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Media release: Improving competition in the retail electricity market

The Electricity Authority has just announced new market rules that will improve competition in the retail electricity market.

“Today’s announcement is one of the biggest steps towards enhancing competition in the retail market, by reducing barriers to entry and expansion for retailers,” said Electricity Authority Chief Executive Carl Hansen.

The new arrangements will stabilise and reduce the ‘bond’ that retailers (and other purchasers) deposit with the wholesale market. This means retailers will be able to service substantially more customers with the same amount of credit. At the same time, these ‘bonds’ reduce the risk generators face if a retailer is unable to meet their payment commitments.

“This is a win-win for consumers and electricity generators. This should enhance retail competition and keep the prices consumers pay more closely in line with costs,” Hansen said.

The changes relate to the payment and bond arrangements in the wholesale electricity market, known in the sector as the settlement and prudential system. Bond levels (i.e. prudential security) will reduce to better match the generator’s risk that purchasers may not pay their bills. Costs will also be reduced for those who purchase electricity directly from the wholesale market.

The proposed Code amendments were gazetted on 12 December 2013, and the new arrangements will go live on 24 March 2015.

Over the next year, NZX (who operates the payment system for the wholesale market) will develop and consult on the detailed procedures and system changes.

These changes are part of a wider programme of work underway by the Authority towards enhancing retail competition.

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For more information:

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