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RESEARCH NOTE

UNDERSTANDING THE POWER STRUGGLE: ENERGY AND THE 2026 ELECTION

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INTRODUCTION

As we approach the 2026 general election, energy is one of the major sites of political debate. Over the past several years, New Zealand has experienced significant inflation in electricity costs. High wholesale prices have flowed through into high household and business bills. In tandem with this, recent high profits enjoyed by the major generation-retailer energy companies (gentailers) have strengthened public sentiment that the status quo is not working.¹ According to a Consumer NZ survey, 55% of New Zealanders say energy will affect how they vote.² In response to public concern, political parties and civil society organisations have presented their own diagnoses of the problem and offered different policy solutions.

Increased interest in energy policy is a good thing. Too often, the technological miracle of reliable electricity is taken for granted. Furthermore, its role as a fundamental prerequisite for economic growth is frequently underappreciated. Despite this increase in interest, public debate about energy issues is often shallow and poorly framed, which makes it difficult to assess the policy trade-offs.

This election-year electricity research note is designed to be an accessible introduction to electricity policy and the policies on offer. The first section offers eight key principles to help voters think more clearly about our electricity system. The second section surveys the policy offerings of all parties likely to enter Parliament after the election, along with the Auckland Business Chamber's proposal as a further illustrative example of a different policy approach. These sections offer a summary of how each party diagnoses the problem, their most significant policies, and a brief discussion of them.

1 Joel MacManus. "How the Energy Gentailers Made \$1 Billion in Profit This Year." *The Spinoff*. September 4, 2026. <https://thespinoff.co.nz/business/04-09-2026/how-the-energy-gentailers-made-1-billion-in-profit-this-year>.

2 Consumer NZ. "End High Power Prices Now." <https://campaigns.consumer.org.nz/end-high-power-prices-now>.

I. KEY PRINCIPLES OF ENERGY POLICY

Electricity generation and consumption is a complex system. It requires the interaction between diverse modes of generation, long-distance transmission, and local distribution to the consumer. All this must occur in real time with small margins of error to ensure that sufficient generation is available. Because of the complexity of the system and the interaction of various parts, it is challenging to communicate policy and its implications to policymakers, politicians, and voters.

Because of this difficulty, public policy debates are typically framed in ways that make the core issues hard to understand, and therefore robust debate is often ill-informed. This section outlines some key principles for policymakers, journalists and voters to consider when evaluating the policy landscape.

The central principle that underpins all of what follows is simple: system costs are what matter. All policy interventions and projects should be evaluated with reference to their impact on whole-of-system costs. Policies that do not reduce system costs, but rather shift the cost burden or risk to the Crown balance sheet or other network users, are not beneficial to the electricity system in the long run.

1. Generation cost does not equal price

A recurring problem in energy policy discussion is placing too much significance on the generation costs of a particular generation type. Generation costs are usually calculated using the Levelised Cost of Electricity (LCOE). The Electricity Authority, for example, states, “A useful metric when analysing new generation is the levelised cost of electricity (LCOE).”³ The LCOE has become popularised in global policy discussions due in part to the prominence of the Lazard consulting reports, which compare the LCOE of generation types annually.

The LCOE is simply the total lifetime cost of generation divided by the total lifetime amount of generation. It is usually expressed in dollars per megawatt-hour (\$/MWh).

The strength of the LCOE is its simplicity. It also includes the time value of money, with financing costs (i.e. capital costs and interest rates) reflected in the calculation. LCOE is useful for rough, early consideration of projects of the same generation type, or with similar generation profiles.

However, LCOE is a poor measure for broad energy policy because it does not account for system costs or benefits. LCOE does not address when or where electricity is generated, how reliably it is available, or the additional costs imposed on the system through transmission, distribution, storage, firming (discussed below), and reserve capacity. This is significant. Jan Emblemsvåg argues that without “system effectiveness calculations or something similar, LCOE analyses are misleading.”⁴ In most policy commentary on the relative prices of generation types, LCOE is what is being referred to, and caution should be exercised.

