

Energy Action Plan



Unlocking the energy sector
to **unlock economic growth.**

February 2025

Foreword



This Action Plan has been developed by the Auckland Business Chamber and the Northern Infrastructure Forum, and builds on the recommendations of a gathering of Upper North Island sector leaders on 4 December 2024.

It provides decision-makers with a series of policy actions that are required to address the critical market and policy uncertainties that have held the sector back. The actions are designed to align with the thrust of the Government Policy Statement on energy, and have been informed by the findings and recommendations of recent government workstreams, particularly the Market Development Advisory Group (MDAG).

We are calling for work on all of these actions to begin immediately, and anticipate that all could be implemented within 18 months (some relatively quickly, some less so).

The Action Plan envisages a sector that enables New Zealand to fulfil its economic growth potential through affordable, stable energy prices for consumers, efficient generation investment and secure, abundant supply; one that continues the transition to renewable energy, supporting and enhancing the country's emissions-reduction goals.

Though the starting point for the plan has been a discussion about the challenges and opportunities faced by the sector in the Upper North Island – reflecting the fact that this part of the country accounts for the bulk of energy demand nationally, but is situated a long way from the principal sources of supply – the measures proposed are very much national in scope.

Several strategic pillars underpin the plan: increased generation (from renewable sources); enhanced competition; efficient and effective markets (particularly contract markets); greater resilience; and greater sector stewardship.

We will engage closely with decision-makers on the content of this plan, and will track progress against milestones in the months ahead.



Simon Bridges

Chief Executive
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Action 1



Action 1: Single energy regulator

Consolidate the three existing energy regulators into a single agency, to provide leadership and accountability.

Issue to be addressed

Currently a leadership vacuum exists in the sector. Multiple agencies and regulators are involved in the sector's administration, but there is no key decision-maker, nor any single entity looking across the system as a whole, at either policy or regulatory level. This creates a lack of cohesion and direct accountability.

To address this, we are calling for a single energy regulator to be established. The new regulator would streamline administration of the sector, consolidating accountabilities and statutory duties of the three existing regulators into one specialised, forward-looking energy agency.

To elevate energy policy development, and to provide greater strategic leadership and coordination, the establishment of a standalone ministry should also be explored.

Strategic pillar

Sector stewardship

Timeframe for implementation

12 months

Action 2



Action 2: Maintain strategic reserves

Ensure sufficient back-up energy supply is in place, to provide support during prolonged dry spells.

Issue to be addressed

A critical factor contributing to the winter 2024 energy crisis was the absence of pre-contracted back-up gas supply as the system came under pressure.

Relying on market dynamics to ensure that owners of all thermal generation secure adequate fuel has not worked, and is not a reliable approach into the future – particularly as the system’s reliance on coal and gas-fired generation becomes less stable and predictable. This will be a particular challenge in the context of declining production from the domestic gas sector.

The transport sector maintains strategic reserves of diesel and aviation fuel as a safeguard – the energy sector should do the same.

This could be achieved by putting a contract out to the market for the provision of a firming solution, to support the sector during prolonged dry spells. Potential options for such a solution could include a fuel stock-pile (such as gas and/or coal), stored water, or demand response.

The mechanism should be time-bound (ending by 2035 or 2040, for instance) and limited to existing generation – it would not provide a revenue stream for, or alter the incentives of, new generation investment.

Overseeing strategic reserves will become part of the new regulator’s responsibilities, once it is up and running.

Strategic pillar

Resilience, efficient and effective markets

Timeframe for implementation

Three months

Action 3



Action 3: Develop the New Zealand energy strategy

Draft a long-term national energy strategy.

Issue to be addressed

New Zealand urgently needs a national energy strategy to guide development of the sector for the long term.

The strategy would articulate the role of energy in driving the country's economic growth, infrastructure development and emissions-reduction targets and aspirations (and would align with strategies in each of these areas).

It must approach energy as a system (focusing on energy rather than just electricity) and ensure a unified approach, and efficient and optimised use of resources, across all levels of that system.

