



Power. At what cost?

The consumer case for electricity reform

consumer.

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Executive summary

The structure of New Zealand's electricity market was reformed over 27 years ago to deliver lower prices, stronger competition and choice for consumers. We don't believe those intentions have been realised. Household power bills have risen at nearly twice the rate of inflation, which is placing growing pressure on families.

Consumer NZ research shows how serious the consequences are. People are going without heat and reducing food and other essentials to pay their power bills. Others are taking on debt and living with the stress and shame of not being able to afford a warm home. More than 30,000 households had their power disconnected at least once in the last financial year because they could not pay their bills. Prepay electricity customers are cut off more often, with hundreds of thousands of automatic disconnections recorded in 2025.

For years, we've told New Zealanders they can manage their power costs by using less electricity, switching retailers or choosing a better power plan. These actions still help some households, but individual behaviour can only achieve so much.

This report identifies four drivers of high power bills:

- 1. Four big power companies dominate the market.** Together, Contact, Genesis, Mercury and Meridian control most of the retail market and own substantial generation assets, giving them advantages that smaller independent retailers and generators do not have.
- 2. Power prices don't reflect real costs.** Because of the way the spot market works, expensive fossil-fuel generation can set the price paid for cheaper renewable electricity.
- 3. We haven't invested enough in homegrown energy.** New Zealand needs more renewable and dry-year energy capacity.
- 4. Party politics have got in the way of a long-term plan.** Short-term politics and policy uncertainty have prevented the development of a durable national energy strategy.

These problems can be fixed. New Zealand's electricity market is a designed system, and it can be redesigned.

The report recommends:

1. reducing the dominance of the big four power companies
2. making power prices better reflect the real cost of generation
3. investing in more homegrown energy so New Zealand is less reliant on expensive coal and gas
4. developing a long-term cross-party energy strategy that puts affordability, security and emissions reduction ahead of vested interests.

Currently, we're papering over the cracks of energy hardship and not making the most of the potential to transition to a renewable energy system, which could deliver cheaper power.

The energy transition should be an opportunity to lower bills and allow people to generate power in their own homes. But without policy and incentives to encourage adoption of renewable energy, the energy divide will grow.

Those who can afford solar panels, batteries, electric vehicles and efficient appliances will be rewarded with cheaper power, while renters, low-income households and people already struggling with debt are left paying more for an outdated system.

Affordable, reliable electricity is essential to health, dignity and participation in modern life. New Zealand can continue to patch over the problems in the energy sector, or it can redesign the electricity system around customers. New Zealanders shouldn't be paying so much for power in a country blessed with mostly cheap renewable electricity.

New Zealand's electricity market is a designed system, and it can be redesigned.

Introduction

For decades, Consumer NZ has helped New Zealanders manage their household energy costs.

We've provided advice on choosing efficient appliances, reducing energy use and changing household habits to save money on power. Through Powerswitch, our price comparison website, we have encouraged households to shop around and switch providers to reduce their bills.

The message has been one of empowerment: consumers can take action to lower their energy costs.

That message still has value. Households can save money by being active participants in the energy market. However, the savings consumers can achieve are increasingly being swallowed up by forces beyond their control.

The current state of New Zealand's electricity market is the result of reforms introduced 27 years ago. Those reforms were intended to create an efficient and competitive market that would deliver cheaper power bills for consumers.

This report argues that the market is not delivering on that promise.

Ongoing access to safe, reliable and affordable electricity is not a luxury – it's essential. It's fundamental to human wellbeing and our ability to participate in society.

And yet, for a growing number of New Zealand households, that access is becoming increasingly strained.



Heat or eat: The consumer experience

A quarter of households had trouble paying their power bill in the last year.

Rising power prices

Since the Bradford reforms in 1999, household electricity costs have risen by around 177% – nearly twice the rate of inflation.

Even when wage growth is factored in, electricity is now approximately 65% more expensive in real terms. Low-income families have been hit the hardest and are spending an average of 7.5% of their incomes on electricity.

In Consumer NZ surveying, we found a quarter of households had trouble paying their power bill in the last year, a 5% jump from the previous year. The number of people who missed paying a power bill rose to 24%, another jump of 5% on the previous year. As a result, more people have faced penalty fees for late payment.

We’re seeing growing numbers borrowing money from family or friends to pay the bill, up to 19%. One in 10 have taken out a loan to pay the bill. More people are also asking for government assistance.

Many respondents told us they managed to pay the power bills by cutting back on other essentials (32%), while 41% went without heating to save money. To reduce energy use, 21% went to bed early.

All but 1% of respondents made some efforts to reduce their power consumption.

And there’s growing concern about power prices in higher-earning households. A third of households earning \$100,000–\$150,000 are very concerned about the cost of energy, as are 28% of those earning over \$150,000, up 8% since 2021.

A survey by the Electricity Authority also found that financial pressure to pay the power bill isn’t limited to those on lower incomes. “Across middle-income households, around half describe their bill as at best somewhat affordable. Even among the highest earners (over \$150,000), 30% still describe their bill as only somewhat affordable.”

The energy hardship measures we monitor have risen modestly but consistently for higher-income groups over the past six years – between 2 and 4%. At the same time, lower-income hardship has worsened materially, between 8 and 18% across the measures.

New Zealand households spend more on power, relative to earnings, than many other OECD countries, including Norway and Finland, which have similar renewable energy systems.

New Zealand’s wholesale power prices are “now uncomfortably high”, according to the OECD Economic Survey. Those prices are “far higher” when compared to other countries with similar renewable energy systems.

