

27 February 2026

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Sent via email: [system.operator@transpower.co.nz](mailto:system.operator@transpower.co.nz)

Dear Chantelle

## **System Operator Strategy – initial engagement**

1. The Major Electricity Users' Group (MEUG) welcomes the opportunity to provide feedback on Transpower's consultation paper "*System Operator strategy: Key trends and issues*"<sup>1</sup> published in December 2025.
2. This letter does not contain any confidential information and can be published on Transpower's website unaltered. Members may lodge separate responses.

### **Supportive of proactive engagement on strategy**

3. MEUG supports the System Operator taking a proactive approach and engaging broadly with the electricity sector on the development of its annual Strategic Plan, going beyond simply its contractual obligations.
4. As the consultation paper outlines, the System Operator plays a key role in our electricity system, managing the system on a real time basis through to ensuring our systems and control room can meet and monitor the electricity needs of the future. MEUG believes that it is positive step that the System Operator is seeking feedback from a broad range of stakeholders, from generators through to demand side consumers, so it can get the most robust insights from all players in the market. We support the adoption of the proposed 10- year planning timeframe and endorse the System Operator's decision to run this work in two phases – identification of trends and influences (this consultation paper), then moving to establish the key risks and opportunities that must be addressed through the System Operator's strategic plan. This sets up a robust process to ensure adequate consultation and refinement of approach before publishing a final strategy.
5. MEUG welcomes the System Operator working closely with the Electricity Authority (Authority) on this new approach. It is important that the System Operator's work is coordinated with the Authority's work plan, to avoid duplication of work, to ensure efficient prioritisation and phasing of workstreams, and the timely resolution of any emerging market issues. By engaging early, the System Operator can also help stakeholders understand the drivers for any increase in expenditure going forward, by aligning it with the issues raised through its Strategy.

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<sup>1</sup> <https://static.transpower.co.nz/public/bulk-upload/documents/SO%20Strategy%20initial%20engagement.pdf?VersionId=uUMHZ4SiOCJZ2PZqTmXUNhsAelVfCyAy>

## Robust scan of environment influencing electricity sector

6. MEUG believes that the System Operator has provided a robust environmental scan that captures the key factors that will impact the electricity system and the System Operator role moving forward. MEUG has the following comments and observations:
- We believe that the electricity system will continue to operate within a “**market-led approach, using carbon pricing and energy reforms to support renewable growth and infrastructure development.**”<sup>2</sup> While the level of intervention and market reform may vary between different political parties and coalition governments, a market-based approach will continue to be the foundation for the electricity system.
  - **Importance of affordability:** The System Operator should not underestimate the impact of affordability on the forecast electricity demand over the next decade. Consumers are currently facing substantial increases in electricity costs, through:
    - Continued year on year increases in transmission and distribution charges, to fund both asset replacement and maintenance and expansion of the network.
    - Increases in the wholesale electricity cost, as generators rapidly build out more renewable generation while addressing the urgent need for firming, which were highlighted in winter 2024.

These increases in costs may damper many businesses’ plans for both electrification and expansion, as they look at how to absorb and/or pass through the increases in energy costs. Electricity demand has not increased substantially in recent years, primarily due to economic factors, despite numerous forecasts of substantive growth. Forecasts of demand should continue to be calibrated against the actual growth we are seeing in regions across New Zealand.

It is important that the System Operator also consider the number of businesses and households who are transitioning away from natural gas, due to increased cost and reduced availability. This may change the level of demand across regions and local networks.

- The consultation paper discusses how “*data centres loom as a potential new electricity-intensive sector which could increase electricity demand.*”<sup>3</sup> MEUG agrees that **data centres look set to play a much greater role** within New Zealand than they do at present, with both Amazon Web Services and Datagrid recently joining MEUG. The scale of the electricity required depends on the phasing of the sites and level of forecast operations and it can vary depending on the sources relied upon (for example, Tech New Zealand report<sup>4</sup> and BCG’s recent report<sup>5</sup> on data centre potential).

This issue highlights the broader importance of demand forecasting, and ensuring the most accurate information is incorporated into planning once there is an appropriate level of certainty. This will involve coordinating information across both the transmission and distribution systems, to understand the impact of any large load on the network. The System Operator may also need to explore other avenues for understanding business needs and energy consumption, such as liaising with NZ Trade & Enterprise etc.

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<sup>2</sup> Page 10 of the consultation paper.

<sup>3</sup> Page 15 of the consultation paper.

<sup>4</sup> <https://technewzealand.org.nz/wp-content/uploads/sites/44/2025/09/NZTech-Data-Centres-Report-Final-DIGITAL-002.pdf>

<sup>5</sup> <https://www.bcg.com/publications/2026/data-centres-as-strategic-infrastructure>

- We agree that New Zealand will have to **compete in the global market** for not only electricity equipment and supplies, but also skilled staff to run our electricity system. Succession planning within Transpower will be key to ensure a smooth transfer of knowledge between generations, to address the trend of an aging workforce.<sup>6</sup>

We acknowledge that Transpower already has a significant workstream underway to attract staff to Transpower, including improving diversity and supporting graduates and internships. We encourage Transpower to continue this work with other players in the sector, to help grow the workforce across the country.

- We consider that **peak electricity demand** will continue to be a strong factor influencing the build and operation of the electricity system. The sector is exploring several ways to effectively meet this peak demand, including the use of demand side response contracts (DSR) and mechanisms. It is important that the System Operator has clear visibility of DSR arrangements, for day-to-day operations and future forecasting.
- We agree with the need to consider the role of **Distribution System Operators (DSO)**, as the use of solar panels, batteries and other distributed energy technologies are further deployed by consumers across the 29 distribution networks. It will be important that distributors have a greater level of oversight and monitoring of this using more granular and timely data, and that this information can be shared, where appropriate, with the System Operator.
- The consultation paper discusses the **projected increase in investment levels in electrification**,<sup>7</sup> particularly the potential in transport and process heat. We encourage Transpower and the Authority to consider the evolution of our security standards (N - 1), as the New Zealand economy and day to day lives become more reliant on one energy source. This is something that should be considered alongside Transpower's resilience planning, given the increasing number of extreme and harmful weather events occurring across the country.
- We support the System Operator reviewing the **role of ancillary services**, as the electricity system evolves and we see greater deployment of batteries across the system.
- We encourage Transpower to continuing learning and sharing knowledge from other jurisdictions who are grappling with similar issues as New Zealand. This is an area where Transpower can play a leadership and facilitation role, sharing learnings with others in the sector.

### Next steps

7. MEUG would welcome the opportunity to meet with the System Operator to expand on the points raised in this submission and discuss the findings from this first consultation paper, ahead of consultation on second phase.

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<sup>6</sup> Page 23 of the consultation paper.

<sup>7</sup> Page 15 of the consultation paper.

8. To arrange a meeting or if you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at [karen@meug.co.nz](mailto:karen@meug.co.nz).

Yours sincerely



**Karen Boyes**  
Major Electricity Users' Group