

Submission by



to

Transpower

on the consultation

System Operator Strategy: Key Trends and Issues

27 February 2026

System Operator Strategy: Key Trends and Issues

– SUBMISSION BY BUSINESSNZ ENERGY COUNCIL –

Introduction

1. BusinessNZ Energy Council (BEC)¹ is pleased to have the opportunity to provide feedback on phase one of Transpower's System Operator Strategy.
2. BEC represents a diverse array of leading energy-sector businesses, government bodies, and research organisations dedicated to creating a sustainable, equitable, and secure energy future.
3. As a brand of BusinessNZ, New Zealand's largest business advocacy organisation, we represent the World Energy Council in New Zealand, aiming to shape better outcomes for our wider energy system both locally and globally.
4. With this work Transpower is seeking feedback on the first phase of the development of the System Operator Strategy. This first phase identifies the key trends and influences on the sector and how they might impact the role of the System Operator and their ability to function.
5. BEC supports Transpower's efforts to provide a forward-looking strategy for their role as System Operator and looks forward to continuing to be a part of the consultation process moving forward.
6. While we do not have a crystal ball and therefore cannot predict any future with certainty, we have made comments where we believe appropriate on what broad trends we are seeing and where the Strategy could be expanded.
7. As this submission provides a commentary on the speculative trends and issues of an uncertain future, we have decided to provide this feedback solely from the position of the direct BEC team, rather than consulting our wider membership. Our members who wish to will be providing their own feedback.

Key Recommendations for Transpower

- **BEC recommends** Transpower continue with their process of developing a System Operator Strategy with a ten-year forward view. We see this as a vital piece of work to help provide more certainty for the general direction of travel moving forward.

¹ More about BEC in APPENDIX One

General discussion

8. Rather than commenting on the strategy in its entirety we have addressed specific areas where we deemed it appropriate for us to comment. We acknowledge that there are some areas where we do not have the expertise needed.
9. Broadly we are supportive of the general trends and issues that Transpower has identified and have mainly provided areas where additional issues could be included. These are laid out in the same order as found within Transpower's provided document.

Political and regulatory environment

10. Globally the rules-based order that liberal democracy such as New Zealand have come to depend on seems to slowly be eroded. Persistent challenges to the status quo are creating a more and more uncertain geopolitical reality in which we must navigate.
11. We are glad to see that Transpower has identified this shift as one of the key trends that must be taken into account in any long-term planning. It is certainly true globally that we are seeing a shift in energy trilemma management towards an emphasis on energy security.
12. BEC notes that Transpower has included in their trend of 'shift from rules to power, from economics to security' the inclusion of 'from efficiency to resiliency'. We would argue that efficiency itself can be a way to improve resiliency and therefore they are not mutually exclusive.
13. While it is true that globally there is a significant push towards renewable energy and electrification, we believe that Transpower may be overestimating the impact of climate-related disclosures and/or carbon border adjustments. In practice, enforcement and sector-specific rules vary greatly, so the carbon-price signal to NZ exporters may be weaker and patchier than anticipated.
14. Supply chain risk is real and Transpower already seems to be well aware of the need to forward plan and order for infrastructure projects as seen with the planned HVDC upgrade. We agree that New Zealand must not only plan for the material and equipment needed but arguably more importantly must carefully plan for how to both train and retain the workforce needed to deliver future projects. As the rest of the world also moves through a period of rapid change, we may find ourselves competing for the workforce we need.
15. An area of this supply chain risk that could potentially be expanded on is the degree to which the global renewable expansion has been enabled by Chinese manufacturing. If there are domestic policy shifts within China these could significantly impact the price and availability of technology needed for the transition.
16. Another useful addition would be the global commodity price shocks the New Zealand electricity sector may find itself exposed to with the development of an LNG import terminal. This will become increasingly impactful if domestic natural gas reserves continue to decline at the projected rate.

17. Transpower is correct in identifying that without bipartisan agreement on the future of domestic energy policy there will be changes in policy with changes in government. This is particularly challenging for the energy sector which is tasked with planning long term infrastructure projects.
18. Market-led approaches to both energy and carbon seem likely to continue. However, as shown with recent steps towards LNG and investment in super critical geothermal, there still seems to be government appetite for targeted intervention when it does not look like the market will provide solutions.
19. The ETS remains the main tool to encourage decarbonisation. Changes made to the ETS to remove the provision that states that volumes and price control regulations must 'accord with' our Nationally Determined Contributions under the Paris Agreement has the potential to increase the volatility seen in domestic carbon prices.
20. Potential increased carbon price volatility, together with the gaps identified in this consultation between peak demand and new investment in flexible resources, is contributing to an increasingly challenging investment environment.
21. BEC appreciates Transpower's acknowledgement that the pace of regulatory change can be difficult for those effected to incorporate into their operations. It is also worth mentioning that if regulatory changes are pursued too quickly, they run the risk of creating adverse outcomes for the system they are meant to be benefiting. Therefore, balance between speed of change and adequate analysis is needed.

Economic and market changes

22. The investment pipeline for new electricity generation is currently bigger than it was at the height of Think Big. This pipeline is predominantly intermittent renewable generation, which as Transpower identifies is making firm and flexible capacity more valuable.
23. There is broad consensus through the energy sector that electricity demand will continue to increase and Transpower's expectation of a 68% increase is not an especially high or low estimate. Transpower is also correct that a substantial portion of this demand growth will come from the electrification of transport and C&I consumers.
24. While it is true that globally the price of EVs continues to fall, it is equally true that domestic policy settings have a strong influence on uptake. Since the removal of EV subsidies in NZ new vehicle purchases have dropped significantly² despite prices dropping in the same period.³ Rate of demand growth, therefore, may vary greatly depending on government policy.

