

PRESS RELEASE – November 15 2024

Large electricity users keen to assist NZ with security of supply, but market settings must improve

Case studies exploring the barriers and opportunities for large electricity users to participate in demand-side response have been released by the Major Electricity Users' Group (MEUG) today.

Demand response in New Zealand's electricity system involves adjusting electricity usage to match supply, especially during peak demand times, periods of stress, or dry years. This helps maintain grid stability and avoid electricity shortages.

The case studies examine the conditions facing Fonterra, Woolworths, Oji Fibre Solutions, and the Rio Tinto-owned Tiwai Point Aluminium Smelter (NZAS). Transpower and the Electricity Authority also seek more demand-side response arrangements in the electricity wholesale market.

MEUG Executive Director Karen Boyes says the case studies show a sector-wide view that demand response is critical to our system, but there are currently significant barriers for most large electricity users.

"The deal between Rio Tinto, Meridian, and Contact Energy has already delivered significant benefits to New Zealand during this year's dry winter, releasing 185MW back into the grid. Commercial arrangements mean we can focus on grid investment and generation investment without putting security at risk. As we become more reliant on renewable sources of generation, everyone agrees demand response has a significant role in the security of supply."

Boyes also says the case studies show clear and immediate capability and significant future potential for demand response if market conditions make it viable.

"The savings from steering clear of those high electricity spot prices by reducing demand aren't enough to motivate action.

What will move the needle is offering compensation to demand response participants for the considerable investment, uncertainty, opportunity costs, and shipment delays they face when getting involved in demand response."

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