Recommendation: LCOE or similar metrics should not be used in energy journalism or policy coverage, except when comparing equivalent generation modes.

2. Capacity is not generation

Another phrase commonly used in energy policy debate is generation capacity. Capacity refers to the maximum theoretical output a plant can produce at a given point in time, usually expressed in megawatts (MW). Like LCOE, capacity figures frequently appear in political debate because they provide a simple way to describe the scale of proposed or consented generation.

For example, Chris Bishop, in a recent speech on consenting legislation, said that “There are eight new renewable energy projects approved through Fast-track which will add more than 990 megawatts of new generation capacity. That’s more than five per cent of New Zealand’s

3 Electricity Authority. “The Levelised Cost of Electricity.” February 9, 2024. <https://www.ea.govt.nz/news/eye-on-electricity/the-levelised-cost-of-electricity/>.

4 Jan Emblemsvåg, ““Rethinking the 'Levelized Cost of Energy': A critical review and evaluation of the concept,” *Energy Research & Social Science* 119 (2025): 119, <https://doi.org/10.1016/j.erss.2024.103897>, <https://doi.org/10.1016/j.erss.2024.103897>.

current generation capacity and enough to power approximately 322,000 households annually.”⁵

The problem with capacity as a shorthand for energy generation is that different modes of generation typically operate at very different proportions of their maximum theoretical outputs. The tool to measure the difference between capacity and actual generation is known as a capacity factor, and is expressed as a percentage.

The exact capacity factor will vary from plant to plant but is relatively consistent. Concept Consulting, evaluating the investment landscape of the New Zealand electricity sector, uses the following capacity factor assumptions:

Biofuel	60%
Gas	15%
Geothermal	95%
Hydro	50%
Offshore wind	55%
Onshore wind	40%
Solar (utility scale)	20%
Solar (mid-scale)	15%
Solar (small-scale)	14%

Source: Concept Consulting Group Limited

The key implication of this is that any policy announcement that refers to capacity has markedly different implications depending on the proposed generation type. The capacity factor of renewable resources has the most variability between projects, depending on the climate where they are installed. For example, capacity factors for New Zealand wind are much higher than global averages because of our latitude in the roaring forties.

Recommendation: Energy journalism and policy coverage should always prefer capacity-factor-adjusted figures to raw capacity numbers.

3. Risk, reliability, and dispatchability

Although capacity factor adjustments are a useful shorthand for comparing between modes of generation, they are still limited in their value. This is because the comparison is between units of electricity, without reference to time and location. However, the system value of a MWh of electricity is markedly different depending on when and where it is available. An extra MWh of electricity available at 1pm on a 22° autumn Tuesday in Clyde is an order of magnitude less valuable than a MW at 7am at -7°.

There are two key factors at play for thinking about how to provide this most crucial generation: firmness and dispatchability. To understand the difference, consider geothermal and hydro energy. Geothermal is firm energy: it regularly produces near its capacity, with a capacity factor of about 90%. It does not depend on the weather. However, although it is reliable and consistently available, it is not highly dispatchable: it does not scale up and down rapidly to meet extra demand. Geothermal excels as a form of baseload generation.

Hydro is also relatively firm. On any given day, supply is not dependent on the weather; however, its reliability in New Zealand is impacted by dry-winter risk. Hydro has the added benefit of being highly dispatchable. When demand is low, water can be held back, and when it is high, more can be let through. Hydro’s ability to fluctuate in times of need is not captured by capacity factor alone.

Firm and dispatchable generation offers significantly greater system benefits than variable generation. Therefore, coverage that prioritises cost and capacity alone will be misleading.