One of the key questions that the strategy would need to provide guidance on is the pace and extent of reduction in the use of fossil fuels over the coming decades. We would argue strongly for a pragmatic approach – one that seeks to balance the three facets of the energy trilemma (affordability, security of supply, sustainability), rather than prioritising any one above the others

Strategic pillar

Sector stewardship

Timeframe for implementation

Six months

Action 4



Action 4: Cross-party support

Secure bi-partisan support for the energy programme.

Issue to be addressed

Political uncertainty – and the possibility of policy U-turns as a result of the transition from one government to the next – remains a critical barrier to progress in the sector. Long-term investment and the cost of capital are highly sensitive to large swings in policy and regulation.

Steps must be taken to secure cross-party support for the energy strategy (in particular, agreement on the principles that underpin it) and to make the strategy a key component of the work currently under way to build a bi-partisan approach to infrastructure strategy and pipelines.

This includes plans for an infrastructure priority programme, where key projects (including energy projects) are independently assessed, and a high-quality, 15-20 year pipeline developed. The pipeline will form the backbone of a national infrastructure plan that the government of the day – regardless of its political stripes – is tasked with delivering, through a combination of public and private investment.

Strategic pillar

Increased generation; sector stewardship

Timeframe for implementation

12-18 months

Action 5



Action 5: Ensure generator-retailer model does not stifle competition

Analyse the impact of the gentailer model on competition, assess policy responses (including separation of generation and retail functions), set out implementation steps.

Issue to be addressed

The vertically integrated gentailer model has not evolved with the structure and needs of the market, and there is a widely held view among sector operators and commentators that it is a root cause of the sector's under-performance – by suppressing supply, increasing barriers to entry, and creating excessive rents (exacerbated when the market is under pressure).

This view is supported by the Commerce Commission's recent review of the proposed acquisition of Manawa Energy by Contact, which highlighted that vertically integrated players have the incentive and power to foreclose competition from independent generators and retailers.

What is needed is a programme of work to clearly understand the extent to which the gentailer model impacts on competition, analyse the costs and benefits of the different potential policy responses, and set out steps for swift implementation.

Policy options could include mandatory contracting and/or engagement between gentailers and independent parties (consumers, retailers and generators), operational separation within the gentailers, full structural separation, or a phased transition from one to the others. The OECD has recently called for separation of the gentailers to be re-examined.

Strategic pillar

Increased generation; efficient and effective markets

Timeframe for implementation

Six months

Action 6



Action 6: Greater use of demand response

Develop new demand response tools; drive greater industry utilisation..

Issue to be addressed

One of the keys to effective management of an energy system that is increasingly based on intermittent and non-dispatchable renewables is demand response, where energy users (both large and small) are encouraged to reduce consumption during high-demand periods – where it is efficient for them to do so.

The purpose is not to suppress net economic activity, but to incentivise businesses that have flexibility to opt in to demand management. By re-structuring their consumption away from periods of scarce supply, these firms help to avoid extreme supply-demand imbalances (and the accompanying spikes and volatility in wholesale prices) and to reduce the amount of new infrastructure required over the longer term.

New tools need to be developed to help drive greater industry participation in demand response.

The Market Development Advisory Group (MDAG) has proposed a range of potential approaches (including new tradeable products, interfaces and protocols, and steps to increase awareness and capability more generally) – in collaboration with sector stakeholders, these need to be developed and implemented at pace.

Work also needs to be done to rapidly progress coordinated demand response solutions at the household level, including tools dealing with hot water consumption, EV charging and heat pump usage. These can bring benefits across the whole energy system, including to prices in the wholesale market.

Strategic pillar

Increased generation; efficient and effective markets

Timeframe for implementation

Six months

Action 7



Action 7: Long-term contracts to drive generation

Facilitate the development of long-term contracts; drive demand through government procurement.