Figure 1: Increased cost of goods and services since 1999 relative to inflation

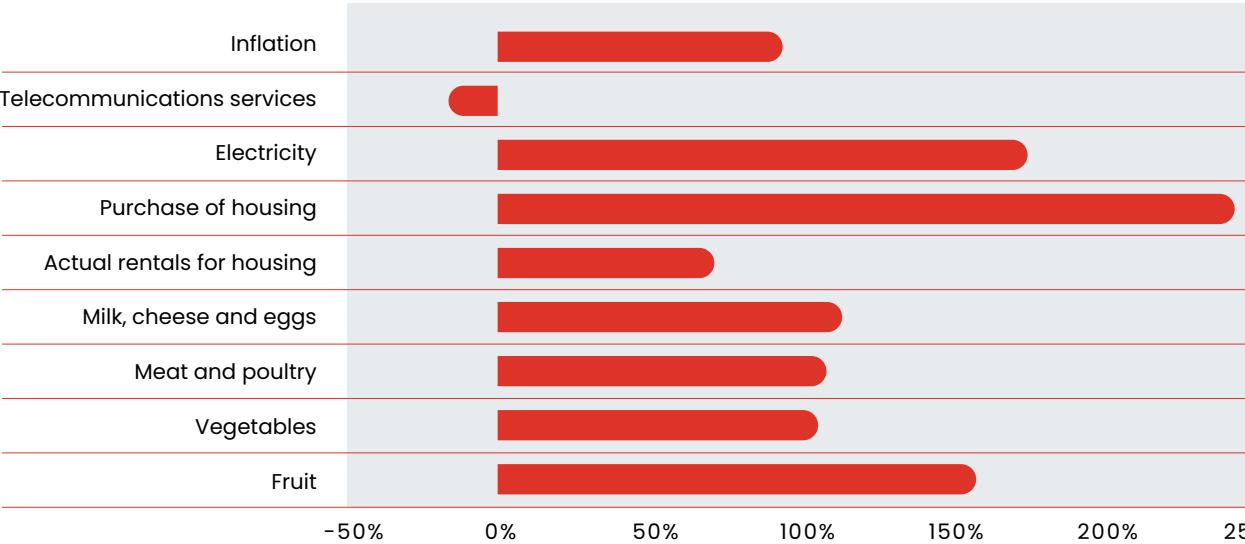
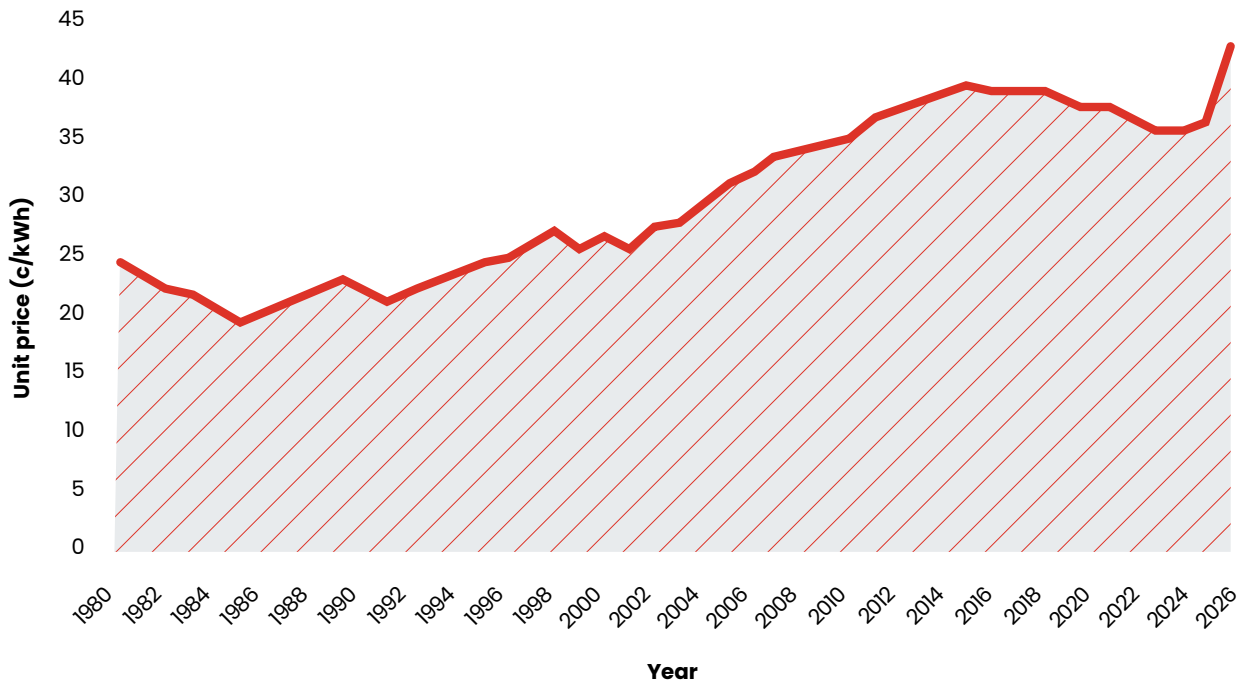


Figure 2: Electricity price increases since 1980



The mental toll of unaffordable power

The cost of electricity is weighing heavily on New Zealand households. More than half of New Zealanders say they're worried about rising power bills. Energy is our third most pressing financial concern, after food and housing. Across the country, 38% of people say they aren't confident they'll be able to pay their power bills in the next six months.

"When your home isn't warm or comfortable, that constant stress can really affect your wellbeing," says Dr Kimberley O'Sullivan of the University of Otago, who has carried out research on New Zealand's energy sector.

Struggling to pay power bills affects our dignity. Many people that Dr O'Sullivan spoke to described deep feelings of shame. "They don't want the neighbours to notice the lights are off."

"They don't want the neighbours to notice the lights are off."

How consumers cope with rising costs

Through her research, Dr O'Sullivan discovered that power bills had actually remained static over the years for some of the lowest-income households, even as power prices climbed higher and higher.

Why? Because those households had been forced to ration their energy use to keep bills at a manageable level. Simply put, they were not using the energy they needed to be warm and well.

"Those in energy poverty know exactly how much it costs to do certain things. They can tell me what it would cost to cook a particular meal in the oven or do a load in the dryer. Most people won't know that, but some people budget that hard."

And the number of people making major sacrifices in order to pay their power bills is increasing. In the year ended June 2024, more than 130,000 people could not afford to keep their dwelling adequately warm, according to a report by Business and Economic Research.

"It often comes down to a decision to heat or eat," says Dr O'Sullivan. "Broadly speaking, what we've observed since Covid is a dramatic shift in power prices, alongside other general inflationary pressures on households from things that are not elastic, so their housing costs, their insurance, their rates – all of those things that you can't really cut back on.

"All of a sudden, the only thing left to cut back on is energy, food or fuel. Those three things are happening for so many people."

"All of a sudden, the only thing left to cut back on is energy, food or fuel."

DIANE'S STORY

"It's all getting trickier"

"Anything you can think of, I probably do it," says Aucklander Diane*, 60+. "I shorten the washing machine cycle, I don't have a dryer, I don't heat. I turn everything off at the socket if I'm not using it. Basically, I just have the fridge and the washing machine going.

"I use an electric blanket, and I go to bed very early in winter and stay warm in bed until some sun hits the house. I only shower every two days. I'm conscious of water usage."

Paying the rent is Diane's main financial priority. She's part of her community and doesn't want to move house. While there are faults with the house – insufficient insulation, a broken gas connection and a noisy heat pump – she doesn't want to tell her landlord in case he fixes them and then puts the rent up.

Diane does look online for cheaper power plans. But some rely on a ripple-control water cylinder, which she doesn't have, and she doesn't want to sign up for a two-year deal – as a renter, she can't be sure she'll be in the same house in two years.

She thinks the only other thing she could do to reduce her power usage even more is to turn off her hot water cylinder in summer.

"My food has gone to absolute basics. I don't go out for coffee or dinner. I don't go to lunch. I eat the most basic cheese. I just buy milk, flour, cheap pasta and vegetables.

"If the bill goes higher, it has to come off somewhere, and I'm on a low fixed income due to health issues. I used to eat more interesting food ... it's all getting trickier."

In winter, Diane spends a lot of time in her car, which is parked outside her house.

"It's really warm, because it sits in the sun. I take something to read or to sew or whatever and sit in my car, and it's toasty."