4. Consented is not built

Another factor that clouds policy debate is the notion of consented capacity. The implicit assumption in such a claim is that there is a reasonably strong relationship between what projects are consented and what is actually built. Using consented projects as an indicator occurs frequently in the domain of housing policy. In housing, it is

5 Chris Bishop, “Hon Chris Bishop’s Speech to Building Nations 2026,” *National Party*, August 20, 2026, <https://www.national.org.nz/news/260820-hon-chris-bishops-speech-to-building-nat>.

a useful shorthand because there is a reasonably strong relationship between consented projects and built projects, with over 95% of consented projects being built.⁶

However, the same is not true for electricity generation. Significant projects are routinely consented and then left undeveloped for years. The Infrastructure Commission makes the distinction between early-stage projects and those being “actively pursued.”⁷

Recommendation: Policy discussion should distinguish clearly between consented, actively pursued, and under-construction generation.

5. High-demand users can have system benefits

Although much of this research note is concerned with electricity supply, it is important to consider the demand side of the equation too. Often in policy debates around energy, extra demand in the energy market is assumed to be a bad thing for consumers. If supply is constrained, greater demand places upward pressure on prices and increases the need for new generation and network investment. Because of the assumption that high-demand consumers will drive up prices, policy debates tend to centre around restricting, limiting, or managing high demand users.

However, there are two key reasons why it should not be assumed that extra demand is bad for consumers. Firstly, the electricity system carries with it substantial fixed costs. Generation, transmission, and distribution assets must be financed whether they are heavily or lightly used. Because fixed costs must be spread among consumers, removing major players from the market results in fixed costs being spread among fewer consumers. Secondly, and more crucially, high-demand consumers typically do not consume power on the same time curves as the general population. An electricity system must be built to handle its peak demand, but frequently this system capacity is not fully utilised. This produces significant slack in the

system, which is a wasted cost passed on to consumers. High-demand users shrink the differential between base and peak demand, which can result in a more efficient system overall.

6. Marginal fuel does not push the spot price up—it pulls it down

In New Zealand’s wholesale electricity market, generators offer electricity into the market at different prices. The system operator dispatches the lowest-cost combination of available generation required to meet demand, subject to transmission and other system constraints.⁸ As demand rises, acceptance of progressively more expensive offers may be necessary.

The *marginal generator* is the generator needed to supply the next increment of electricity demand. Its offer helps determine the spot price at a given time and location. This is sometimes described as the marginal generator “pushing up” the electricity price.

This framing, however, is misleading. Pushing up is the opposite of the appropriate metaphor. Marginal fuel is actually responsible for pulling the spot price down. To understand the value of marginal fuel, we shouldn’t compare it with zero, or with the next cheapest mode of generation. Rather, we should compare it with the counterfactual: what would the spot price be in its absence?

If the marginal generator disappeared while demand remained unchanged, the system would need to call on another, even more expensive source of generation, encounter a binding system constraint, or ultimately reduce demand.

Recommendation: When explaining marginal pricing, distinguish between the generator that sets the spot price and the conditions that cause electricity to be scarce.

6 Stats NZ, *Building Plans Put to Work* (Wellington, New Zealand: Stats NZ, March 2017), <https://www.stats.govt.nz/assets/Reports/Building-plans-put-to-work/building-plans-put-to-work.pdf>.

7 New Zealand Infrastructure Commission Te Waihangā, *Shifting Currents: Energy Infrastructure in Transition*, Research Insights Series (Wellington, New Zealand: Te Waihangā, June 2026), 59.

8 Electricity Authority, “Spot Market,” <https://www.ea.govt.nz/industry/wholesale/spot-market/>; Electricity Authority, “Marginal Generators and Prices in the Electricity Market,” <https://www.ea.govt.nz/news/eye-on-electricity/marginal-generators-and-prices-in-the-electricity-market/>.

7. All generation modes involve trade-offs

All forms of electricity generation involve trade-offs and offer different benefits. A healthy electricity market needs baseload, dispatchable power, and cheap generation. Some generation can be rolled out very quickly and cheaply; other generation may be more expensive and require longer timeframes to develop. All forms of generation have negative environmental externalities and supply chain risks.

Therefore, electricity policy should avoid searching for a single “right” generation technology. Technologies should not be accepted or rejected based on one metric alone. Instead, policy should clearly identify gaps in the energy system and make policy recommendations to meet specific needs at acceptable costs.