² Evdbnz. EV Market Stats 2026. <https://evdb.nz/ev-stats>

³ International Energy Agency. Global EV Outlook 2025. [Trends in electric car affordability – Global EV Outlook 2025 – Analysis - IEA](#)

25. C&I electrification will also be a driver of demand growth, but technical and financial challenges remain for many businesses that could switch to electricity, and the rate of electrification remains uncertain.
26. BEC agrees with Transpower, that data centres have the potential to be a huge driver of demand growth and we already see in other jurisdictions they consume large shares of electricity generated.⁴⁵ The recent report by Boston Consulting Group 'Data centres as strategic infrastructure: unlocking value for NZ Inc' shows that New Zealand is well placed to attract data centre investment thanks to cool ambient temperatures, high renewable penetration and ample water resources. While it is still unknown just how much interest there is to build in NZ it would be surprising if data centres didn't take part in driving demand growth.

Environmental

27. BEC agrees with the general sentiment presented by Transpower around how both our changing climate and increasingly intermittent generation mix are meaning that weather is simultaneously becoming less predictable and more important to predict.
28. One thing missing from this is discussion around the current and future role of glacial melt in our hydro catchments. Research shows that glacial melt in the Waitaki catchment contributes 5-10% of inflows. Research also indicates that during dry years reductions in inflows can be mitigated by ice melt from glaciers. This mitigating factor shows the current role of glacial melt in contributing to long term storage during dry periods.⁶
29. It is well documented that our glaciers are in retreat with total volume shrinking by 42% between 2005 and 2023.⁷ In the long term, as our glaciers continue to shrink, catchment inflows will become increasingly reliant on rainfall which could exacerbate New Zealand's dry year risk.

Societal and consumer evolution

30. BEC agree with Transpower that overtime we can expect distributed energy resources (DER) and community projects to become larger parts of the wider electricity system. We are seeing growth in these assets both within New Zealand's domestic context and internationally.

⁴ Central Statistics Office. Data Centres Metered Electricity Consumption 2024. [Key Findings Data Centres Metered Electricity Consumption 2024 - Central Statistics Office](#)

⁵ Pew Research Center. What we know about energy use at U.S. data centers amid the AI boom. [US data centers' energy use amid the artificial intelligence boom | Pew Research Center](#)

⁶ Sirguy, Pascal Jean Bruno. 2010. Monitoring Snow Cover and Modelling Catchment Discharge With Remote Sensing in the Upper Waitaki Basin, New Zealand. University of Otago. <https://hdl.handle.net/10523/332>

⁷ StatsNZ. New Zealand's glacier volume down 42 percent since 2005. 11.4.2025. [New Zealand's glacier volume down 42 percent since 2005 | Stats NZ](#)

31. This growth, we expect, will positively contribute to system resilience and reduce the wider infrastructure upgrades that would have been needed if the equivalent capacity was met by centralised generation.
32. However, uptake of distributed generation as of January 2026 in New Zealand is only 3.59%.⁸ The growth in uptake between January 2025 and January 2026 was 0.435%. Even if this rate of growth doubled it would still be decades before distributed generation serviced the majority of households. Therefore, we expect centralised generation to remain the dominant portion of the electricity sector for the foreseeable future.
33. Transpower rightly identifies that the sector depends on a social licence to operate. BEC agrees that changing expectations around affordability and reliability must be met to maintain this social licence, but of equal importance are transparency, perceived fairness and public by-in. While we believe that Transpower currently does a good job in articulating some of the trade-offs that must be made as a system operator, it could be beneficial to directly address how transparency, perceived fairness and public by-in can be included within the strategy.

Technological change

34. There is no doubt that both domestically and internationally we are going through a period of rapid technological change. This presents both challenges and opportunities for existing and emerging systems.
35. System inertia and its decline in electricity systems as the share of intermittent generation grows has been a much talked about topic, especially following the 2025 event in Spain and Portugal.
36. As of 2024 wind and solar PV generation contributed a collective 40% of Spain's electricity generation. While this is significantly more than the current share of the equivalent generation sources in New Zealand, the majority of our pipeline for new generation is coming from batteries, wind and solar PV. As these drive the share of intermittent generation up the it will become increasingly important NZ takes steps to mitigate the risk of similar events happening here.

⁸ EMI. Installed distributed generation trends. Accessed 23.2.2026. [Electricity Authority - EMI \(market statistics and tools\)](#)

APPENDIX ONE – BACKGROUND INFORMATION ON THE BUSINESSNZ ENERGY COUNCIL

The [BusinessNZ Energy Council \(BEC\)](#) is a group of leading energy-sector business, government and research organisations taking a leading role in creating a sustainable, equitable and secure energy future.

BEC is a brand of BusinessNZ and represents the [World Energy Council](#) in New Zealand. Together with its members, BEC is shaping the energy agenda for New Zealand and globally.



BusinessNZ is New Zealand’s largest business advocacy body, representing:

- Regional business groups: [EMA](#), [Business Central](#), and [Business South](#)
- [Major Companies Group](#) of New Zealand’s largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers, consumers of NZ-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).

