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Electricity Authority | Te Mana Hiko

By email to: OperationsConsult@ea.govt.nz



Tēnā koutou,

RESPONSE TO DISCUSSION ON CONSUMER BENEFIT FROM 5-MINUTE SETTLEMENT

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua, and Central Hawke's Bay. This submission is provided in response to the Electricity Authority's discussion paper Could Kiwi Consumers Benefit from 5-Minute Settlement, with a focus on implications for consumers, system efficiency, and investment signals.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come.

Executive Summary

This submission engages with the Authority's preliminary view that there is currently insufficient evidence to justify transitioning New Zealand's wholesale electricity market from 30-minute to 5-minute settlement.

The key issue is whether a material market inefficiency exists that warrants intervention. While more granular settlement could sharpen price signals and improve incentives for flexible technologies, the available evidence does not demonstrate a problem of the scale observed in jurisdictions such as Australia.

Current analysis indicates limited evidence of material inefficiency or consumer harm, uncertainty around the scale of benefits, and implementation costs that are likely to be significant relative to those benefits.

On balance, the evidence base does not support progression currently. Further consideration would benefit from clearer problem definition, additional empirical analysis, and assessment of alternative, lower-cost mechanisms for improving market outcomes.

1. Is there currently a case for five-minute settlement in New Zealand

We agree with the Authority's assessment that the primary drivers that led to the implementation of five-minute settlement in Australia do not appear to be present in New Zealand to the same extent.

The discussion paper identifies significant differences between the New Zealand Electricity Market (NZEM) and the Australian National Electricity Market (NEM), including:

- New Zealand's hydro-dominated and highly flexible generation fleet.
- Existing gate closure and trading conduct arrangements.
- Lower levels of intra-trading period price volatility
- Different bidding and dispatch behaviors.

These factors suggest that the underlying market problem that five-minute settlement was intended to address in Australia is not currently evident in New Zealand. We therefore agree that there is insufficient evidence presently to justify a transition to five-minute settlement.

2. Are the potential benefits likely to outweigh the costs?

Based on the information presented, we do not consider that a compelling cost–benefit case has been established.

The discussion paper highlights that implementation would require substantial change across metering, retail, and settlement systems, as well as System Operator processes and supporting data and communications infrastructure. The Authority notes these costs could be significant and would ultimately be borne by consumers.

Given the uncertainty around the scale of benefits, particularly in a market with relatively limited intra-trading period volatility, we agree that progressing to five-minute settlement at this time would be difficult to justify.

We also note that impacts would extend beyond the wholesale market, with costs likely to be incurred across a wide range of participants, including distributors, retailers, metering providers and other market service providers and these costs will ultimately be borne by consumers without tangible benefits identified to outweigh these.

3. Could the benefits sought through five-minute settlement be achieved through alternative reforms?

We consider this to be one of the most important questions raised by the discussion paper.

The Authority's analysis should not be considered in isolation from its broader flexibility and battery storage work programme, particularly the consultation on Wholesale Market Arrangements for BESS.

The BESS consultation proposes a range of targeted reforms designed to improve participation by storage resources, including:

- Bi-directional offers.
- Standardised flexibility products.
- Improvements to ancillary service arrangements.
- Potential enhancements to reserve market participation.

These reforms are directly targeted at improving flexibility participation and may deliver many of the benefits often attributed to five-minute settlement at materially lower cost.

Similarly, recent, and ongoing reforms such as:

- Half-hourly reconciliation.
- Market and trading arrangement improvements.
- Flexibility market development.
- Pricing reform initiatives.

may collectively improve incentives for flexible demand and storage without requiring fundamental changes to wholesale settlement arrangements.

We would support an approach of pursuing targeted reforms first and reassessing the need for five-minute settlement only once the impacts of these reforms are better understood.

4. What should the Authority monitor going forward

While we agree that five-minute settlement is not justified today, market conditions are evolving rapidly.

We encourage the Authority to continue monitoring:

- Battery energy storage deployment.
- Growth in intermittent renewable generation.
- Wholesale price volatility trends.
- Participation in flexible demand.
- Performance of newly implemented BESS reforms.
- Development of flexibility markets and demand response capability.

We recommend the Authority consider the interaction between wholesale market reforms and emerging distribution-level flexibility markets.

While distribution-level flexibility sits outside the scope of this paper, the increasing overlap between wholesale price signals, battery dispatch decisions, and local network constraints is becoming more material. Future assessments of market design should therefore consider how wholesale and distribution signals can operate together to support efficient investment and operation of flexibility resources, rather than developing in isolation.

5. Has the Authority correctly identified the problem it is seeking to solve?

We consider the discussion paper appropriately reframes the issue away from whether five-minute settlement is technically possible and towards whether it is necessary to achieve consumer benefits.

The key question appears to be whether five-minute settlement is a necessary enabler of flexibility and battery participation, or whether similar outcomes can be achieved through more targeted and proportionate reforms.

We support this framing and agree that the burden of proof should remain on demonstrating clear consumer benefits before undertaking a market-wide settlement redesign.

6. Looking ahead

We acknowledge that the current case for change has not been made; however, this should not be interpreted as a permanent position.

The system is evolving, and future conditions, including increased penetration of batteries, EVs, and flexible demand, may strengthen the case for more granular settlement over time.

This reinforces the importance of monitoring clear indicators of need, maintaining flexibility in the regulatory response, and avoiding premature commitment to high-cost structural change. A staged, evidence-led approach is likely to deliver better long-term outcomes.

7. Conclusion

We support the Authority's preliminary conclusion that a move to five-minute settlement is not currently warranted.

New Zealand's market conditions differ materially from those that drove reform in Australia, implementation costs would be substantial, and consumer benefits remain uncertain. At the same time, a suite of targeted, lower-cost reforms is already underway, including the BESS work programme (bi-directional offers, standardised flexibility products, and ancillary service and reserve enhancements), alongside improvements to reconciliation, market arrangements, flexibility markets, and pricing.

We encourage the Authority to continue progressing these reforms, monitor clear indicators of need, and retain flexibility in its regulatory response. Any future review should reassess the case for more granular settlement as market conditions evolve, including the growing interaction between wholesale and distribution-level flexibility.

Ngā mihi nui,

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