*Name changed for privacy.



The health impact of high power prices

Energy affects more than just the household budget – it directly impacts health and wellbeing. Homes that can't be adequately heated or cooled contribute to illness and hospitalisation.

The 2023 census found that 18.1% of New Zealand homes were damp at least some of the time and 14% of homes experienced mould. Consumer NZ's 2026 research echoes this, finding that 30% of households reported dampness or mould issues in their homes.

Changes to the home environment have a significant effect on health outcomes. This is illustrated by the success of the Ministry of Health's Healthy Homes Initiative (HHI), which, since its launch in 2013, has improved living conditions for more than 200,000 people.

The HHI takes a multi-pronged approach: improving the quality of housing (e.g. insulation, heating and ventilation), education on how to run a home to be warm and dry, support to find better housing if needed, and other tailored support or on-referrals.

Five years after insulation was installed through the HHI, researchers' modelling found an 18.6% drop in hospitalisations, equating to more than 10,000 avoided hospital visits. GP visits also reduced by 2%.

The return on investment from the health sector was 507%. The costs of running the programme were recouped within one year, with the healthcare benefit being around \$95 million per year.

We believe that warm, efficient homes should be treated as part of energy infrastructure. Energy, housing and health programmes should be aligned, because reducing hardship and avoidable health costs is a core outcome, not an optional add-on.

Energy affects more than just the household budget – it directly impacts health and wellbeing.

Barriers to switching

Our electricity retail market was reformed to bring in competition and lower electricity prices for all consumers. But for that to work in practice, we need a market that is: (a) open to multiple providers of power generation and new retailers entering the market; and (b) easy for consumers to navigate. At present, we have neither.

The lack of meaningful competition in the market is explored later in this report (page 19). In this section, we look at the consumer experience around switching providers and plans.

About 40% of households consider switching providers each year, but only a quarter of those actually follow through with it. The vast majority of households stay with the same electricity provider for over 10 years. This is despite the fact that people who use our Powerswitch website to switch providers save an average of \$450 a year.

So why don't more people switch? This is what we hear from consumers:

- **It's not worth it.** Of the people who consider switching but don't end up doing it, 38% tell us the potential savings aren't enough.
- **It's inconvenient.** Most people who switch tell us the process is easy. But others don't complete that process because they think it will be too much hassle (19%) or they don't get around to it (17%).
- **There are too many options.** There are about 12,000 different power plans available to New Zealand consumers. Finding the best deal depends on which of the 56 pricing regions you live in, what kind of energy you use (electricity or gas), when your household uses the most power, and your past consumption. You might be choosing between 15 different providers, each with multiple plan variations.

- **I don't understand my bill.** It's hard to choose a better plan when you don't know crucial information about your existing one. In New Zealand, unit prices and consumption information are presented differently across power retailers, and plan names are rarely shown clearly on bills. At Consumer NZ, we conducted research into billing and started advocating for change back in 2022, but it wasn't until March 2026 that the Electricity Authority announced new requirements around clear billing, which will kick off on 30 October. Further improvements may arrive in 2027, when the government extends the Consumer Data Right to electricity, meaning all consumers will be able to see how much power they use and when.

Most concerning of all is the fact that switching doesn't work for those consumers that need it the most. If a customer has a poor credit rating, they're less likely to be taken on by a new retailer. There's no obligation for a retailer to take on new customers. We've also seen, via Powerswitch data, that there appear to be higher credit rating criteria for the cheapest power deals, which shuts out the very customers who need it. Latest figures from the EA noted 46,895 people had been refused post-pay electricity connections because of poor credit ratings. Other barriers include digital literacy and lack of access to the internet.

Much of our work with Powerswitch, and through our engagement with regulators and decision-makers, has been an attempt to combat these barriers. We publicise consumers' potential savings and try to make the switching process as streamlined as possible, using an easy-to-navigate website, informative content, useful search filters and an AI bill-reader.

But we can only do so much. The research tells us that middle-income households are most likely to switch, while the most vulnerable New Zealanders face complex hurdles.

The vast majority of households stay with the same electricity provider for over 10 years.

“Relying on the consumers to switch to make the market work is fundamentally flawed,” says Jake Lilley, a senior policy advisor at financial mentor organisation FinCap.

About one in five households earning less than \$50,000 say they do not trust the energy sector. Lilley says this lack of trust is “totally rational”.

“People get constantly burned by every process they approach. You can get conditional offers where it’s cheap for a year or six months, and then you’re actually worse off with the power cost or across the bundle of services. Mentors are risk-averse in this space – if the power is still on, they don’t risk mucking up the arrangements, because it’s about stability and having access to the essential service.”

Dr Peter Gibbard, senior lecturer in the department of economics at Otago University, says a lack of internet access and high cognitive load make comparing power plans even harder for people on low incomes.

“It’s well known that people experiencing poverty face higher anxiety and stress, lower education levels and reduced mental bandwidth. That makes it much harder to focus on tasks like switching.”

Lilley agrees that education and confidence are key. “To compare and understand the information, you need good literacy and numeracy skills – and many people simply don’t feel confident enough to do it.”

Dr Kimberley O’Sullivan has seen for herself how hostile the electricity market can feel for vulnerable people.

“If they go on a plan and they don’t understand it, it can cause distress. I know of a person living with psychosis who was on a ripple-controlled cylinder plan. They went to shower and their water went cold. They were worried about someone coming into their house or tampering with the cylinder. They didn’t realise what plan they had signed up to.”



The Australian model for those who don’t switch

In 2019, the Australian Energy Regulator put in place a “default market offer” (DMO) to safeguard consumers who don’t or can’t shop around for a better power price. The DMO sets the maximum price power companies can charge for their default energy plans. Retailers must state how their deals compare with the DMO in advertising.

The DMO applies to households in South Australia, New South Wales and South East Queensland. In the first year after it was introduced, the highest retail offers in the market fell by 28% and the number of offers in the market below the DMO increased by 60%.

The DMO was reviewed earlier this year, and it was announced that it would be reduced even further on 1 July – between 1.1% and 10.7%, depending on the region, type of smart meter and plan.

In New Zealand, there’s no equivalent regulation around default plan pricing.

Time-of-use plans: Perks and pitfalls

Perhaps the most active way that consumers can engage with the electricity market is via time-of-use plans, where households pay a cheaper price for power they use during off-peak hours.

But time-of-use plans aren’t suitable for everyone, as our Powerswitch manager, Paul Fuge, wrote in a recent submission to the Electricity Authority.

“Savings depend heavily on a household’s means, motivation and ability to shift when they use power. Without clear, upfront guidance, some consumers may sign up expecting savings that never materialise – in some cases they could even end up paying more.”

Time-of-use plans can come with appealing introductory offers, which can cloud judgment. And, as Dr O’Sullivan points out, there is a trade-off for the low off-peak rates.

“Some families simply can’t shift their routines. If you use power outside the low-rate periods, you’re on a higher tariff and could end up paying more.”

