Major Electricity Users' Group

Promoting a robust electricity market

30 June 2025

Nathan Spence
Executive Advisor to the Chief Executive
Electricity Authority
PO Box 10041
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Sent via email: decentralisation@ea.govt.nz

Dear Nathan

Working together to meet the needs of New Zealanders

1. This is a brief submission from the Major Electricity Users' Group (MEUG) on the Electricity Authority's (Authority) green paper "*Working together to meet the needs of New Zealanders*"[1] published on 30 April 2025.

2. This submission does not contain any confidential information and can be published on the Authority's website unaltered. Members may lodge separate submissions.

Opportunities possible through a more decentralised electricity system

3. MEUG welcomes the Electricity Authority exploring the opportunities that may be possible from a more decentralised future and seeking broad stakeholder feedback through the issuing of this green paper. We appreciated the opportunity to engage directly with Authority staff at our member meeting on 23 May 2025, and discuss how we see the concepts in this green paper applying to large industrial and commercial businesses. We have the following comments and observations that build upon the discussion points raised at that meeting:

    - We recognise the benefits of a more decentralised system, particularly for those customers who want to be more actively involved in their energy decisions. The projects initiated through the Power Innovation Pathway can help demonstrate the scale of benefits possible through different approaches.
    - It is important that discussions about a shift to a more decentralised electricity system are coordinated and consistent with work on a broader energy strategy for New Zealand and a national infrastructure plan, noting a draft is currently out for consultation.[2]
    - The recent increase in distributed energy resources (DER) and consumer-owned energy assets is a positive trend. However, as a country, we still need to ensure that all households and businesses (particularly those who can't afford new technology at present) are able to access affordable and secure electricity and do not get left to pay the large remaining costs for all central infrastructure.

1 https://www.ea.govt.nz/documents/7187/Working_together_to_ensure_our_electricity_system_meets_the_future_needs_of_all_rI7Krot.pdf
2 https://tewaihanga.govt.nz/national-infrastructure-plan/feedback-on-draft-national-infrastructure-plan

- It would be helpful if the Authority could start to flesh out what decentralisation might mean for businesses, and how this is different from the status quo. As prices continue to rise, many businesses are starting to explore on-site generation, including behind the meter solar, wind and/or batteries. The discussion of industrial and commercial hubs / energy parks is also starting to evolve, where generation could be co-located with multiple demand loads. There are some clear resilience benefits from this type of approach and optimise the use of land zoned for these types of activities.

  It would also be helpful to understand how businesses and communities may in future integrate their energy usage through a more decentralised approach. The green paper primarily discussed community led examples.

- The green paper discusses how consumer-owned DERs can offer great value to the energy industry.[3] Demand response can also provide considerable benefits to the energy sector. It is important that consumers get fair compensation from the value they add to the system, from their investments. This is not always happening at present.

- Work on a more decentralised energy system must be coordinated with the Authority's Future Security and Resilience (FSR) work stream. As more intermittent energy sources enter the system and electricity flows in both directions, there are real concerns about loss of inertia and other technical power issues. There must continue to be standard performance levels that the electricity system must be able to meet, regardless of a more centralised or decentralised approach.

- The Authority also needs to coordinate this workstream with its work on pricing, at both the wholesale level and both the transmission and distribution networks. The current pricing approach and signals have been developed around the current operating environment – any considerable change in approach could alter how pricing should be allocated, and costs are recovered. For example, we query how Benefit Based Investments (BBI) under the Transmission Pricing Methodology might fully allocate investment costs in a system where regions were more self-sufficient and not requiring such large transmission connections.

- As this project progresses, we encourage the Authority to undertake a cost benefit analysis of the different electricity system approaches that may evolve in New Zealand. It is important to understand what the optimal approach for New Zealand is as a whole, and how costs are shared amongst all consumers.

Next steps

4. If you have any questions regarding our submission, please contact MEUG on [redacted] or via email at [redacted]

Yours sincerely

[redacted]

Karen Boyes
Major Electricity Users' Group

[3] Paragraph 2.14, page 8 of the green paper.