



By email: decentralisation@ea.govt.nz

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Decentralisation is key to our electricity system meeting the needs of all New Zealanders

SUPA Energy (SUPA) welcomes the opportunity to engage with the Electricity Authority on decentralisation and the future of our energy sector. We share the Authority's view that decentralisation can help unlock the energy trilemma, and contribute to affordability, security and decarbonisation while empowering communities and local economies.

We applaud that the Authority is starting the consultation process with a green paper, so it can get early input from stakeholders, and appreciated the opportunity to meet with the Authority to discuss the consultation.

SUPA also applauds that the Authority is thinking about inter-generational impacts, and the risk some consumers could get left behind, and is not just looking at the issues through a pure 'economic efficiency' perspective. Electricity reform done well should benefit all consumers.

SUPA exists to support communities through decentralisation

As a supplier of solar solutions which turns large buildings into energy generation hosts that share power locally, SUPA's activities are at the heart of decentralised solutions.

We help schools, clubs and businesses to use vacant roof space to lower power bills and generate profit by selling power to their local community. We are a leading provider to schools with a Ministry of Education approved Energy Services Agreement, and we enable host sites to use roof space to generate revenue by selling power to local community and members, resulting in lower power bills and democratisation of the benefits of distributed energy resources.

SUPA is supporting and promoting establishment of commercially scalable and market-ready Community Energy solutions that enhance both energy resilience and flexibility through innovative technology. Our Community Energy solutions significantly improve the unit economics of decentralised energy systems. We are democratising the benefits of

decentralised energy assets by enabling participation by end-users who may not otherwise be able to access solar and battery investment.

Summary of SUPA Community Energy's views

As an organisation that's forward-looking and 'part of the solution', SUPA emphasises the following in response to the green paper:

- Good regulation needs to enable, not stifle, innovation. Regulation can and needs to be done smarter. The Authority has an important facilitative role in New Zealand's energy future. As industry regulator, the Authority should make sure market rules and vested interests don't impede competition from non-traditional sources.
- Decentralisation is not an "if" or a "when", it's a current reality. Change is happening now. The industry does not have luxury of time to adapting.
- Different market participants have different capabilities and are at different stages of adaption. The emergence of distributed energy resources (DER) will require electricity distributors to adopt a totally different mindset to the historic 'poles and wires' investment approach.
- A decentralised system isn't just about "Making full use of our existing electricity system" but breaking dependence on traditional supply sources. The likes of AirBnB and UBER don't utilise existing supply chains. They disrupt and replace existing supply chains with a more economically efficient model.
- DER needs to be rewarded for the benefits it offers at each part of the supply chain for doing so. We need to see the benefits of peak-usage reduction reflected in network pricing (both transmission and distribution) and spot prices that efficiently reflect supply and demand on a half-hour-by-half-hour basis. We consider spot price volatility to be an incentive for innovation, not a threat.
- SUPA welcomes the work the Authority is doing to ensure the retail and distribution parts of the supply chain are pulling their weight towards "reducing system-wide peak demand and increasing infrastructure utilisation" through greater TOU pricing and reward for solar/battery injection back into the grid. The missing piece of the puzzle is transmission pricing where the TPM Guidelines prevent Transpower from rewarding reductions in peak-demand.
- We appreciate that the Authority is mindful that the position of different consumers, for financial reasons and due to their particular circumstances, means not everyone will be able to (directly) take advantage of the opportunities provided by new and emerging

technologies, including solar and batteries. If reform is done poorly some consumers could be disadvantaged or made worse off.

- A core focus for the Authority should be on the value of market disruption and competition from both traditional sources, which is a focus of the ECTF initiative, and non-traditional sources which should be the focus of the Authority's decentralisation initiatives.
- A highly competitive market that doesn't rely on a small number of large, incumbent players is key to successful, affordable electrification. Markets work best when there are a large number of suppliers – with different business models and different product and services offerings – with competing views on what consumers want and need.
- There doesn't need to be "A collective understanding of consumers' and stakeholders' likely future needs, aspirations, choices and behaviours". There will be contestable views about the future system and the pathways to achieve it.
- Individual market participants will form their own individual views about what consumers want or need and target that. Some suppliers will take the BETA route and some will choose VHS. If a supplier gets their understanding of consumer needs right, they will succeed. If not, they will fail. Not everyone will get it right. That's a strength of a decentralised system not a weakness.

Ensuring a just transition

SUPA welcomes that the Authority recognises: (i) there are barriers to funding and finance (funding issues can prevent some people, including low-income households and renters, from adopting DER); (ii) the importance of equitable access to benefits; and that (iii) the Authority should take an intergenerational perspective to decision-making. We agree "Shaping a future electricity system that delivers long term benefits to consumers requires an intergenerational perspective."

We all need to be mindful that not everyone will be able to take advantage of the opportunities provided by new and emerging technologies, including solar and batteries. There is potential if reform is done badly for some consumers to be disadvantaged or even made worse off.

This was a particular concern of the Authority's in relation to ACOT payments which the Authority considered were too generous and advantaged distributed generation at the expense of other consumers.

These concerns are also evident from submissions in response to the Authority's recent new connections and solar injection rebates consultations. Submitters recognised the benefits of encouraging new connections and the efficiency benefits of solar injection

rebates (e.g. helping to reduce network capacity requirements) but also the potential efficiency and distributional risks from charges/rebates that are too high or too low. SUPA considers it important regulatory and commercial settings avoid cross-subsidies (in either direction) and ensure efficient pricing e.g. solar injection rebates should reflect the potential for injection back into the grid to help reduce and/or delay investment in network capacity.

Differing views about what the future will look like is a feature of a decentralised system

The strength of a decentralised system is that there will be contestable views about what that future system should look like and the pathways to achieve it. Markets work best when there are a large number of suppliers with diverse and competing views on what consumers want and need.

Any lack of alignment about what this future should look like simply reflects market disruption.

There doesn't need to be "A collective understanding of consumers' and stakeholders' likely future needs, aspirations, choices and behaviours". The Electricity Authority should not be afraid of any lack of alignment and should not be concerned it could lead to inconsistent decision making. Inconsistent decision making is a feature of a decentralised system and market disruption. This should be welcomed and applauded. The only thing that is guaranteed is that different market participants and stakeholders will get the future right and wrong to different degrees.

The Authority needs to make sure it removes market rules or restrictions that could impede competition from non-traditional sources.

Concluding remarks

SUPA welcomes the Authority's initiatives to proactively think about NZ's energy future and how we, as an industry, will need to adapt and change. We look forward to continuing to engage with the Authority as it progresses workstreams relating to decentralisation and meeting the (future) needs of consumers. The current consultation has implications for various of the work the Authority is doing, including in relation to the ECTF.

There will inevitably be a diversity of views about what the future will look and the pathway forward.

A well-functioning, competitive electricity market with many diverse participants is needed more than ever but NZ has a long way to go to get there.

A strong focus for the Electricity Authority, as industry regulator, should be on removing barriers to competition from both traditional supply and from non-traditional sources.

Yours sincerely,



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