JANE’S STORY

“I became slightly obsessed”

Jane, 45+, is a business analyst, so she’s more equipped than most to navigate the complex electricity market.

“I’m a details person, I like spreadsheets and stuff, and I work from home, and I’m just interested in the power usage.”

When her two children were younger, she even hired a plug-in meter from the library so she could see how much electricity each appliance used. And, years later, she asked her retailer to install a controlled and uncontrolled meter at her property, so she could monitor hot water usage.

“It means I can see how much of an impact the hot water portion of the bill is, how much it changes winter to summer, which is massive, actually.”

It’s no surprise that Jane has been proactive when it comes to shopping around and trying different plans. In the past, she opted for a plan that included a free hour of power each day.

“I became slightly obsessed with looking at how to maximise putting as much power as possible in the day into one hour,” she admits.

However, she’s since switched to a new plan, after crunching the numbers and realising it was going to be cheaper and less hassle.

“It was really doing my head in having to do this free hour every day. I was like, ‘Oh, God, the dishwasher needs to go through, but the hour of power isn’t until later!’ It took a lot of mental energy.”

SARAH'S STORY

“Two hoodies and no heating”

Sarah, 20, lives in a Wellington flat with four other students. Their plan gives them three free hours of power a day, from 9pm to midnight, and they’ve organised a roster so each flatmate has a set day to do their laundry on.

“We definitely try and use the dryer and everything during those hours, so it’s a lot cheaper. But no power bill is really cheap.”

Winter is particularly challenging, she says. “You don’t want to be so cold that you get sick, but then you don’t want to turn the heater on, because then you can’t afford to buy groceries and other necessities.

“In the winter, as a student, it’s pretty common to be wearing two hoodies and not have heating on.”

Her previous flat had central heating, which saw Sarah’s quarter of the bill climb to \$120 per month – about \$30 more than she could afford. She suggested changing providers to save money, but her flatmates didn’t want to risk losing their connection during the transition. “They wanted to be secure, I guess.”

Instead, Sarah paid her portion by cutting back in other areas – toiletries, social activities and even bus fares, meaning she couldn’t go to campus every day. She also cut back her meals to two a day.

“Taking away a meal, to live and be warm, doesn’t feel like an okay thing.”

What happens when bills go unpaid

When electricity becomes unaffordable, the consequences are immediate, serious and unequal. In the last financial year, over 30,000 households had their power cut at least once because they couldn’t afford to pay their bills.

Most retailers charge both disconnection and reconnection fees, adding further pressure to households already in financial distress. These fees can be as high as \$300 in cases where there’s no smart meter on the property.

Then there’s the impact on customers’ credit ratings, which has a damaging flow-on effect when it comes to navigating the electricity market. People who have a history of debt or credit issues often have trouble securing a standard electricity account (where you’re billed for your power after use). The only remaining option is a prepay plan, and, at the time of writing, the only providers offering prepay plans were Contact and GloBug.

That means the most competitive deals aren’t an option for the people who might need them most – those who are already trapped in a cycle of debt.

“Credit reporting means competition isn’t benefiting everyone,” says FinCap’s Jake Lilley. “If you’re stuck, and they know you’re stuck, you just have to accept the price.”

Prepay plans are marketed as flexible, but they rarely include discounts, time-of-use options or other benefits such as free periods. In reality, they usually work out as one of the most expensive ways to buy power. In 2023, we found that prepay customers paid 15% more on average than those on comparable post-pay plans.

“If you’re stuck, and they know you’re stuck, you just have to accept the price.”

Prepay customers also live with the constant threat of disconnection. Post-pay customers get significantly more protection from the Electricity Authority’s Consumer Care Obligations, which state that before disconnecting their power, electricity retailers must do the following:

- make at least five contact attempts
- offer a payment plan
- check that the customer is on the most suitable pricing plan for their household
- provide tips to reduce power use
- where appropriate, refer customers to financial support services
- wait at least 44 days after the last invoice
- give at least 24 hours’ notice.

Prepay customers, on the other hand, only get two days’ warning if their credit is about to run out. After that, disconnection is immediate. In 2025, there were 317,031 prepay disconnections in New Zealand, with some households being disconnected up to 11 times in a single month.

“When you get on prepaid, it’s framed as a positive control thing, but no, it’s actually a trade-off,” Lilley says. “You just can’t operate safely with food storage, and appliances slowly break when they’re constantly turned on and off.”

Dr Kimberley O’Sullivan agrees that prepay plans are a last resort for most consumers. “It’s the poorest people who end up on prepaid. Why would you risk automatic disconnection unless you really had to, and you couldn’t get a power contract any other way?”

In 2025, there were 317,031 prepay disconnections in New Zealand, with some households being disconnected up to 11 times in a single month.

Disconnection bans overseas

New Zealand’s Consumer Care Obligations exist to ensure power retailers carry out certain duties when dealing with customers, but they do not require affordability or guarantee the right to a connection, unless you are registered as a “medically dependent person”.

Overseas, several countries have gone further to protect people’s access to electricity. In France, Ireland and Ontario (Canada), disconnections are banned entirely for residential customers over the coldest part of the year.

In Spain and Greece, there are disconnection bans for “vulnerable customers”, including low-income households, elderly people, people with disabilities and those in financial hardship – a much broader category than “medically dependent” in New Zealand.





How did we get here – and how do we fix it?

Government help: Treating the symptoms, not the cause

The number of New Zealanders accessing government assistance has remained steady since 2020; however, the dollar amount paid out has increased 5.64% in the period 2020–2025. Last year, hardship grants for bedding and blankets were up 24%, compared with 2020. In our latest energy survey, 14% of respondents told us they had accessed government support to pay their power bills over winter.

In the six years to June 2025, the government made Winter Energy Payments worth \$3.6 billion. But this support isn't all going to the people who need it most. For example, everyone who qualifies for the NZ Super can also get the Winter Energy Payment, even those who earn high incomes or have accumulated wealth.

And this assistance doesn't address the structural issues that created hardship in the first place.

"The government's hardship support acts like a band-aid – a temporary fix for a systemic problem in how we make power affordable," says Jake Lilley.

In the following section, we explore the main drivers that contribute to power poverty in New Zealand.

"The government's hardship support acts like a band-aid – a temporary fix for a systemic problem in how we make power affordable."



Background: How our electricity market was created

It's important to remember that the electricity market is not a natural phenomenon. It is not set in stone. It is a designed system – a set of rules, incentives and institutions. And, unlike most markets, it did not emerge organically from consumer demand. Consumers never asked for this market and have never shown much enthusiasm for it. It is a “made market”, written into existence by economists and policymakers 28 years ago, built on the premise that competition would deliver better outcomes than centralised control.

The Electricity Industry Reform Act 1998, commonly referred to as the “Bradford reforms”, fundamentally reshaped New Zealand’s electricity industry.

Before the reforms, the government-owned Electricity Corporation of New Zealand generated most of the country’s electricity. Local power companies generally owned both the lines (the poles and wires) and the retail business that sold electricity to households.

