

FN-25-11 Fortnightly report 6 June 2025

This report summarises items that may be of interest to the Minister for Energy but do not necessarily require a formal briefing. Further information on any topic can be provided on request. Substantive items and decision papers will be provided to the Minister in the form of briefings.

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1. Upcoming publications

Q1 2025 Quarterly Report	
Strategic outcomes	Efficient: <i>Accurate and efficient pricing</i>
Purpose	<p>The Authority will shortly publish a review of the New Zealand energy market's performance from 1 January to 30 April 2025. This provides visibility of the market monitoring the Electricity Authority has undertaken during this period. It also analyses changes in the retail and forward market.</p> <p>This review includes our six-monthly Structure, Conduct, Performance (SCP) review which assesses whether observed outcomes in the market are consistent with competitive outcomes.</p> <p>A key insight from this report is: <i>Retail electricity prices increased at approximately the rate of inflation this quarter (ie, in real terms). In nominal terms (ie, not adjusted for inflation), prices have increased by ~\$166 per year for the average household this quarter.</i></p>
Action and timing	Intended publication: mid-June 2025
A regulatory roadmap for battery energy storage systems	
Strategic outcomes	Efficient: <i>Innovation and distributed energy</i>
Purpose	<p>Battery energy storage systems (BESSs) play an important role in the transition to a renewables-based power system. With more intermittent and variable renewable generation, BESSs contribute to power system stability.</p> <p>The Authority has developed a regulatory roadmap setting out the work we will do in this area over the next two years. We will share this with stakeholders for their feedback and to inform prioritisation of our work streams.</p> <p>Please see section five below for further information.</p>
Action and timing	Intended publication: 24 June 2025
The future operation of New Zealand's power system: Issues and high-level options	
Strategic outcomes	<p>Secure and resilient: <i>Regional resilience</i></p> <p>Efficient: <i>Innovation and distributed energy</i></p>

Purpose	<p>The Authority is publishing a consultation paper on issues and high-level options for future operation of the power system. We are seeking feedback on three alternative models in which one or more electricity distributors and/or Transpower would share power system operation functions to improve coordination of distributed energy resources connected to the distribution networks.</p> <p>Please see section six below on future system operation for further information.</p>
Action and timing	Intended publication: 24 June 2025

2. Consultations underway

Promoting reliable electricity supply: Frequency-related Code amendment proposals consultation	
Strategic outcomes	Secure and resilient, Efficient
Purpose	<p>We're seeking feedback on our proposal to amend Part 8 of the Code to address the frequency-related common quality issue, which is described as:</p> <p><i>An increasing amount of variable and intermittent resources, primarily in the form of wind and solar photovoltaic generation, is likely to cause more variability in frequency within the 'normal band' of 49.8–50.2Hz, which is likely to be exacerbated over time by decreasing system inertia.</i></p> <p>We are proposing to:</p> <ul style="list-style-type: none"> • lower the 30-megawatt threshold for generating stations to be automatically excluded from being required to comply with aspects of Part 8 of the Code. • set a permitted maximum dead band beyond which a generating station must contribute to frequency management and frequency support.
Action and timing	Consultation closes: 17 June 2025
Working together to ensure our electricity system meets the future needs of all New Zealanders – Decentralisation green paper	
Strategic outcomes	Secure and resilient, Affordable, Efficient

Purpose	The purpose of this green paper is to initiate discussion and debate about decentralisation and the future of our energy system. We are seeking feedback from people and organisations with an interest in the energy system to help shape our regulatory thinking about what a more decentralised electricity system might look like, how this might benefit consumers, and what might be needed to gain these benefits.
Action and timing	Consultation has been extended to: 25 June 2025
Energy Competition Task Force Initiative 2D “Rewarding industrial demand flexibility – Issues and options paper”	
Strategic outcomes	Secure and resilient: <i>Effective risk management</i>
Purpose	<p>The Authority is consulting on a proposed vision and five-year roadmap of 11 actions aimed at increasing industrial consumers’ participation in the electricity market. We aim to put the foundational settings in place to enable more industrial demand flexibility over time, particularly as large new loads are connected over the next decade.</p> <p>In the short-term, the paper proposes two ‘immediate actions’ that we intend to implement before winter 2026:</p> <ul style="list-style-type: none"> • Establishing an Emergency Reserve Scheme. This is a peak capacity management tool, where industrial demand flexibility could be activated before the system operator instructs involuntary load shedding. Participants in the scheme would be compensated for their activity. • Development of a standardised product for demand flexibility to facilitate bilateral arrangements between retailers and demand flexibility providers, including industrials and aggregators of residential and smaller commercial consumers.
Action and timing	Consultation closes: 26 June 2025

3. Upcoming Electricity Industry Participation Code 2010 amendments

- 3.1. The following table has Electricity Industry Participation Code amendments that need to be presented to the House by the Minister’s office within **20 working days** following the date on which it is made.

