



8 April 2022

By e-mail: REZ@transpower.co.nz

To whom it may concern,

Electric Kiwi and Haast Energy Trading welcome and support Transpower investigating the potential benefits of creating Renewable Energy Zones in New Zealand. We are strong advocates for all regulatory and legal reform intended to bring a higher level of competition and diversification to New Zealand's electricity generation sector, which we believe is critical to meeting our net-zero carbon targets at the lowest cost to consumers possible.

REZ would deliver more wholesale competition

The wholesale energy market in New Zealand is highly concentrated nationally and especially regionally. This allows for the exercise of market power by large generators and is eroding our largest generators social licence to operate. Economic withholding leading to artificial scarcity is damaging confidence in the market and keeping prices elevated at the expense of Kiwi households already under universal inflation pressures.

We agree with the premise that spreading interconnection and connection costs will promote renewable generation entry.

REZ should be part of a comprehensive national energy strategy towards net-zero

If designed correctly, the introduction of REZ schemes would have multiple benefits which should be considered in the decision-making process for REZ in New Zealand. It should introduce new entrants to diversify regional generation sources and bring true competitive tension to the wholesale market. REZ zones orchestrating the timely delivery of new solar, wind and battery developments coupled with the building of Lake Onslow have the potential to be a complete policy solution for New Zealand's electricity generation market. We also agree with Transpower that the broader social and economic benefits of lower emissions and electricity prices should be incorporated into the economic case for REZ.

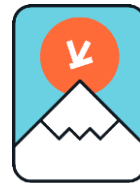
Add project criteria

One key missing project criteria is how the project will improve wholesale market concentration. Criteria should be weighted in favour of new independent generators who can bring true diversity to New Zealand's generation mix. Also with is in mind, firm dispatchable resources particularly batteries should prioritised for integration within REZ zones.

Task MBIE with policy development

It is our view that the development of the REZ should be led from a policy perspective by MBIE as a key plank of any national energy strategy towards net-zero; and could facilitate reverse auctions if necessary to deliver firming capacity in line with goals for winter capacity margins.

We support the NSW and Victorian approach of an independent entity being responsible for coordinating REZ transmission, generation, firming and storage projects to ensure efficient investment.



REZ schemes should incorporate storage

The scheme should also include incentives for co-locating storage in the REZs, both to deliver firming capacity and address the identified risk of generation being constrained off in the REZ.

REZ scheme design should incorporate international learnings

Learnings from international schemes should be heavily incorporated into the New Zealand approach. We would support a scheme similar to that implemented in NSW and the reverse auction mechanisms used in Victoria.

Act now

True competition is urgently needed in the wholesale electricity market. We would encourage Transpower to fast-track the implementation of REZ schemes. It is our view that there is no need for significant regulatory change to support the development of REZ and the new TPM should be flexible enough to incorporate the concept of REZ. There will be challenges in alignment and coordination of involved parties but a huge effort to overcome these is justified given the resulting benefits to both the wholesale electricity market and our decarbonisation ambitions.

Yours sincerely,

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