Recommendation: Energy policy should assess the range of generation technologies against a system’s gaps and specific needs at acceptable costs.

8. Beware of secondary effects

Like all policymaking, energy policy should not be concerned only with its immediate effects, but with its long-term and secondary consequences. Electricity networks, generators, retailers, and large consumers make investment decisions over a long-term horizon. Policy uncertainty or significant intervention changes the incentives for all players in the market. Therefore, when thinking about policy, we need to evaluate its impact on all players in the market, not simply the one directly affected.

Recommendation: Energy policy analysis should assess how proposed interventions will change the incentives and behaviour of market participants.

II. POLICY OVERVIEW

Each political party likely to enter Parliament has a distinct set of energy policies. Policy differences reflect disagreement about underlying sources of the challenges in New Zealand's electricity system. The parties are considered in alphabetical order, followed by a proposal from the Auckland Business Chamber. For each case, there is a brief description of how they have diagnosed the problem, summaries of their key policy proposals, and finally a discussion of the policies with reference to the principles outlined above.

ACT

Diagnosis

The ACT party argues that the primary weakness in the electricity system is undersupply and a lack of investment. They view the ultimate cause of this lack of competition to be artificial barriers to new entrants into the electricity market. As such, their policy offerings emphasise enabling more competition among providers.

Key policies

Encourage investment and innovation: Put competition and fair access first and strengthen enforcement where electricity companies misuse market power to block a better deal for consumers.

Let people sell the power they make: Give New Zealanders the right to sell the power they make, choose their buyer, and export more electricity when the network has room.

Open transmission to private investment: Allow private investors to build, own and operate new transmission connected to the National Grid where they meet common technical and reliability standards.

Break the connection bottleneck: Break the connection bottleneck by letting qualified providers compete to deliver customer-funded connection work faster and cheaper.

Make smarter technology compete with expensive new lines: Consumers should not be charged for an expensive network upgrade when a battery, flexible connection or demand-response solution could solve the same problem for less. ACT will make batteries and smarter grid technology compete with expensive new lines.⁹

Commentary

ACT's proposals emphasise tilting the incentives faced by investors and consumers. Competition is a pillar of an efficiently functioning market; therefore, interventions that can reasonably be expected to increase competition without incurring extra costs are worth pursuing. However, there may not be significant room for competition in the transmission sector. Transmission functions as a quasi-natural monopoly, much like other network systems.

ACT's scepticism towards breaking up the gentailers ("ACT won't tear up the industry just to find a scapegoat") puts them at odds with their potential coalition partner New Zealand First. However, National has also expressed scepticism towards separating the gentailers. Therefore, it is likely to be a settled position of a government in which ACT is a coalition partner.

Enabling smarter technology is a good signal. Because systems must be built for peak use, but are then often underutilised, demand management is a promising alternative to traditional grid approaches. However, the precise mechanism by which batteries and smart grid solutions will be made to compete with expensive new lines will be crucial.

Green

Diagnosis

The Green Party diagnoses New Zealand's electricity problems as a combination of market concentration and insufficient investment in renewable generation and energy security. They further argue that a public and community-owned energy entity is better placed to make that investment than private, for-profit companies.

9 ACT New Zealand, *Stability, Investment, Affordability: The Keys to Abundant Electricity*, <https://www.act.org.nz/abundant-and-affordable-electricity>.

Key policies

Reduce household energy costs: Provide zero-interest loans for household solar and batteries, establish a renters' right to solar, legalise plug-in solar, and expand Warmer Kiwi Homes.

Expand community and household generation: Invest \$200 million in community-owned renewable energy, install solar on more than half of public homes within four years, and provide \$80 million for renewable energy in Māori housing.

Establish Kiwipower: Create a publicly owned energy company to invest directly in renewable generation, contract firming capacity, address dry-year security, and support independent market entrants.

