

Submission by



to the

**Electricity Authority**

on the

**Entrant generators – context, headwinds and options for  
Power Purchase Agreements**

28 February 2025

## **ENTRANT GENERATORS, CONTEXT, HEADWINDS AND OPTIONS FOR PPAs – SUBMISSION BY BUSINESSNZ ENERGY COUNCIL—**

### **Introduction**

1. BusinessNZ Energy Council (BEC)<sup>1</sup> is pleased to have the opportunity to provide feedback on the Electricity Authority's working paper titled entrant generators – context, headwinds and options for power purchase agreements (PPA).
2. BEC supports work undertaken by the Energy Competition Task Force to improve PPA settings. This is expected to enhance competition by unlocking increasing electricity generation whilst also driving demand growth. These actions are designed to ease electricity price pressures, benefiting both consumers and economic growth long-term.
3. BEC agrees with the Authority's assessment of the challenges and market conditions affecting the expansion of PPAs across New Zealand's economy. We support further evaluation of the options outlined in the paper to reduce barriers to PPA adoption and identify the most effective strategies for fostering competition, encouraging efficient investment, and driving innovation. We look forward to providing further input during the Authority's consultation on these options in April 2025.
4. BEC supports the Electricity Authority and the Government's investigation into its role in supporting the uptake of PPAs in relation to procurement.
5. This submission highlights the importance of PPAs in promoting new generation, accelerating renewable energy transition, supporting electrification investment, attracting demand to New Zealand, ensuring stable electricity prices, and relegating thermal generation to a backup role. It calls for further exploration of the Government's role in strengthening PPA adoption and discusses the use of corporate PPA templates.

### **Key Recommendations for the Electricity Authority and the Government**

- Raise awareness and understanding of PPAs among potential buyers, especially smaller or inexperienced organizations, to expand market participation.
- Facilitate the uptake of PPAs to ensure stable and affordable energy prices, crucial for attracting investment and supporting economic growth.
- Promote corporate PPA templates to overcome entrance barriers.
- Work with industry to effectively implement the standardised PPA template.
- Help design the PPA procurement process to allocate opportunities to new entrants or smaller players, fostering innovation and competition in the energy market.
- The Government can act as a stable PPA buyer, committing to long-term contracts and supporting firm power generation sources like geothermal energy.

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<sup>1</sup> More about BEC in APPENDIX One

## **General discussion**

6. PPAs play a key role in New Zealand's shift to renewable energy. Currently, Transpower has 34GW of renewable projects in progress, with 15GW closer to securing grid connection agreements, increasing their chances of completion. Many of these projects are developed by independent power producers (IPPs), promoting competition and benefiting consumers.
7. However, for these projects to proceed, investors, banks, and the New Zealand Green Investment Fund require revenue certainty. PPAs can provide this certainty, yet there are currently very few PPA buyers in New Zealand.
8. The Government is uniquely positioned as a reliable PPA buyer, capable of committing to long-term contracts spanning 10-15 years. This stability contrasts with the uncertainty faced by some New Zealand businesses, which may struggle with viability beyond 3-5 years. By supporting less intermittent, firm power generation—for example geothermal energy—the Government can meet both market and its own consumption needs effectively.
9. The Government's impact on electricity consumption is substantial, using nearly 7 PJ annually, which accounts for about 5% of New Zealand's total electricity use of 138 PJ, according to EECA's Energy End Use Database (latest data available 2022). This significant consumption underscores the importance of securing stable and competitive energy sources.
10. For relatively little effort and no capital investment, the Government can achieve substantial benefits by entering PPA arrangements, including:
  - Accelerating renewable energy growth by unlocking investment.
  - Enhancing market competition by supporting independent power producers.
  - Achieving cost savings and energy price stability through long-term agreements.

To promote PPA adoption, the Government could:

- Develop a process within AoG to assist agencies in entering PPAs, such as organising a PPA tender 6 to 12 months before renewing electricity supply agreements.
- Introduce an optional variation to the standard AoG electricity supply agreement to enable PPA sleeving.
- Address regulatory barriers preventing public sector organisations from entering PPAs, such as restrictions on financial instruments or long-term contracts.
- By implementing these steps, the Government can contribute to New Zealand's renewable energy transition while benefiting from stable, cost-effective electricity procurement.

## **Corporate PPA template**

11. PPAs are crucial for renewable energy investment. In Europe, 2024 saw a record 272 PPAs, up 65% from 2022. Corporate PPAs contribute 65% to new clean generation deployment. In Germany, Statkraft doubled their green PPAs to 12.5 TWh in 2024, delivering 60 TWh to the industry. In New Zealand, corporate PPAs are in the early stages at 10%, with wind

and solar agreements only recently emerging. A major challenge is the limited number of typical buyers.

12. In 2023, Transpower released an insight paper highlighting the need for a deeper and more active PPA market to accelerate renewable generation and electrification. The paper identified international best practices, including the use of a standardised corporate PPA template to simplify transactions and expand market participation.
13. In collaboration with EVA, SBC, ManufacturingNZ and DLA Piper we have proposed an initiative which aims to raise awareness and understanding of PPAs, as well as develop a standardised corporate PPA template, helping to increase the pool of PPA buyers in New Zealand.
14. The template will be designed with the EA's PPA sleeving/firming product in mind. It is to be published on an industry website and will be promoted by EVA and BEC. There are several benefits from creating a corporate PPA template. This includes:
  - Making PPAs more visible, understood and accessible to a wider range of organisations, including inexperienced or smaller organisations.
  - Providing a starting point for PPA negotiations, helping to speed up the transaction and lower transaction cost (e.g. business and legal costs)
  - Encouraging best practices, including fair and balanced PPA clauses that help to address knowledge asymmetry (buyers typically have less market knowledge)
15. Europe clearly recognises the importance of PPA templates. They have developed various templates, including the Europe Federation of Energy Traders (EFET) corporate PPA template, first released in 2019.

## APPENDIX ONE – BACKGROUND INFORMATION ON THE BUSINESSNZ ENERGY COUNCIL

The [BusinessNZ Energy Council \(BEC\)](#) is a group of leading energy-sector business, government and research organisations taking a leading role in creating a sustainable, equitable and secure energy future.

BEC is a brand of BusinessNZ and represents the [World Energy Council](#) in New Zealand. Together with its members, BEC is shaping the energy agenda for New Zealand and globally.



BusinessNZ is New Zealand’s largest business advocacy body, representing:

- Regional business groups: [EMA](#), [Business Central](#), [Canterbury Employers’ Chamber of Commerce](#), and [Business South](#)
- [Major Companies Group](#) of New Zealand’s largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers, consumers of NZ-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).