Consumers never asked for this market and have never shown much enthusiasm for it.

The concern was that these local monopolies could use their control of the lines network to stifle competition from rival retailers. The Bradford reforms aimed to change this by:

- splitting the state generator into three competing state-owned enterprises – Meridian Energy, Genesis Energy and Mighty River Power – joining Contact Energy, which had already been carved out prior to the reforms
- forcing local electricity companies to choose between owning the lines business (which would remain regulated) or the retail business (which would be opened to competition), not both.

“Lower prices and a real choice of who supplies your electricity – that’s what the Coalition Government’s electricity reforms are all about,” National MP Max Bradford, then the Minister of Energy, said in a 1998 press release.

A quarter of a century on, the downward pressure on prices has not materialised.

We agree that well-designed, well-regulated markets can drive efficiency, innovation and choice. But markets do not automatically deliver these outcomes – particularly for essential services like electricity, which is uniform, unavoidable and of limited interest to most consumers, and which has no practical alternative.

Below, we outline the market mechanisms that have resulted in big power bills for consumers.



DRIVER 1

Four big power companies dominate the market

The issue

Contact, Genesis, Mercury and Meridian together control around 85% of the retail market. The remaining 15% is shared among around 20 smaller retailers.

The four dominant companies are “gentailers”, both generating and selling electricity. This structure (called “vertical integration”) gives them a built-in advantage over smaller, independent retailers and shapes how competition functions across the market.

A key part of this advantage lies in how electricity is bought and sold. Smaller retailers typically rely on “hedging contracts” (or “futures contracts”) to manage the risk of fluctuating wholesale prices. These contracts allow them to lock in supply at a fixed price, protecting both the retailer and its customers from price spikes.

However, the large gentailers do not need to rely on the market for these protections in the same way. Because they generate their own electricity, they can effectively “self-hedge” – matching their own supply with their retail demand. This reduces their exposure to wholesale price volatility.

Independent retailers don’t have this option. They must buy electricity from the wholesale market – often from the gentailers themselves – and are therefore more exposed to risk and price swings.

An NZIER analysis found that most wholesale electricity trading between 2012 and 2021 occurred within gentailer businesses, rather than between competing firms. In practice, this means relatively little electricity is traded in an open, competitive market.

The result is a structural imbalance. Gentailers face lower risks and have more control over pricing, and independent retailers operate under tighter margins and greater uncertainty. While gentailers are able to absorb or manage changes in generation costs, independent retailers are more likely to pass these costs on to consumers.

When wholesale prices rose sharply in 2024, several independent retailers struggled to remain viable:

- Electric Kiwi paused new customer sign-ups, citing a nearly 50% increase in wholesale prices over six months.
- Flick Energy also stopped taking customers and was acquired by Meridian in May 2025.
- Frank Energy (owned by Genesis) exited the market, with customers moved to its parent company.



Together, Flick and Frank had served around 142,000 households – about 7% of the market – and both had won Consumer NZ’s People’s Choice award.

As our Powerswitch manager, Paul Fuge, noted at the time, these developments were “another blow to competition”. They highlight a broader pattern: when conditions become challenging, smaller retailers are more likely to pull back or exit, while the dominant players remain.

In a recent Consumer NZ submission to the Electricity Authority (EA) about vertical integration, we noted: “While vertical integration may offer efficiencies on paper, these have not translated in practice to lower prices, improved reliability, or more vibrant competition for New Zealand households. On the contrary, current arrangements appear to reinforce incumbent advantages, limit innovation, and erode consumer confidence in the market.”

The response

The EA has proposed new rules to “level the playing field” between gentailers and independent retailers. Gentailers would be required to offer hedge contracts to all participants on the same terms they give their own retail divisions.

We supported this move when it was announced, calling it a “practical first step” towards restoring competition. The new rules took effect on 1 July 2026. The first lot of disclosures are due to the EA in September 2026.

Whether the new rules work to bring down the cost of power for consumers remains to be seen, but the OECD says the new measures won’t fully resolve the problem of having adequate and contestable supply for dry years or incentivise investment.

Our recommendation

End the dominance of the big four power companies. Ensure separation of generation (making power) and retail (selling power), so smaller power companies can compete, which should lead to lower prices and more choice for consumers.

This approach is backed by New Zealand First and the Green Party, along with several independent retailers. The gentailers, however, argue that this would carry risk and make things worse – a view supported by Frontier Economics’ 2025 review of the market.

DRIVER 2

Power prices don’t reflect real costs

The issue

In New Zealand, our power comes from a range of sources, both renewable (e.g. hydro dams and wind farms) and non-renewable (thermal energy such as coal and gas).

Transpower, a state-owned enterprise, is responsible for making sure there’s enough power supplied when New Zealanders need it. Every half hour, generators tell Transpower how much power they can offer and at what price. Transpower accepts offers, starting with cheaper renewable energy and progressing to more expensive non-renewable energy if necessary to meet demand.

However, because we have what’s known as a “spot market”, the price paid to generators is not actually the offer price. Instead, all dispatched generators are paid the spot price for their location, which is set by the highest-cost generation needed to meet demand. This means that when there’s not enough renewable energy, expensive fossil fuels – not cheaper renewable energy – are setting the price for electricity.

It also means renewable generators profit when non-renewables are used. Critics of the spot market argue that this pricing system allows gentailers to profit at consumers’ expense.

A NZ Council of Trade Unions report put it bluntly: “For the gentailers, keeping coal and gas as part of our energy mix is a crucial part of the business strategy for keeping profits high [...] when Huntly is burning coal, generators make a sizeable profit on the low-cost kWhs they generated from hydro and wind.”

A 2022 NZIER report for the Consumer Advocacy Council found that spot pricing drove price spikes and higher consumer costs while delivering “considerable gains to those large generators with much lower fuel costs and renewable generation capacity”.

The response

The 2025 Frontier Economics review found the spot market was operating as expected and recommended no changes, arguing that the market revealed problems, rather than causing them. One author emphasised that “keeping the pricing mechanism stable over time gives people confidence in the pricing mechanism”.

The OECD concurred with Frontier in so far as the electricity market was “textbook best practice”, yet it noted the dominance of the gentailers and lack of dry-year cover, which limited competition on the spot market.

The Electricity Authority has noted increased spot market volatility since 2018, when the Pohokura gas field declined. It reviewed wholesale spot pricing in 2023 and again after high prices in winter 2024. Its conclusion was that the market should be proactively monitored, not fundamentally redesigned.

The OECD noted that the Electricity Authority was trying to make changes but that its success was limited, because it was looking for solutions within the current market, which wouldn’t change the structural issues.

Our recommendation

Make power prices reflect real costs. Sort out the market so we stop paying high fossil fuel prices for cheaper renewable energy.

We think MBIE should investigate other spot market designs, and alternatives to the spot market, to ensure the amount consumers pay reflects the actual cost of generation. This could include reviewing proposed changes in Australia (see page 28) and the United Kingdom (see page 27), which aim to make power cheaper while ensuring adequate supply and a transition to cleaner energy.

