) Develop a **national energy strategy**, to guide a long-term, system-wide approach, and provide certainty to the market.

ii) Establish **Long-Term Energy Supply Agreements (LTESAs)** with independent generation projects, to by-pass the firming barrier and unlock a wave of new investment.

iii) **Operational separation of the gentailers**, to spur competition in the retail market, and bring down prices.

The case is compelling. The solution is clear. What is required now is action.

Yours faithfully,

AUCKLAND BUSINESS CHAMBER
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