Tracking number	Name	Date made	Date of Gazette notification	Date in force	Due date for presentation to the House
EIPCA-25-0015	Code Review Programme (Amendment)	26 May 2025	27 May 2025	30 June 2025	25 June 2025

4. Key external engagements

- 9 June: Maritime NZ CEO/CE
- 9 June: CE Flexibility Meeting/Commerce Commission/EECA/MBIE/CE
- 11 June: BusinessNZ Energy Council meeting/CE/GM Retail and Consumer
- 11 June: Electricity Authority Advisory Group/CE/Engagement team
- 12 June: Catapult Energy Systems UK/CE/GM Retail and Consumer
- 13 June: Mercury CE/Chair
- 13 June: Security and Reliability Council Chair/CE/Chair
- 17 June: Minister Watts Fortnightly meeting/CE/Chair
- 18 June: OECD at the Treasury/Economic Strategy Team/Management
- 18 June: Energy Resources Aotearoa Forum/GM Wholesale and Supply
- 18 June: Energy Competition Task Force/Commerce Commission/MBIE/CE/Chair

5. Roadmap for Battery Energy Storage Systems: Deep Dive

Battery energy storage systems (BESSs) play an important role in a renewables-based power system

- 5.1. Battery energy storage systems (BESSs) are becoming increasingly important as New Zealand transitions to a more intermittent and variable renewables-based power system. When renewable generation sources such as solar photovoltaics (PV) and wind are unavailable, BESSs release stored energy to keep the electricity system stable and reliable. While BESSs offer benefits, without proper management, they can pose challenges for network operators.
- 5.2. The cost of BESSs has been steadily declining. This is making them more accessible for consumers, particularly through electric vehicle batteries and stationary batteries integrated with rooftop solar PV installations. Transpower has also observed an increase in connection enquiries for utility-scale solar generation paired with BESSs.
- 5.3. In addition to energy security, BESSs offer financial opportunities for consumers, enabling them to be active participants in the power system by providing demand response and/or selling electricity during high-price periods.

- 5.4. We need to ensure we have the right settings to unlock the benefits of BESSs while managing the challenges they bring, as they will affect all aspects of the power system. This requires a collaborative effort across the electricity sector, including with regulators and industry bodies.

We are taking action to support investment in battery energy storage systems

- 5.5. The Authority recognises the important role BESSs will play as the power system transitions from a centralised to a more decentralised system.¹ We are acting to support BESS investment by:
- (a) Ensuring BESSs can connect and operate in the power system without affecting power quality.
 - (b) Ensuring investors in BESSs have the information needed for decision making and can participate in the electricity market to maximise the value of BESSs.
 - (c) Removing barriers for BESSs to efficiently connect to distribution networks.
 - (d) Improving network pricing to maximise consumer benefits from new and emerging technologies, including BESSs.

We are publishing a regulatory roadmap for battery energy storage systems

- 5.6. We appreciate that stakeholders will have a strong interest in the Authority's BESS-related work as more will look to invest in BESS.
- 5.7. We have developed a roadmap that sets out the BESS-related work we will do over the next two years. This roadmap will signal to the industry the regulatory areas the Authority will focus on, and provide indicative dates for regulatory changes.
- 5.8. Stakeholders will have the opportunity to provide feedback on any potential gaps in the roadmap and how the Authority prioritises various work programmes.
- 5.9. In addition to the Authority's work on BESSs, there are other initiatives underway by BESS investors, industry bodies, and other government agencies to unlock the full potential of BESSs. The BESS roadmap includes high-level information of what other regulators and industry bodies are doing in relation to BESSs.
- 5.10. We are also monitoring developments in other countries and drawing from their experiences as we assess what changes are needed in New Zealand.

6. Future System Operation: Deep Dive

The changing power system needs coordinated distribution system operation

- 6.1. The power system is becoming more decentralised, with increasing distributed energy resources (DER) connecting to it. This requires more coordination between relevant parties, especially at the distribution level.

