

## The "Line Charge" Smokescreen: A Self-Fulfilling Prophecy.

*A reflection on gentailers recently announced profits at the same time retailers raise households electricity bills – Feb 2026.*

The industry points to rising lines charges—up 16.7% —as the unavoidable cost of building a renewable future. This is true, but it is only half the story. The real scandal is that the current market structure actively blocks the one thing that would make those lines less necessary: distributed generation (rooftop solar and local battery storage).

- **The "Tax on the Sun":** The Electricity Authority has explicitly ruled that homeowners who generate their own power have an "artificial advantage" that "disadvantages other customers". This is a remarkable admission. It confirms that the regulatory code is designed to protect the centralised business model of the gentailers and lines companies. By making it economically punitive to generate power at home, the system forces you to remain a paying customer of a network that then needs expensive upgrades to handle the demand you could be meeting yourself.
- **The Irony:** The industry says it needs to raise lines charges to upgrade the network for more renewable energy, while simultaneously using regulatory and pricing mechanisms to discourage the very form of renewable energy (rooftop solar) that would reduce the strain on that network. It's a perfect, profitable loop.

## The "Powering Homes" Mirage: Where the Renewables Actually Go.

[Contact chief executive Mike Fuge assertion](#) that “2.4 terawatt hours of new generation, this is enough to power the equivalent of 320,000 Kiwi households” (RNZ 26/2/2026) is a masterclass in misdirection. It is technically true in a terrawatt-hour sense, but utterly false in its implication that this benefits residential consumers.

- **Corporate PPAs, Not Public Good:** The wave of new renewable generation is overwhelmingly tied up in Private Power Purchase Agreements (PPAs) with large corporate users. When Meridian or Contact announces a new wind farm, it is almost always pre-sold to an industrial user like a data centre, a manufacturing plant, or a large commercial operation.
- **The "Commercial Contract" Black Hole:** As Consumer NZ's Jon Duffy noted, this new generation is "tied to commercial contracts so households do not benefit". The power from these projects never enters the open market to lower wholesale prices for your retailer. It is ring-fenced for big business at negotiated rates. The "320,000 homes" figure represents the potential output, not the actual destination. That power is spoken for, and it isn't going to your toaster.

## The Structural Rot: An Oligopoly Designed for Profits.

New Zealand's electricity market is not a free market; it is a tightly controlled oligopoly where four major players (Contact, Genesis, Mercury, Meridian) control around 90% of generation and retail. This structure has been gamed to maximise returns.

- **The Huntly Price-Setter:** The wholesale price is not set by the cost of the cheapest source (hydro, wind) but by the most expensive source needed to meet demand—usually the coal-and-gas-fired Huntly power station. This means all generators, even those with low-cost

hydro, get paid the high price set by fossil fuels. It is a wealth transfer from consumers to the owners of legacy hydro assets.

- **Profits Before Investment:** Successive governments have allowed the gentailers to prioritise dividends over building new supply. One analysis cited in the Democracy Project briefing, notes that since the 1990s, the big gentailers paid about \$9 billion in dividends (mostly to the government as a 51% shareholder) but invested only around \$1.5 billion in new renewable generation. They milked the assets instead of maintaining them.
- **The "Dry Year" Windfall:** The market prices in the "risk" of a dry year, keeping wholesale prices permanently elevated. When a wet year arrives (like the one just reported), the gentailers don't lower retail prices; they simply bank the windfall profit. As the RNZ article notes, "abundant hydro... reduces wholesale costs - but not consumer prices". That \$159/MWh long-dated price signal is a license to print money, not a reflection of actual generation costs.

### **The Regulatory Capture: Lobbying by Design.**

The question is not if the gentailers lobby for favourable regulations, but how deeply they have embedded themselves in the system. The evidence points to a government that is not just listening to industry, but is staffed by it.

- **Revolving Door:** The Democracy Project's investigation highlights that key staff in the Prime Minister's office include the former CEO of the Electricity Retailers' Association and a prominent energy economist from a pro-market think tank. The individuals shaping energy policy have come directly from the industry's lobbying and advocacy arms.
- **The "Damp Squib" Reforms:** When the Government finally unveiled its electricity market reforms in late 2025, they were widely condemned as a "cowardly capitulation". The independent review recommended major structural changes, including breaking up the gentailers. The Government rejected almost all of them, instead opting to double down on fossil fuels (LNG imports, coal stockpiles) and offer taxpayer cash to the gentailers for projects they should have built years ago. The Government explicitly stated it would remain a 51% shareholder and chip in capital, guaranteeing public funds with no public control in return.
- **Protecting the Model:** The recent ruling allowing a "solar tax" and the slow phase-out of low-user tariffs are not neutral acts. They are regulatory adjustments designed to protect the profitability of the centralised network model from the existential threat of household-level generation.

### **The Expose: What is Really Happening?**

1. **You are paying for grid upgrades that wouldn't be needed if the industry allowed you to generate your own power.** They charge you to build the network, and then charge you a penalty for trying to leave it.
2. **The "renewables pipeline" is a corporate welfare program.** The new generation is being built to service industrial contracts, not to lower household bills. The "powering homes" line is a lie of omission.

3. **The market is a rigged game.** It relies on expensive fossil fuels to set a high price for everyone, ensuring massive profits on cheap, legacy hydro assets. The "dry year risk" is used as a permanent excuse to keep prices high, even when the lakes are full.

4. **The government is not the referee; it is a teammate.** By staffing key positions with industry insiders, rejecting structural reform, and pouring taxpayer money into gentailers, the government is actively protecting the oligopoly's profits over the public's interest. The bottom line is that the system is working exactly as it was designed: to extract maximum profit from a captive consumer base under the guise of "market efficiency" and "investment needs." Until the structural issues—vertical integration, the Huntly price-setting mechanism, and regulatory capture—are addressed, Kiwi households will continue to pay the price for a rigged game.