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Electricity Authority
By email: fsr@ea.govt.nz

Regulatory roadmap for Battery Energy Storage Systems

Meridian appreciates the opportunity to provide feedback on the Authority's roadmap for developing the regulatory framework for battery energy storage systems (BESS).

Meridian's view is that the Authority's single biggest focus to support the integration of BESS in the electricity system should be the development of a capability market for control system response. The Authority discusses in the roadmap document its 2018 decision to develop such a market but, as noted, this was subsequently postponed while the Authority progressed a number of other workstreams, some of which are ongoing.

A capability market for control system response would ensure there is a clear and efficient incentive on BESS to support system stability. It would simultaneously encourage investment in and utilisation of BESS while ensuring that system security and frequency are maintained at lowest overall cost. The benefits of such a market would also extend beyond BESS investments. We do not consider that enabling BESS to participate in the multiple frequency keeping market is a substitute for development of a full capability market. Further, recent proposals to introduce minimum deadbands (regardless of technology) will act as a deterrent for BESS participation by imposing costs without the opportunity to recover these costs.

Given expectations about the system's growing need for flexibility, rapidly establishing an enduring framework for rewarding control system response will ensure the full benefits of BESS can be realised. We recommend the Authority establish clear timeframes around the development of such a market and proceed with this work as soon as possible. As a capability market for control system response is likely to be complex and take time to develop, it is better to start this work now and identify challenges as the work progresses rather than wait until the perfect time to begin.

Other regulatory changes which the Authority has not explicitly identified but should consider include:

- Allowing BESS to block dispatch within gate closure to firm co-located intermittent generation;

- Creating an inverse hedge product to the current super-peak product to support off-peak price transparency and BESS arbitrage opportunities;
- Exploring the potential for vehicle-to-grid services (which the Authority identified as happening in Australia but has not committed to in New Zealand).

Please contact me if you have any queries regarding this submission. This submission can be published in full.

Nāku noa, nā

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