Issue to be addressed	Renewable energy projects face high upfront costs and long payback periods, making financial returns particularly sensitive to long-term electricity price levels. This can reduce investors' appetite to fund – and their ability to finance – new generation projects. Long-term contracts (longer than are typically available in the current market) are required, not just to provide revenue certainty to investors, but also a greater level of price certainty to purchasers, including large consumers. As with demand response tools, there is a key role for government agencies in bringing market participants together to develop these instruments, and reduce barriers to deals being done. A logical starting point would be to strengthen the Contract for Difference model (in which a project is reimbursed for the variation between market price and an agreed fixed price), with increased term length. Large consumers would be the obvious target for these contracts, but there is also scope for the Government to enter into them as a buyer, using its existing all-of-government energy tendering process to support new investment (and delivering more immediate impact). Long-term contracts can apply not just to new generation projects, but to firming and storage, and, potentially, demand response. These tools are well established internationally.
Strategic pillar	Increased generation, enhanced competition, efficient and effective markets
Timeframe for implementation	Six months

Action 8



Action 8: Unlock New Zealand's geothermal potential

Formulate a sector development blueprint for geothermal energy, with a view to designing a regime that is as enabling as possible.

Issue to be addressed

Geothermal generation currently plays a limited role in New Zealand's energy system, but it has huge potential to stabilise supply over the long term, and presents New Zealand with a genuine competitive advantage in renewable energy.

Geothermal is a genuine 'baseload' renewable technology, reducing the dependence of the generation mix on variable weather patterns.

However, the up-front capital expenditure associated with drilling (especially deep drilling) can be speculative and risky, requiring commitment of capital that may not achieve a return. This often makes geothermal energy less attractive to investors compared to other renewable technologies, which do not carry the same risk.

If our country is to achieve a truly resilient, affordable, and sustainable energy future, geothermal potential must be unlocked – based on some estimates, the proportion of supply generated by geothermal needs to double across the investment horizon.

To support this, the Government needs to formulate a sector development blueprint for geothermal energy, reviewing the legislative, structural, regulatory and commercial constraints currently inhibiting geothermal investment, and identifying options to address those constraints. The goal must be to support major geothermal generation investment, where it makes economic sense, and develop a regime that is as enabling as possible.

Strategic pillar

Increased generation, resilience

Timeframe for implementation

Six months

Action 9



Action 9: Remove red tape around distribution

Streamline the planning and consenting framework around the delivery of distribution infrastructure.

Issue to be addressed

The planning and consenting framework around the delivery of distribution infrastructure is often onerous, cumbersome, and arbitrary. This is a barrier to critical network expansion (an estimated \$22bn of investment into distribution networks is required in the current decade alone), and flows through into excessive, unnecessary costs to consumers, particularly in denser urban environments.

Three obvious opportunities for improvement are:

1. A commonsense approach to notification requirements for distribution infrastructure, with more scope for council planners to exercise discretion, and less scope for compulsory notification;
2. Integration of distribution infrastructure needs into the early stages of planning and design, so that it does not need to be factored in retrospectively (as is often the case now); and
3. Greater recognition of the unique requirements and attributes of the distribution and transmission network when it comes to vegetation management. Mitigation and compensation requirements around vegetation management are often impractical and excessive – in some parts of the network, maintenance costs (driven by vegetation management) far exceed line charges.

Strategic pillar

Efficient and effective markets; resilience

Timeframe for implementation

Six months

Action 10



Action 10: Energy sector Warrant of Fitness

Develop a Warrant of Fitness for the energy sector, to independently review institutional arrangements and measure performance against key metrics.

Issue to be addressed

Given the critical role of energy in the nation's wellbeing, and heightened public and market concern following the energy crisis in 2024, increased scrutiny of the performance of the sector is vital. It is especially critical through the potentially volatile period as our country transitions further away from fossil fuels – policymakers and the public will need regular reassurance that the sector is performing well and delivering for New Zealanders.

This scrutiny and reassurance should include the development of a sector Warrant of Fitness, based on the concept recently put forward by MDAG. It would entail periodic, independent reviews of institutional arrangements, together with more regular monitoring of (and reporting on) key indicators of the health of sector: reliability; security of supply; wholesale and futures prices; and levels new investment. It would operate in tandem with increased, more sophisticated market monitoring by the new, unified regulator.

The Warrant of Fitness would help inform planning and decision-making, and build confidence in the policy response among market participants (suppliers and consumers) and the wider public.

Strategic pillar

Sector stewardship, resilience, efficient and effective markets

Timeframe for implementation

Six months



A voice for Upper North Island
infrastructure