

7 December 2021

Marcel van den Assum
Chair, Flick Electric

By email: **S9(2)(a)**

Dear Marcel

Response to your letter of 24 November 2021

I am writing in response to your letter of 24 November 2021. The Authority appreciated meeting with members of the Flick Board and executive as part of the consultation process with respect to the review of wholesale electricity markets and the associated issues paper. **s9(2)(b)(ii) and s9(2)(ba)(i)**

However, I need to respond to some of the points you make in your letter that incorrectly imply a position to the Authority.

The statements in your letter that are of particular concern to the Authority are:

- “Flick agrees generation consolidation is a problem in the wholesale market.” This statement suggests that the Authority has already concluded, prior to feedback from the consultation process, that there are structural issues with the current wholesale market. As part of the consultation process, we have invited you and other stakeholders to provide evidence that consumers long-term interests are not being met under current institutional settings, if you are of this opinion. The primary purpose of the consultation process on the Review paper is to gain further observations and insights from all interested parties into the structure, conduct and performance of the market. At no point in the meeting with you did we say or imply that we have concluded that generation consolidation is a problem. Your quote implies that we have a pre-determined view on this issue, which I can assure we have not.
- “As we discussed, incumbents’ ‘control’ over price setting is deterring new parties from entering the generation investment market.” – It is true that Flick made this claim in the meeting, but the statement could be read as the Authority also holds this view. Again, we have not yet reached a view on whether this claim is or is not true. We have acknowledged, however, in the Issues paper that incumbent generators may have different incentives than incumbents with respect to investment in new generation.
- “[D]uring our meeting the Authority expressed concern (“terrified” was the term used) about implementing some of the proposed options” – This is a misrepresentation of the conversation because what was said has been taken out of context. The point we were making in the meeting was that the Authority would need to satisfy itself that the proposed options would be effective, and not result in unintended consequences that outweighed any benefits. The “terrified” comment speaks to the ambition of some of the options being considered, as they imply a serious change to current market design, and we would want to be doubly sure of their effectiveness. Therefore, an open and transparent consultation process free of any notion of predetermination is so important. I would further point out that the Authority would only ever include options for consultation


which it has the conviction to implement if it can be shown through consultation that they would be effective, efficient and have a positive-benefit payoff for consumers.

I want to point out that at this time the Authority has no further comment on the other observations and points made in your letter. Importantly, the absence of a response to the other points in your letter should not be interrupted as the Authority agreeing with them. The consultation process and subsequent decision making, and consultation papers are the appropriate mechanisms for addressing these issues.

The Authority values the input of all stakeholders to inform its deliberations. However, these engagements need to occur in a manner which is of high integrity, transparent, even-handed and robust. I look forward to future engagement with Flick, as well as all other stakeholders, on that basis.

We will be proactively publishing your letter of 24 November (with redactions of confidential and/or commercially sensitive information) and this response, on our website.

Yours sincerely



Nicki Crauford
Chair

cc: Lindis Jones
Aimee McCammon

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