Australian government urged to change market

The pricing of electricity in Australia is increasingly weather-dependent, as in New Zealand, which has led to volatility on the spot market.

A 2025 report commissioned by the Australian government stated: “Prices are increasingly characterised by longer periods of very low prices when solar and wind output is strong, punctuated by sharp, often very high price spikes during periods of low renewable generation or unexpected outages.”

At the same time, households are demanding more energy for EVs and battery storage, as well as producing more energy themselves. Over 3 million homes and small businesses in Australia have solar on the roof.

High solar uptake has saved consumers money, but the flip side is that energy generated by private households is harder to monitor, posing a market risk.

The report recommended improving the visibility of small energy producers, including individual households, and allowing them to participate in the spot market. This would help with balancing supply and demand and maintain an effective pricing mechanism.

Other factors contributing to high power bills

Increased lines charges

Following April 2026 price increases, some electricity retailers pointed the finger at the lines companies for rising prices. It’s true lines charges have gone up, but there’s more to this picture.

The increases we’re seeing now are largely a consequence of how lines are regulated. Lines charges are regulated by the Commerce Commission through five-year price-quality paths. At the start of each regulatory period, the Commission sets maximum allowable revenues (and quality standards) for most electricity distribution businesses (EDBs) based on forecasts and assumptions available at the time.

The challenge is that conditions can change significantly during those five years. In the 2020–2025 regulatory period, lines prices actually fell by around 19% in real terms. (By contrast, the energy component increased by about 2.17% above inflation over the same time.) But a lot changed during that period: Covid-19, much higher inflation, rising labour and material costs, climate-related impacts and higher insurance costs. Many of those pressures weren’t anticipated, and they have flowed through as a sharp increase from the start of the current period.

There are 29 EDBs in New Zealand. Frontier Economics, a consultancy firm hired by the government in 2025 to review New Zealand’s electricity market, argued that our country had too many small EDBs operating below efficient scale. Its report stated that fragmentation limited efficiency, investment and innovation, particularly as EDBs faced increasing demand from new electricity sources and larger network loads.

It recommended consolidating the 29 EDBs into five larger “super distributors”, but the government rejected this recommendation. Instead, it plans to implement measures to promote greater alignment and innovation with the EDBs.

The removal of the price cap

In 2004, the government introduced Low Fixed Charge Tariff regulations, requiring electricity retailers to offer low-use households a tariff option with a capped fixed daily charge.

However, a review found that standard-use households were subsidising low users, and the price cap was phased out. As a result, power bills have increased for low-use households, with single and older-person households seeing the largest increases.

A 2024 report commissioned by MBIE found that after the price caps were removed, annual power bills increased by an average of \$125 (11%) annually for very low users, while standard users saw an average saving of \$89 (a 2% drop).

The regional disparity in pricing

We’re not all paying the same price for power – not because of the cost of power itself but because of the cost of getting it to customers via power poles, wires, substations and the distribution network.

Customers of networks that supply remote areas with low populations typically face higher charges. The smaller the town, the fewer people there are to share the cost of lines charges. This means that some higher-income areas enjoy cheaper power, while lower-income communities often pay more.

MBIE data from November 2025 showed that Wellington, one of the country’s wealthiest areas, had the lowest average power price (34.6 c/kWh). Balclutha, a lower-income region, had the highest (48.9 c/kWh).

Based on a typical household with the most common power plan, this could mean Wellingtonians pay \$2,646 annually, while in Balclutha it’s \$3,690.

DRIVER 3

We haven't invested enough in homegrown energy

The issue

In New Zealand, we are lucky to have abundant renewable energy sources. Yet demand still exceeds supply from these sources at times, meaning we have to fire up coal and gas generators. This is bad for the environment and brings prices up across the board (see page 21).

And it's not just the real-time supply shortfall that affects prices. The market also responds to dry-year risk: when low rainfall is predicted, meaning hydro generation may decrease, generators protect themselves by raising their prices in anticipation.

Independent retailers need to insure against high prices during dry years by buying hedges from gentailers – their competitors. Dry-year risk exacerbates the dominance of the gentailers, because they have access to dry-year cover from the Huntly Power Station, whereas smaller retailers don't.

The obvious solution is for New Zealand to invest in more renewable energy generation. But over the past 25 years, our total generation capacity has increased by just 15%.

Why? We think it's because our market rewards lack of supply. As stated above, gentailers profit when demand for electricity exceeds renewable supply, because at those times, they are paid the higher prices set by non-renewable fossil fuels. Therefore, there is a financial incentive in delaying investment, rather than getting ahead of demand.

The price incentives originally intended to balance the system actually achieve the opposite and get in the way of consumer welfare and economic growth, mainly to the benefit of shareholders.

Like Consumer NZ, NZIER has concluded that self-hedging and the spot market encourage gentailers to focus on profits rather than investment in new generation.

The OECD Economic Survey on New Zealand, released earlier this year, identified the main problem as dry-year cover and proposed a separate market (alongside the current spot market) to encourage investment in alternative energy sources from independent generators, which all retailers could bid for.

Having more independent generators could help break up the gentailers' dominance over generation, because retailers would have more options of where to buy power.

Currently, independent generators enter into purchasing agreements with the gentailers to ensure they will sell enough power to make their investment pay off. However, some commentators have noted it can be hard to get contracts with the gentailers and there can be a conflict of interest, as gentailers may develop their own projects.

The OECD also noted the gentailers' high dividend ratios had "constrained investment". Between 2015 and 2025, the four gentailers paid a total of \$11.8 billion to shareholders – between 90% and 240% of net income.

Payout ratios above 80% are considered too high-risk for companies with high investment needs, because there isn't enough cash remaining to put towards new projects.

Emma Ihaia is the director and economist of Link Economics and has extensive experience in the energy sector. She notes the government has a majority share in three of the four gentailers and "receives a substantial proportion of the dividends these businesses generate", which could reduce the probability of regulatory measures being put in place to reduce those dividends.

Yet the government could put additional investment into generation. As Ihaia says, "The high dividends it receives are a market signal of the need for such capacity."

Frontier Economics has blamed the lack of investment in new generation on market uncertainty, rather than a broken market. Yet its analysis of the Lake Onslow hydro scheme illustrated the tension at the heart of the current pricing model.

The obvious solution is for New Zealand to invest in more renewable energy generation. But over the past 25 years, our total generation capacity has increased by just 15%.



The planned project was scrapped by the current National-led coalition government but is now being reconsidered by private investors. Frontier Economics said that if the project went ahead, the additional storage could reduce dry-year scarcity and lower prices to the degree that companies would have no incentive to invest in further generation – which is exactly our point.

Frontier also pointed the finger at uncertainty around other government policies, such as off-shore gas exploration and the electrification of the economy, saying they had made investment too risky.

And it argued that government ownership in Genesis, Meridian and Mercury could be distorting investment outcomes by limiting their ability to raise equity, treating dividends as a source of government revenue, and encouraging gentailers to rely on independent developers, rather than allowing those developers to become competitors.