Commentary

Kiwipower is a significant market intervention that would materially reshape the electricity system in New Zealand. Should it proceed, it would likely displace investment from private companies. The policy goal of Kiwipower is investment in firm capacity: geothermal, batteries, demand response, biomass, and pumped hydro. The effectiveness of the policy will depend on which of these is prioritised. If pumped hydro envisages restarting the Lake Onslow project, the investment discouragement will be significant. If geothermal, batteries, and biomass are emphasised, the effect will be less pronounced.

Given the significant system-scale investment via Kiwipower, the case for directly funding solar on public- and Māori-owned housing is unclear. Specific cost-benefit analysis may reveal such funding to be a sensible business investment, but this is uncertain. At a system level, residential solar is unlikely to be more cost effective than grid-scale solar projects. These smaller-scale investments should be assessed against the option of simply investing more capital in Kiwipower.

Regulatory changes to make installing solar easier for renters are a straightforward and affordable tool to increase the options available to consumers.

Labour

Diagnosis

Labour's current energy policy focuses on two related problems: insufficient investment in new generation and infrastructure, and the high upfront cost that prevents many households from investing in distributed energy. Its response combines publicly backed investment through the New Zealand Future Fund with household finance, subsidies, export-pricing reform, and community batteries through SolarSaver.

Key policies

New Zealand Future Fund

The New Zealand Future Fund is a broader economic policy rather than strictly an electricity policy. However, it may have implications for the electricity system if the state-owned energy companies are included in the fund. Labour has not specified which assets will be included in the fund and will not do so until after the election, based on official advice. The Minister of Finance would set broad objectives but would not direct individual investments, which would instead be governed independently by the Guardians of the Super Fund. If the state-owned energy companies are included in the fund, public ownership would be preserved but with perhaps greater constraints on government decisions.

SolarSaver¹⁰

SolarSaver is designed primarily to reduce the upfront cost of household solar, batteries, and electrification. Its principal measures are:

- government-backed, long-term, low-interest finance for household solar and batteries;
- subsidies of up to \$3,000 for eligible low- and middle-income households;
- regulatory changes to allow plug-in solar for renters;
- "fair time-of-use rates" for electricity exported to the grid;
- a \$30 million community battery fund.

10 New Zealand Labour Party, "Labour's SolarSaver—Solar Without the Upfront Cost," <https://www.labour.org.nz/solarsaver>.

Commentary

As with the Greens, Labour's regulatory changes to make household solar easier to install are relatively straightforward. Labour also favours direct public support for household rather than utility-scale solar. However, absent Kiwipower as a major investment entity, the rationale is clearer.

The largest unanswered question is how Labour intends the New Zealand Future Fund to interact with existing state-owned energy assets. Until that is clear, it is difficult to assess the fund's likely effect on investment incentives.

National

Diagnosis

National diagnoses New Zealand's electricity problems as a combination of insufficient investment, slow infrastructure delivery, and inadequate security of supply. National argues that the planning system has made new generation and network infrastructure unnecessarily slow and expensive to build. It has therefore emphasised the quantity of renewable generation approved through Fast-Track consenting during its term.

The Government's decision to procure an LNG import facility is a major, but not yet finalised, intervention intended to manage dry-year risk. The Government has committed to the project, but important commercial details remain unresolved. Whether contracts are signed before the election and whether a new government would honour them are major sources of policy uncertainty.

Key policies

LNG import facility

The Government is procuring services for an LNG import terminal intended to provide additional gas during dry years and other periods of tight electricity supply.

Home Energy Fund

Establish a central government and council-backed financing platform offering ten-year, low-interest loans secured against property and repaid through rates.

Liberalise planning rules for renewable generation

National proposes national planning rules that would make small-scale rooftop and ground-mounted solar, micro-hydro, and battery storage largely permitted activities. Rooftop solar would generally no longer require resource consent, while standardised rules would also make small-scale on-farm solar easier to develop.

Require firm generation alongside new data centres

National proposes requiring new data-centre developments to be accompanied by new, firmed electricity generation.

Unlock new energy development zones and enable faster connections

Allow developers, major users, and investors to build transmission and recover costs from those who use them and allow consumers to choose an accredited connection contractor, not just the one their network hands them.