¹ In the context of the energy sector, decentralisation refers to the shift from large scale electricity generation at limited sites across the country, to smaller scale distributed energy resources located closer to consumers.

- 6.2. With efficient coordination, consumers will be able to shift their power usage in ways that reduce their electricity bills and help them become more resilient to power outages, while also contributing to the operation of the power system.
- 6.3. If these resources are used effectively, they will contribute to the demand response and flexibility that is required to keep the supply and demand of electricity in balance and compensate for the variable and intermittent output of renewable electricity generation.

The sector needs clarity on who will perform distribution system operation

- 6.4. A prerequisite for improved coordination of the power system is greater access to, and use of, network operational data to achieve visibility of the configuration and constraints of the distribution networks, and the DER connected to them.
- 6.5. These information-gathering and coordination activities are new functions that are critical for distribution system operation (DSO).
- 6.6. Through our initial consultation in 2024, the sector asked for clarity on who should perform the new DSO functions.² This clarity will give businesses the certainty they need to invest in DSO capabilities.

We are taking action to provide clarity on future distribution system operation

- 6.7. This consultation puts forward three models to improve coordination of power system operation, particularly at the distribution level.
- 6.8. The purpose of the proposed models is to allocate new DSO functions between electricity distributors and Transpower (as transmission system operator) that will improve the coordination of DER and boost the development of the market for flexibility services.
- 6.9. Achieving network visibility and coordinating DER are important new DSO functions, so we are asking stakeholders for their views on the proposed models, which differ in how these functions are shared between Transpower as the transmission system operator, and one or more distributors.
- 6.10. Other DSO functions relate to developing the market for flexibility services and implementing network planning that is more integrated with transmission network planning. For now, the priority is to allocate the DSO functions related to real-time dispatch of DER in the distribution networks.
- 6.11. At the conclusion of this process, the Authority will decide on the appropriate DSO model for New Zealand and action any Code amendments required to enable the selected model.

The Authority will act to ensure flexibility markets develop appropriately

- 6.12. If one or more distributors do take up DSO functions, then to the extent they also participate in the market for flexibility services, they must treat third parties (such as DER aggregators and consumers requiring connection) 'even-handedly'. The

² www.ea.govt.nz/documents/4479/The_future_operation_of_New_Zealands_power_system_.pdf

Authority is taking action to guide distributors' involvement in flexibility markets.³ Our draft guidance will be finalised this year.

- 6.13. If the flexibility market does not develop naturally, we have the power to appoint an independent market facilitator, following Great Britain's example.
- 6.14. Another option is imposing arm's length rules, to separate distributors' DSO functions from their traditional network operation role. Arm's length rules would ring-fence these activities from each other, as they do in Australia and Great Britain.

³ www.ea.govt.nz/documents/5009/Distributor_involvement_in_the_flexibility_services_market_-_draft_guidance.pdf

7. Energy Competition Task Force work programme update

Initiative	Current stage	Next published milestone	Next update to you
PPAs (1A)	Update paper published 28 May	N/A – Update paper published 28 May set out intention to take forward access to firming for PPAs through level playing field measures (1D)	N/A
Standardised flex product(1B)	First phase completed – standardised super-peak hedge product launched January 2025	s9(2)(f)(iv)	Mid-June – early view on preferred options for regulation
Virtual disaggregation (1C)	Outline published for feedback – now part of level playing field work	N/A	N/A
Level playing field measures (1D)	Outline of measures and proposal for non-discrimination obligations published (submissions closed 7 May) Currently undertaking further targeted analysis and Board-level engagement in response to submitter feedback	s9(2)(f)(iv)	Mid-June – updating you on key issues raised in submissions, further analysis and engagement Authority is undertaking in response
Initiatives promoting consumer choice (2A-C)	Feedback received on Code change proposals on 26 March Considering changes to 2BC (time-of-use retail pricing) to target regulation closer to retailers who fail to offer TOU pricing, while reducing compliance costs to good performers	s9(2)(f)(iv)	Early July – Code change decision papers for publication
Short-term flexibility revenue (2D)	Issues and options paper published 28 May	Publish Emergency Reserve Scheme (ERS) options paper in mid-July: <ul style="list-style-type: none"> Rewards additional industrial demand response; aim to have this in place for Winter 2026 	Mid-June – notifying high level design options set out in ERS consultation paper