

23 July 2025

Electricity Authority

By email to: fsr@ea.govt.nz

Tēnā koe

Feedback on BESS regulatory roadmap

Thank you for the opportunity to provide feedback on the regulatory roadmap for battery energy storage systems (BESS).

We broadly support the proposed BESS roadmap, but encourage the Authority to resource the roadmap to move at a faster speed to help address the urgent capacity challenges in the market. In addition to the current work programme, the Roadmap must also consider changes required to the transmission pricing methodology (TPM). The Authority should also consider ways to work with the industry through these changes.

The Roadmap largely has the right scope

The Roadmap appears to address most of the priority topics identified by Contact and others in the industry that are operating or building BESS. For clarity we have listed as attachment 1 what we consider are the priority changes required to ensure BESS can best support the electricity market, and where we believe they will be addressed in the Roadmap work. We will continue to engage with the Authority to ensure that all these priority changes are addressed.

Crucially we consider it urgent for the Authority to consult and implement single offer forms, and revisions to gate closure rules. We understand that these will both be considered as part of the “BESS-related wholesale electricity market enhancement work”. This enhancement work should consider changes to 5 minute settlement to improve the market signal for BESS.

Issues related to the TPM must be considered

Alongside the work identified by the Authority a workstream must also be established to adjust the transmission pricing methodology to accommodate BESS. Currently the treatment in the TPM is ad hoc, as BESS's were not anticipated when the TPM was developed. The TPM currently uses a variety of different measures to allocate costs to BESS, across each of the TPM charges (e.g. losses, peak injection, peak demand, or peak injection plus demand).

While there have already been changes to the TPM for BESS-related Residual Charges, further inefficiencies still exist which discourage the full use of BESS capacity. For example, the marginal Connection charge can be extremely high for the BESS, and may result in full capacity not being available to the market.

We recommend that the Authority examines all aspects of the TPM in relation to BESS, and develop a consistent approach that fairly encourages BESS development and full use to support the market.

This work justifies a higher priority by the Authority

We consider that the BESS Roadmap should be among the highest priorities for the Authority, and resourced adequately to move at pace.

The Authority has identified the shaped hedge market as a priority focus. It has also identified that “The evidence points to fuel or capacity scarcity often being the driver behind the current thin and illiquid market for shaped hedge cover.”¹

The BESS roadmap is one of the only projects (alongside work on demand response) that can help address the underlying capacity scarcity identified by the Authority. We are concerned that the Authority is putting the majority of its resource to projects that do not address this underlying problem,² and in the process potentially exacerbating how long the market continues to struggle with the current capacity shortage.

Our understanding is that the current timeframes would not see implementation until mid-2027. This is an unacceptably long timeframe for a topic that should be considered urgent.

It is critical that the Authority works with the industry

Contact, together with Genesis, Mercury Meridian and New Power (the generation arm of WEL) wrote to the Authority in March to propose an industry working group on BESS related code changes. While we accept that the Authority has chosen a different approach to this work, we consider that it remains important to work closely with the industry. In particular:

- We propose workshops to tackle some of the trickier issues, so all parties can work together to identify challenges and solutions. We expect that this will be a more efficient approach than back and forth written submissions, and may help accelerate some of the timeframes.
- We also recommend information sessions for the industry to help us all upskill on the most efficient operation of this new technology. These sessions may come later in the process when the code changes have largely been settled.

Please contact me at [REDACTED] if you wish to discuss further.

Ngā Mihi

[REDACTED]

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Contact Energy.

¹ https://www.ea.govt.nz/documents/6605/Level_playing_field_measures_options_paper.pdf para 3.39(e)

² For example, the Authority has itself noted that “Non-discrimination obligations cannot, by themselves, create new hedge volumes.” https://www.ea.govt.nz/documents/6605/Level_playing_field_measures_options_paper.pdf, para 6.45(b).

Attachment 1: Mapping the roadmap to priority changes to enable BESS to support the market

Priority change required	Where it will be addressed in the Roadmap
Bi-directional bids / offers	Ensure efficient use of BESS / BESS market enhancement (consultation in H2 CY25)
Gate closure timing for BESS	
5-minute settlement (or alternative options such as raise / lower services)	
Fully enabling BESS in the reserves market	
Droop control for BESS	
Fully enabling BESS in the frequency keeping market	Part 8 Common quality
Treatment of hybrid BESS sites	