Commentary

The future of the LNG import terminal creates a tremendous amount of policy uncertainty going forward. The spike in global LNG prices due to the closure of the Strait of Hormuz has put further pressure on this policy intervention.

The most significant changes to planning restrictions have already been undertaken via National's replacement of the RMA. Requiring firm generation for new data centres somewhat alleviates public concerns around data centre energy demand. However, it is worth noting that major data centre projects have been connected to substantial investment independent of regulatory interventions.

Enabling greater competition and choice in transmission and connection services should give the electricity system more flexibility to adapt to rising demand, as is forecast in coming years. Tying new transmission costs to the users of that transmission mitigates against all consumers bearing the costs of new supply and demand.

New Zealand First

Diagnosis

New Zealand First argues that high electricity prices are principally the result of a concentrated, vertically integrated gentailer market and a wholesale pricing system that allows expensive marginal generation to determine prices across the market. This is compounded by insufficient new generation and declining domestic fuel security.

Key policies

Break up the gentailers and reform the wholesale market

New Zealand First proposes separating the major gentailers' generation and retail businesses. It would also change wholesale-market arrangements, including measures intended to prevent generators from withholding supply in order to increase prices.

Guarantee contracts for new generation

New Zealand First proposes long-term fixed-price contracts for new-build generation, intended to provide investors with greater revenue certainty. Electricity produced under these contracts would also receive priority use in the market.

Introduce retail-rate net metering

Households generating electricity, principally through rooftop solar, would be able to sell electricity back to the grid at the same retail rate they pay when purchasing electricity.

Expand domestic energy-resource development

New Zealand First proposes investing \$1 billion over one parliamentary term in a National Subsurface Development Survey. The programme would develop a national dataset covering prospective oil, gas, geothermal, and carbon-storage resources, with the aim of encouraging subsequent private exploration and development.

Commentary

New Zealand First's proposal to break up the gentailers marks a significant point of difference with its current coalition partners. It is unlikely to occur, even if New Zealand First is returned to government. Both structural separa-

tion and wholesale-market reform would introduce substantial uncertainty.

The guaranteed contracts for new generation would be especially important in such an uncertain environment. However, it risks the government making poor investment decisions that pass cost and risk on to taxpayers.

The proposed National Subsurface Development Survey is principally a long-term resource-development policy. Better geological information may improve the prospects for future gas, geothermal, and supercritical geothermal investment. However, all such proposals are long term and uncertain, and therefore unlikely to contribute to near-term electricity security.

Opportunity

Diagnosis

Opportunity argues that New Zealand's electricity market does not bring forward enough generation or network investment ahead of rising demand. Although it proposes significant government intervention in the electricity sector, its proposed mechanisms reveal a stronger preference for market mechanisms than the Green Party or New Zealand First.

Key policies

Expand generation and network capacity

Opportunity proposes a 25-year energy strategy targeting 30 GW of generation and storage capacity by 2050. It would support new renewable generation and storage through a Capacity Investment Scheme and allow Transpower and distributors to invest ahead of expected demand.

Reform electricity institutions

Opportunity would consolidate energy regulation into a single regulator and Ministry of Energy, ease consenting, and consolidate the management of the 29 electricity distribution businesses into six to eight groups while retaining local ownership.

Support electrification and distributed energy

The party proposes low-interest household electrification loans, co-investment in community generation and storage, expanded Warmer Kiwi Homes support, transport

electrification measures, and an Industry Energy Resilience Fund for industrial electrification.

Oppose LNG terminal and gentailer separation

Opportunity opposes both the proposed LNG import terminal and structural separation of the gentailers.

Commentary

Opportunity's capacity target and Capacity Investment Scheme are ambitious attempts to bring forward substantially more generation and storage. The party generally seeks to work through market mechanisms, but with significant state support to reduce investment risk and accelerate development.

The 30 GW target should, however, be treated cautiously, noting the reservations about using capacity as a metric discussed above. The Capacity Investment Scheme also shifts risk rather than removing it. Revenue guarantees may make new projects easier to finance, but they transfer part of the downside risk from investors to the Crown.

