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Electricity Authority
Wellington

By email: OperationsConsult@ea.govt.nz

Could Kiwi consumers benefit from 5-minute settlement?

Transpower, as System Operator, welcomes the opportunity to comment on the Electricity Authority's (the Authority's) discussion paper on the costs and benefits of moving to five-minute settlement (5MS).

Aligning settlement periods with dispatch can incentivise fast-response technologies in increasingly volatile wholesale markets. Settling each dispatch period, rather than averaging across several dispatch periods, enables technologies that respond quickly to market volatility to benefit more directly from active market participation, and support broader power system benefits from flexible capability. This was the rationale for implementation in Australia. New Zealand's power system, and therefore its wholesale electricity market, is expected to become more dynamic as intermittent generation (IG) increases and electrification gathers pace. As a result, the case for moving to 5MS may become more compelling in future.

However, we agree with the Authority's assessment that moving to 5MS would be a substantive and costly industry-wide activity that is not a current priority and is unlikely to deliver consumer benefits at this time. To reduce potential future implementation costs, the Authority could consider providing a 'direction of travel' following industry feedback on this 5MS consultation. This would enable metering equipment providers and other affected parties to factor it into their planning and investment decisions.

We also agree with the Authority's assessment of the differences between the Australian National Electricity Market (NEM) and Aotearoa New Zealand's market as they relate to 5MS. In particular, our market has gate-closure and trading conduct provisions that are absent in the NEM. As the Authority has observed, these market design differences drove many of the NEM outcomes that justified moving to 5MS and prevent similar outcomes here.

In addition to the activities the Authority has identified to improve revenue incentives for BESS in Aotearoa, the Future Security and Resilience (FSR) programme—particularly the review of ancillary services—provides further opportunities to support BESS. As the share of IG grows,

the system will experience more frequent periods of low inertia and greater frequency fluctuations. BESS are physically capable of helping manage these system conditions if appropriately incentivised. Introducing new ancillary services and enabling BESS to participate fully in existing services, such as multiple frequency keeping, can help address these system challenges and create a win-win outcome for system security and BESS investors through new revenue streams.

The FSR programme's priorities could be adjusted to bring consideration of ancillary services forward if BESS deployment is slower than desired. Delivering new ancillary services will be less costly and may be faster than moving to 5MS. As the owner of the wholesale electricity market development programme, the Authority is the natural party to make any future prioritisation decisions.

We look forward to continuing discussions with the Authority on 5MS and incentivising BESS through the coming years.

Yours sincerely

Rebecca Osborne

Head of Market Services