A look at the generation pipeline shows 120 projects proposed by independent developers and just 42 by gentailers.

One untapped source of additional renewable energy is solar power from household panels. In Australia, virtual power stations have been created from households with excess solar energy selling back to the grid. Back here, Rewiring Aotearoa said that having extra solar capacity during the 2024 dry year would have more than halved the wholesale price of power.

The response

The government agrees that future energy capacity is insufficient but rejects market intervention as the solution. Instead, it has made it clear to Genesis, Meridian and Mercury – the three gentailers that are partly government-owned – that they should bring forward new generation.

Twenty-six projects have been either listed in the fast-track legislation or referred through a fast-track approval process. MBIE reports that new generation should bring spot market prices down.

In February 2026, the government announced it would buy \$200 million of new Genesis Energy shares as part of a capital raise to make investment easier.

The government has also proposed a liquefied natural gas (LNG) terminal to cover dry-year shortfalls. We think this is a bad idea. LNG is one of the most expensive fuels you can use to make electricity, costing twice as much as renewables.

The Frontier Economics report argued that an LNG terminal would be uneconomical if used for dry-year backup, due to high fixed costs and low utilisation.

While the LNG terminal hasn’t got the go-ahead at the time of writing, the current government is intending to sign it off this year. It has been suggested that the gentailers pay for the LNG terminal; however, Newsroom Pro managing editor Jonathan Milne noted that these costs were likely to be passed on to consumers. Dr Megan Woods, Labour spokesperson for energy, said in a press release there was real “uncertainty how this will be paid for”.

In the meantime, the Commerce Commission has approved the gentailers’ request to keep Huntly Power Station’s coal- and gas-fired Rankine units available as dry-year backup until 2035.



The EA’s Energy Competition Task Force has been charged with considering initiatives to enable new generators to compete in the market.

MBIE is exploring how it can support greater uptake of rooftop solar across the country and the role this can play in Aotearoa’s energy system.

Our recommendations

Invest in more homegrown energy, so we have enough power for years with less rainfall and reduce our reliance on expensive coal and gas.

The government is exploring long-term power-buying deals with large public service energy users, such as hospitals. We think this is a good idea. Government buying power could unlock new generation, closing the “tenor gap” (the mismatch between how long a project needs guaranteed income for and how long buyers are willing to commit to buying it) when the private market won’t.

Investigate whether Aotearoa needs a firming market (a back-up power source for dry years) alongside the current spot market, as the OECD suggests. Its analysis indicates a firming market would encourage more independent generation to give more competition to the generation arms of the gentailers’ business.

Investigate how household solar can be rolled out to more homes and how the power generated from it can be fed into the spot or firming markets and shared within the community.

Invest in more homegrown energy, so we have enough power for years with less rainfall and reduce our reliance on expensive coal and gas.

Lessons from the UK

New Zealand isn’t alone in electricity price rises. In the UK, electricity prices have doubled since 2010.

In the same period, the amount of renewable electricity available to the grid rose from 6.9% to 50%. While more renewable generation has helped ease costs, potential savings have been offset by rising policy and network expenses. And, as in New Zealand, the most expensive source of power – gas – sets the price up to 90% of the time.

A 2026 report evaluated 20 policy options and assessed each one on its ability to lower power prices, its impact on carbon emissions, the cost to government, and how feasible it would be to implement.

It found the largest and most durable savings came not from short-term subsidies but from more structural interventions:

- lowering the cost of capital for renewable and grid investment
- reforming wholesale markets so gas no longer sets the price of low-cost power
- moving legacy policy costs off bills
- using public ownership or public contracting to capture excess rents and lower consumer prices.

The report also considered removing carbon taxes from gas – a recommendation made in New Zealand by Frontier Economics. While this would give temporary relief, the UK report concluded it would increase fossil-fuel dependence and emissions.

Lessons from Australia

An Australian government report into the energy sector noted a key investment challenge was the tenor gap: sellers often prefer anything between 10- to 30-year contracts for revenue certainty, whereas buyers may only want to commit to three to seven years.

The report recommended continued government support to close this gap. A government-backed “central buyer” could offer long-term contracts when private buyers were unwilling. The government would then sell those contracts once the market was ready to take them on.

Rather than subsidising early years of development, this approach supports the later years of project life, providing certainty and steady investment flow.

Energy expert Natasha Hood at MinterEllisonRuddWatts notes that the New Zealand government hasn’t had the same appetite to enter into revenue support contracts, instead preferring to leave the market to deliver in response to price signals.

“New Zealand could in theory consider something similar to the ESEM [Australia’s proposed Electricity Services Entry Mechanism], but it would be a significant shift from current policy settings.”

Hood notes that there has been a change in government willingness to intervene by introducing incentives for certain investments, particularly in dry-year cover (for example, the proposed LNG terminal and winter energy reliability obligation).

Margaret Cooney, chief operating officer of Octopus Energy, approves of Australia’s hybrid investment idea.

“I think it makes sense to look at some arrangements like that for New Zealand ... there needs to be an acknowledgement that we may not have anyone in the current group of [energy] participants that’s prepared to build what we need to provide for dry-year security, and [if] there aren’t the market incentives to deliver it, there needs to be some specific initiative to make sure there’s enough security there.

“In the short term, because of complacency, it may be the unpalatable option of another coal plant with another stockpile. In the longer term there may be better options ... building more hydro storage. I think these options for alternative market mechanisms to deliver new investment need to be considered. New Zealand should double down on electrification and growing electricity supply. That will help us be more productive and have greater energy security – if we want to do this quickly and at scale, it’ll take more than the current arrangements.”



The cost of taking energy security into your own hands

Steve, 65+, lives in rural Waikato with his wife. Their home was built in 2019. When he retired and withdrew his KiwiSaver, he used the money to put solar on the roof.

“I was prepared to put that substantial chunk of capital into the solar system on the basis that when we were no longer working and our income was substantially reduced, our outgoings on energy would be very low indeed. So that’s working well for us.

“I’ve paid off around 30% of the capital cost over three years. I’ve always expected a 10- or 11-year payback, and that’s what I’m seeing.”

Steve has a home automation system that turns everything on at 6am, when his plan gives him a free hour of power. The system tops up the solar battery, charges the EV, powers up the hot water and runs the heat pumps. At 7am, everything non-essential turns off automatically.

He also discharges power to the grid from the solar unit and gets a payback from his small electricity retailer.

“Ironically, the more power prices go up, the more we save and the sooner we pay off the solar system.”

However, he can only discharge to the grid if he knows the solar battery will charge up again during the day.

“It’s a bit of a balancing act. If it’s a fine, sunny day, no problems. If it’s a foul, wet day, then I don’t do the discharge and I just keep the energy stored locally.”

While Steve was able to pay the upfront cost for his solar system, many New Zealanders feel stuck with their current power set-ups.

Take Gecko, 37, who co-owns a home in Lower Hutt with a friend. They have a gas connection for their hot water, but they want to transition to fully electric – for the good of the planet and because having gas is a hassle.