Te Pāti Māori

Diagnosis

Te Pāti Māori frames the energy transition as an ownership and distribution problem as well as a generation problem. It argues that whānau, hapū, and iwi often bear energy costs and host energy resources and infrastructure while ownership and profits remain concentrated elsewhere. Its stated objective is to achieve "Energy Sovereignty" by 2035, with a greater share of generation, storage, and economic returns held by Māori and local communities.

Key policies

Te Pāti Māori structures its energy policy around three themes: Cut the Power, Build the Power, and Own the Power.

Cut the Power

Reduce household energy costs through support for solar, batteries, efficient appliances, heating, and hot

water, alongside low- or zero-interest finance. The party also proposes stronger regulation of electricity pricing and improved payments for electricity and grid services supplied by household and community generation and storage.

Build the Power

Develop a National Energy Independence Plan covering generation, storage, transmission, distribution, electrification, and resilience. The policy seeks to expand distributed renewable generation, batteries, microgrids, and other local energy infrastructure.

Own the Power

Establish a \$1 billion Energy Sovereignty Fund to increase Māori and community ownership of renewable generation, storage, and related energy businesses. Grants, concessional finance, guarantees, equity, and co-investment would be used to increase ownership by whānau, hapū, iwi, and communities.

Commentary

Te Pāti Māori's plan is ambitious in scale, but relatively light on implementation detail. This makes it difficult to assess the likely generation, storage, resilience, or ownership outcomes of the programme, or its whole-system cost. However, there is strong alignment with its likely coalition partners in terms of investment in distributed generation, so it is likely that its policy priorities would be merged into those.

Auckland Business Chamber

Diagnosis

The Auckland Business Chamber, in collaboration with the Northern Infrastructure Forum, launched its policy proposal in August 2026.¹¹ The policy argues that the primary problem with the New Zealand electricity sector is excessive market power held by the gentailers. Because these gentailers have control over the majority of the firm capacity in the system, consisting primarily of heavily depreciated hydro assets, they do not have incentives to properly invest in extra generation. The Auckland Business

¹¹ Auckland Business Chamber and Northern Infrastructure Forum, *Unleashing New Zealand Power: A Two-Step Plan to Fix the Energy Market and Drive Transformative Economic Growth* (August 2026).

Chamber's solution consists of two interacting policies that are intended to be adopted in tandem.

Key policies

Long Term Energy Supply Agreements for generation

Introduce Crown-backed Long Term Energy Supply Agreements (LTESAs) for new independent generation. Projects would competitively bid for a fixed price and have the option to sell generation to a Crown-backed entity at that price. Where wholesale prices fall below the agreed price, the Crown-backed entity would make up the difference; where prices exceed it, the project would repay the difference. The aim is to reduce revenue risk and allow independent generators to secure finance without first obtaining firming contracts from incumbent gentailers.

Operational separation for gentailers

The second pillar of the Auckland Business Chamber plan is to require the operational separation of the gentailers. This is not a structural separation and would not force the sale of assets. However, it would require the generation and retail arms to operate separately, with their own boards. This would require the access to firm power (hedging) contracts that the retail arms require to be formally contracted at open-market prices, and therefore visible to and equal to the prices charged to all market players. The rationale is that by making the hedging market transparent, smaller players will compete on a level playing field, increasing competition in the market as a whole.

Commentary

The Auckland Business Chamber plan is one of the more structurally sophisticated proposals. It pays close attention to the contracts market and, in particular, to the difficulty independent retailers and generators face in obtaining transparent and affordable hedging. In some respects, it might be understood as a policy advocating for the interests of small generators against large ones. Operational separation is less disruptive than full structural separation because it would not require the sale of assets. It would nevertheless be a significant and complex intervention.

LTESAs would provide stronger revenue certainty for new independent generation and could therefore bring projects forward. However, they do so partly by transferring downside revenue risk from investors to a Crown-backed entity.

