

4 December 2025

Wholesale Team
Electricity Authority
By email: OperationsConsult@ea.govt.nz

Tēnā koe,

Wholesale market arrangements and battery energy storage systems for network support

We welcome the opportunity to respond to the Electricity Authority (**Authority**)'s issues and options paper on wholesale market arrangements for battery energy storage (**BESS**). The paper is focused on resolving immediate issues in the wholesale market:

2.13 The scope of this consultation is limited to the issues related to the wholesale market trading arrangements for utility scale BESSs. This means large BESSs that connect directly to the transmission grid or distribution networks and offer into the market.

2.14. At this time, we are only considering solution options that address: (a) the immediate need to develop appropriate arrangements for BESSs that will be operating in the power system over the next few years. (b) the specific issues identified (rather than broader issues).

As an electricity distribution business (**EDB**), rather than an active wholesale market participant, Powerco's main concern is that wholesale market arrangements support an affordable transition to a low carbon economy. We are submitting to draw attention to the fact that, while the options in the paper appear reasonable and pragmatic, the default assumption sees the operational footprint of the System Operator continuing to direct operations of devices that are physically embedded on distribution networks.

Our primary concern is that EDBs, including Powerco, are now engaging flexibility to address network constraints. Third-party-owned BESSs are an expensive but increasingly economic option to provide firm, location-specific flexibility services. If firm (eg contracted BESS) network flexibility is required to manage a network constraint, it is important that dispatch instructions related to wholesale market participation do not compromise the primary purpose of providing network support. It's clearly important that the System Operator has information about the planned use of large (>10MW) BESS, and also the aggregate impact of smaller BESS / flexibility, as this increases. It is important that distributors can develop the necessary capabilities to forecast the short-term net demand, positive or negative, at a GXP to inform the System Operator of this.

We understand the proposals for offer/bids from embedded BESS only covers >10MW, but even this raises questions of consistency with the Authority's June 2025 issues and options paper on *The future operation of New Zealand's power system* which proposes three models for distribution system operation, with options 2 and 3 having distribution business dispatching devices that are physically connected to their network. The majority of respondents to that consultation (and the Authority) indicated a preference for the hybrid option 2. As a result, it is imperative that any decisions from the current *Wholesale market arrangements for battery energy storage systems*

consultation does not codify any roles for the System Operator which preclude these two distribution operation models.

Any decisions related to the proposed BESS wholesale market arrangements, however pragmatic, must not restrict options or models for the future system operation by creating new roles and powers for the System Operator now which is easier than looking at new models where the EDB has powers. As a counterexample we remind the Authority that all EDBs, through the ENA, promoted the Authority giving EDBs the tools to manage network emergencies in a similar way to the way the System Operator manages grid emergencies – in its submission to the Electricity Authority on *Code review programme number six: September 2024* in response to proposal CRP6-002 regarding sharing control of load.¹

The Authority's decision regarding sharing control of load² notes the *comments regarding other issues and concerns relating to load being controlled by parties other than the distributor and the suggestions for a more comprehensive review of load control provisions* but concluded that *These comments are out of scope of this consultation and need further work. The Authority will consider them as part of its workstreams on demand management and flexibility services*. The lack of tools for EDBs to manage network emergencies in the same way that the System Operator manages grid emergencies is another example of the regime slipping to option 1.

This submission does not contain any confidential information. We're always keen to meet with the Authority in meeting to share insights and test thinking. To arrange such a discussion, or if you have any questions on the points we have raised in the submission, please contact Emma Wilson (Emma.Wilson@powerco.co.nz).

Nāku noa, nā,



Emma Wilson

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POWERCO

¹ https://www.ea.govt.nz/documents/5813/ENA_oUVdBHO.pdf.

² https://www.ea.govt.nz/documents/6594/Code_6_-_Decision_paper.pdf p. 13