“It’s another bill, another thing to maintain, another thing to shop around for.”

Yet the costs of transitioning away from gas are prohibitive.



“I want to get a hot-water heat pump for my hot-water cylinder, because that’s dramatically cheaper in terms of the running, but the upfront costs are between \$7,000 and \$10,000, not including the labour. I don’t feel like I can afford to do that now.”

The same problem applies to other electrification options. “I’d also love to have an electric car, but obviously the upfront costs are prohibitive, especially now with road user charges and the clean car rebate gone.

“I’d like to have solar panels, but obviously there’s a lot of costs. I’m looking at it like, ‘That would be nice, but I can’t afford it, so I guess that’s not an option.’”

Gecko thinks the government should lead the way but doubts that any significant change will happen.

“Governments, not just nationally but internationally as well, have quite short-term thinking. It’s like, ‘This could be a benefit, but it will be a benefit 10 years down the track, and in order to get re-elected, I need something that’s a benefit now.’”

DRIVER 4

Party politics have got in the way of a long-term plan

The issue

The market isn't working as it should for consumers. This is a policy failure, and New Zealanders are bearing the brunt of it in high power prices and energy hardship.

The country is also on the brink of an energy transformation. Gas supplies are dwindling, but there's a lack of definitive action on how – or whether – to transition to renewable energy, even though demand is predicted to rise by up to 60% between now and 2040. This puts our energy resilience at risk.

Looking at the political parties' energy policies from the last election in 2023, we see a divergence in views. Labour and Te Pāti Māori wanted to transition away from gas. ACT wanted to reverse the ban on gas exploration, while the Green Party wanted to encourage more renewable energy and National wanted to fast-track offshore wind projects. This ongoing uncertainty is halting investment in the sector.

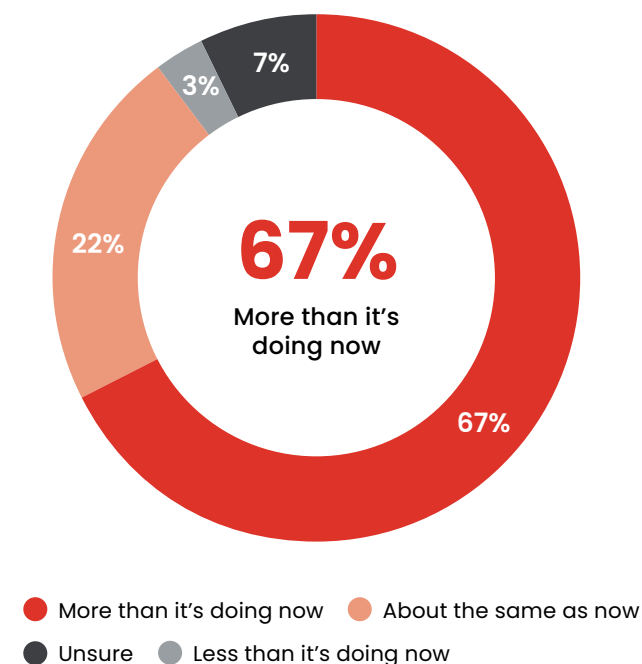
At the time of writing, some parties have yet to release their energy policies for this year's election.

We say there needs to be consensus across the political spectrum to ensure households have the energy they need at affordable prices and to encourage investment.

Two-thirds of New Zealanders think the government should do more to help. In its recent report, the OECD suggested the government publish a formal ownership policy to clarify the strategic direction of the three gentailers it has a majority share in. The policy could set out dividend expectations, performance metrics and reinvestment strategies.

Yet the government seems happy to support the current market.

Figure 3: Do you think the government should do more to ensure that New Zealand has enough electricity supply to meet future demand?



We say there needs to be consensus across the political spectrum to ensure households have the energy they need at affordable prices and to encourage investment.



While the current National-led coalition has various workstreams looking at the country's "energy package", there is no long-term cross-party energy strategy to govern investment and system design.

In fact, this is one thing we can agree on with the gentailers. As Meridian told us in a statement, "The government-commissioned Frontier review found that the biggest challenge to ... New Zealand's electricity sector is the risk imposed by government policy volatility ... there needs to be a stable policy and regulatory environment. In this sense, achieving bipartisan agreement to the fundamental aspects of our policy and regulatory settings would be helpful."

The response

The government's *Response to the National Infrastructure Plan 2026* shows that bipartisan consensus is possible for long-term planning. However, there are no signs of agreement about Aotearoa's energy future.

The current government started a review into the performance of the electricity market in January 2025. It has since put in place potential solutions to fix problems, one of which includes an LNG terminal. Labour party leader Chris Hipkins has said that if Labour leads the next government, the LNG terminal will not go ahead.

If the next government doesn't set an agreed course for investment in the energy sector as demand rises, the continued uncertainty will make things worse.

Our recommendation

Set a long-term plan together. Develop a cross-party energy strategy to put affordable power ahead of politics and vested interests.

We think this strategy should include clear 10-, 20- and 30-year targets for security, affordability and emissions.

Conclusion: The market is failing consumers

A photograph of a family in a kitchen. A man with a beard is leaning on the counter, holding a cup. A woman is holding a baby. Two young children are standing in front of them, one holding a banana. The kitchen has a blue shelf with various items and a patterned rug on the floor.

Aotearoa is at a pivotal moment where we can choose to transition to a resilient energy future and bring down power bills for the benefit of all New Zealanders.



We need to stop tinkering with a market that is no longer working for New Zealanders. We need change to set the country up for long-term energy resilience.

This report shows that power poverty is no longer confined to the lowest-income households. They continue to be hit hardest and urgently need better protection. But concern about energy costs is now spreading into middle-income New Zealand.

Household-level behavioural change cannot fix a market that is structurally failing consumers. A family cannot budget its way out of a pricing system that keeps wholesale prices high. A household in debt cannot always switch to the cheapest deal. And no consumer can solve a lack of investment in new generation or dry-year resilience on their own.

The current system is working for the gentailers. Vertical integration gives the big four power companies an advantage over smaller generators and retailers.

Fossil fuels set the price for power, which results in profits for the gentailers and big bills for households. High dividend payouts are evidence that not enough money has been set aside for new generation. And successive governments have allowed short-term politics, uncertainty and weak guardrails to get in the way of a clear long-term plan.

The solutions are not simple, but the direction is clear. New Zealand needs to:

- end the dominance of the big four power companies
- make power prices reflect the real cost of generation
- invest in more homegrown energy
- set a long-term plan together.

Aotearoa is at a pivotal moment where we can choose to transition to a resilient energy future and bring down power bills for the benefit of all New Zealanders.

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Figure 1: Stats NZ. Consumer Price Index (CPI) level 3 classes for NZ, Q4 1999 to Q4 2025.

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Figure 3: Consumer NZ Sentiment Tracker, January 2026.

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Consumer NZ data is a nationally representative sample, sourced from Dynata and weighted to reflect New Zealand’s population by age, gender and region.

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