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Submissions
Electricity Authority
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Via email: decentralisation@ea.govt.nz

ERANZ SUBMISSION ON DECENTRALISATION GREEN PAPER

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's green paper 'Working together to ensure our electricity system meets the future needs of all New Zealanders' from April 2025.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Introduction

We welcome the Electricity Authority's initiative in starting a discussion on what the future electricity system of New Zealand will look like in 2040. This green paper provides a helpful starting point for considering the implications of decentralisation and the likely pathways forward.

ERANZ supports the Authority's desire to gather meaningful insights across the sector including from generators, retailers, distributors and other interested organisations.

To complement the focus on local energy systems, the green paper could more clearly acknowledge the continued importance of maintaining a robust and resilient national grid and associated generation assets, alongside decentralised initiatives. The centralised grid will continue to provide New Zealanders with the vast majority of kiwis with their electricity, while underpinning economic growth and industrialisation, for the foreseeable future.

For New Zealanders to benefit from a decentralised system, there is still a need to focus on how local energy systems can complement and leverage a robust and resilient national grid and associated generation assets.

As the Authority develops its thinking in this area, ERANZ sees value in considering how policy proposals will continue to ensure the need for regulatory certainty for industry investment and innovation, particularly as decentralisation initiatives are developed and scaled.

Although touched upon in the green paper, we feel the Authority should further explore practical market integration challenges, particularly regarding how distributed resources, demand response, and local energy sharing will fit into existing wholesale and retail market structures. Additional analysis on how the costs and benefits of decentralisation initiatives would be fairly allocated across different consumer groups and industry participants would help build stronger sector-wide support and buy-in.

Question 1: Do you agree with the description of decentralisation? If not, why not?

ERANZ broadly agrees with the description of decentralisation and supports the framing of it as encompassing distributed energy resources (DERs), local ownership and decision-making, and digitalisation. However, we believe the definition could benefit from a clearer articulation of how decentralisation interacts with existing market structures — particularly wholesale market coordination, pricing, and retail offerings. This would provide a more complete picture of what decentralisation means in a New Zealand context.

Question 2: Do you agree with the articulation of the potential outcomes and benefits from decentralisation for consumers? If not, why not?

ERANZ supports the Authority's intent to highlight the potential benefits of decentralisation, especially in terms of increased resilience and community empowerment. However, in our view, this is somewhat aspirational and would benefit from a more concrete discussion of how these outcomes will be achieved, funded, and delivered in practice. For instance, equity and affordability outcomes will depend not only on DER uptake, but also on well-functioning national and local electricity markets, technological innovation and consumer education.

For these topics, like decentralisation, that the Authority is interested, the Authority should consider hosting industry round tables to gather additional insights and experience.

Question 3: Do you agree with the articulation of the possible challenges to unlocking the benefits of decentralisation? If not, why not?

The challenges identified are valid, particularly around governance complexity, equitable access, and integration into existing systems. However, we would welcome more emphasis on the near-term operational challenges the sector is facing, including pressure on existing generation and distribution capacity, security of supply concerns, and investor uncertainty. These critical factors will shape the feasibility of decentralisation and would benefit from more explicit discussion.

Additionally, ERANZ encourages more clarity around how capability building will be practically resourced and delivered, and how its success will be measured. Without this, there is a risk of diverting resources toward processes or groups without tangible consumer benefits.

Question 4: Do you agree with the articulated opportunity statement for a more decentralised electricity system? If not, why not?

Yes, the opportunity statement captures a likely look into what the future might look like. ERANZ supports the Authority's desire to create a more flexible electricity system that can give more choice to consumers and local communities.

However, the statement would be strengthened by linking this future vision more directly to the current system context, including how decentralisation will complement national market operations, how potential trade-offs will be managed, and how transition risks (especially cost-related) will be addressed over time.

Question 5: What other feedback would you like to provide to input into the discussion on, for example:

a) What a more decentralised electricity system might look like

A more decentralised electricity system will likely involve a hybrid model, where local generation and flexibility services are layered on top of the existing national grid and wholesale market. In our view, the future system should support consumer choice and innovation, while ensuring reliability, efficiency, and fairness across all parts of the system.

b) how this might benefit consumers

Consumers could benefit through increased choice, resilience, and participation. However, those benefits will only be realised with careful regulatory design that ensures access and incentives are aligned, and system-wide costs are efficiently managed.

c) what might be needed to unlock these benefits

ERANZ considers that unlocking the benefits of decentralisation will require:

- Clear regulatory signals to reduce investment uncertainty.
- Allowing flexible retail plan design to reflect network and system value.
- A fair allocation of system costs across centralised and decentralised users.

ERANZ encourages the Authority to work closely with existing market participants, including generators and retailers, to ensure regulatory settings support innovation without undermining system security or existing consumer protections.

Question 6: What are other emerging case studies we could learn from?

ERANZ members will have examples and case studies from their work to share.

Conclusion

ERANZ would like to thank the Authority for considering our submission.

Yours sincerely,

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