The Chamber points to Australia's Capacity Investment Scheme as a model. The Australian scheme has attracted substantial investment, but implementation has also exposed challenges around project delivery. The Australian Government has subsequently placed greater weight on project deliverability and shortened its tender process.

CONCLUSION

The election debate demonstrates that there is no shortage of proposed solutions to New Zealand's electricity problems. The parties and organisations surveyed propose approaches ranging from greater competition and easier private investment to Crown underwriting and direct investment, structural market reform, community ownership, and changes to planning and network regulation. These differences reflect genuinely different diagnoses of the problem.

Nevertheless, the principles outlined at the beginning of this paper suggest some common tests that can be applied across these competing approaches. Most importantly, system costs are what matter, and policy interventions do not make risk disappear. Revenue guarantees can transfer risk from investors to the Crown. State investment can alter incentives for private investment. Market restructuring can increase competition, but it will also change hedging and investment arrangements. Conversely, leaving existing arrangements untouched also carries risks if those arrangements fail to bring forward sufficient investment.

New Zealand will need substantial investment in electricity over the coming decades. The most useful question for policymakers and voters is not which policy promises the most generation or the lowest headline price. It is whether a proposal can help deliver sufficient dependable electricity, in the right places and at the right times, at an acceptable whole-system cost, while maintaining the incentives needed for continued investment.

Table 1. How the parties diagnose the problem

Party	Diagnosis
ACT	Excessive regulation causing undersupply, lack of investment, and barriers to new entrants
Green	Market concentration and for-profit model causing insufficient investment in renewable generation and energy security
Labour	Insufficient investment in generation and infrastructure, and high upfront cost to households for distributed renewables
National	Insufficient investment, slow infrastructure delivery, and inadequate security of supply in dry winters
New Zealand First	Market concentration, weak competition, insufficient generation, and declining domestic fuel security
Opportunity	Generation and network investment not keeping ahead of demand
Te Pāti Māori	An ownership and distribution problem as well as a generation problem

Table 2. Key policies at a glance

Party	Policy 1	Policy 2	Policy 3	Policy 4
ACT	Investment and competition: fair access, stronger enforcement	Allow consumers to choose who they can sell the power they make to	Allow private providers to build and operate new transmission	Smart-grid alternatives: Use emerging smart grid technology to facilitate demand response
Green	Household solar and batteries: zero-interest loans, renters' right to solar, plug-in solar	Fund distributed renewables for public homes, Māori housing, and other communities	KiwiPower: A state-owned energy provider with an affordability mandate	Firming and dry-year security: contract firming capacity, address dry-year security
Labour	NZ Future Fund: may include state-owned energy assets	Household solar and batteries: government-backed, long-term, low-interest finance	Household solar subsidies up to \$3,000, plug-in solar for renters, fair time-of-use export rates	\$30 million community battery fund
National	LNG import facility: additional gas in dry years and tight supply	Property-linked energy finance: ten-year, low-interest loans repaid through rates	Easier small-scale renewables: rooftop solar, ground-mounted solar, micro-hydro, and batteries largely permitted	Unlock new energy development zones and enable faster connections
New Zealand First	Gentailer separation and wholesale reform: separate generation and retail, prevent withholding	Guaranteed contracts for new generation: long-term fixed-price contracts, priority use	Retail-rate net metering: households sell power back at the retail rate	National Subsurface Development Survey: \$1 billion for oil, gas, and geothermal exploration
Opportunity	30 GW target: 25-year strategy for generation and storage by 2050	Capacity Investment Scheme: support new renewable generation and storage	Networks and consenting: allow Transpower and distributors to invest ahead of demand, ease consenting	Streamline oversight: Single regulator and Ministry of Energy
Te Pāti Māori	Household energy support: solar, batteries, appliances, heating and hot water, low- or zero-interest finance	Pricing and payments: stronger regulation of electricity pricing, better payments for distributed generation and storage	National Energy Independence Plan covering generation, storage, transmission, distribution, electrification, and resilience	Energy Sovereignty Fund: \$1 billion for Māori and community ownership of generation, storage, and energy businesses

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