

09 February 2026

Electricity Authority

By email to: levelplayingfield@ea.govt.nz

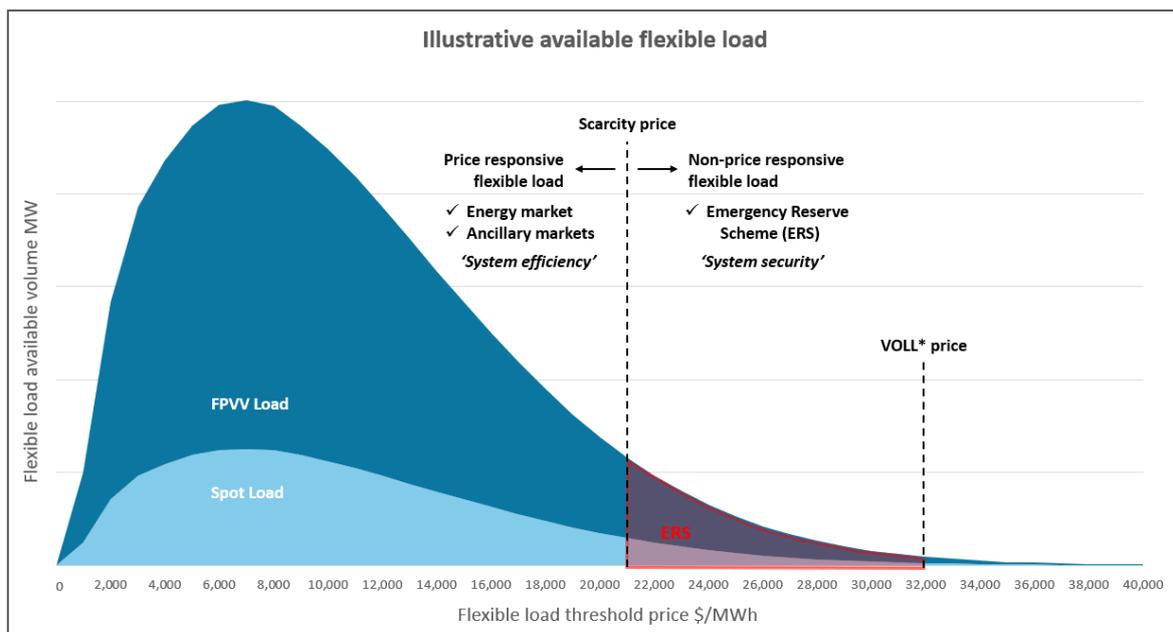
Tēnā koutou,

Open letter: Energy Competition Task Force work programme

Thank you for the opportunity to provide feedback on the Authority’s open letter, which will be used to support the development of the Task Force’s work programme for 2026. We commend the Task Force on the work delivered since 2024, including the 2D workstream: *Reward industrial consumers for providing short term demand flexibility*. We believe industrial demand flexibility is a significantly untapped resource which can play an important role enabling the integration of more variable renewable energy into the power system and reducing energy costs for all consumers.

The Authority published its ‘*Rewarding industrial demand flexibility: Issues and Options paper*’ in May 2025, and we were encouraged by the Authority’s intent in the paper to ‘*take an active approach to unlocking industrial demand flexibility and developing the market*’.¹ We provided a detailed submission in response, including the chart below which demonstrated our belief that there is far greater potential value for consumers in unlocking price-responsive load which can support system efficiency and affordability, rather than non price-responsive load which can support system security.

EECA’s recent report on flexible electricity use in New Zealand² also highlighted the significant potential impact of demand side flexibility on national peak demand of between 1700 and 1900 MW and that 1,350 GWh of energy per year could be shifted away from peak periods at a price of less than \$500/MWh.



¹ https://www.ea.govt.nz/documents/7295/Rewarding_industrial_demand_flexibility_-_Issues_and_options_paper_v2.pdf

² <https://www.eeca.govt.nz/about/news-and-corporate/news/eeca-report-shows-how-flexible-electricity-use-could-save-the-country-billions-now/>

We noted in our submission:

- A belief that the Authority had significantly underestimated the industrial flexibility ‘size of the prize’ (including a detailed response to Q2), which had supported not focusing on the development of market mechanisms which could unlock price-responsive load. We suggested that further analysis was required as the Authority’s review was a brief ‘top-down desktop analysis’ based on limited data.
- That existing market mechanisms, including the Authority’s Dispatchable Demand and Dispatch Notification scheme are not operationally or commercially fit for purpose, and have no uptake. We noted other jurisdictions have recognised that similar schemes need incentives to participate.
- The importance of mechanisms which facilitate the visibility and dispatchability of flexible load. We noted the SO’s ‘evolving market resource co-ordination’ paper which highlighted that increasing unscheduled flexible load will *‘lead to much lower efficiency and accuracy in dispatch, reduced ability to operate the system effectively and higher costs for consumers’*.³

The Authority has subsequently focused on the development of an ‘Emergency Response Scheme’ (ERS), which can support avoiding a repeat of events like August 2021. However, the ERS does not tackle the significant opportunity to enable flexible load to support system affordability, which will become even more important as the full scope of regulated cost increases in transmission and distribution services flows through. In our view, there remains ‘work to be done’ to deliver on the 2D workstream and support unlocking flexible load which can play a ‘day-to-day’ role supporting the electricity system, rather than just in grid emergencies.

We understand that the Authority is planning on publishing a summary and response to the submissions received on the May 2025 ‘Rewarding industrial demand flexibility’ paper. This is an opportunity to broaden the focus of the role industrial flexibility can play. We note that others including the Major Electricity Users’ Group (MEUG) have also been supportive of a broader review and consideration of market mechanisms which reward industrial flexibility. MEUG’s submission⁴ on the May 2025 paper also stated that the “*scale of demand response appears understated*” and encouraged “*the Authority to include actions on seasonal demand response agreements, alongside the intraday mechanisms discussed in the paper*”, providing a list of possible interventions to explore.

We also note that other jurisdictions, including the UK, are significantly further advanced in supporting and integrating flexibility into the market, and there is an opportunity for NZ to review and take learnings from these jurisdictions. We strongly encourage the Authority to progress the 2D workstream in 2026, and we believe this workstream fits better with Authority, rather than the joint Authority-Commission Task Force work programme. We look forward to engaging further with the Authority.

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

Ngā Mihi,



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³ https://static.transpower.co.nz/public/bulk-upload/documents/Evolving_Market%20_Resource_Coordination_FINAL.pdf

⁴ https://backend.meug.co.nz/assets/Documents/MEUG-submission-to-EA_Industrial-demand_FINAL.pdf