



19 August 2024

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Electricity Authority Te Mana Hiko  
PO Box 10041  
**WELLINGTON 6143**

**Instantaneous reserve (IR) cost allocation to groups of generating units consultation (the Consultation) – NZGIF Submission**

Thank you for the opportunity to submit on the Consultation.

New Zealand Green Investment Finance Limited was established with the purpose of accelerating and facilitating low emissions investment and is a company listed in Schedule 4A of the Public Finance Act.

We have played an important role in financing renewable generation since our establishment. An increase in renewable generation is fundamental to Aotearoa's Net Zero 2050 goals, as well as providing additional grid resilience, which will be increasingly important as the country electrifies. Accordingly, our view is that renewable generation should be encouraged wherever possible.

We note the rationale for the Authority's position in the Consultation. Fundamentally, allocating IR costs based on the contingent event risk, rather than the size of the individual generation units comprising the generation facility makes sense to us and we agree with it. We also note the expectation that the change to the IR cost allocation will encourage the development of BESS. That is also a welcome development, and we are supportive of any actions that can make BESS more attractive from an investment perspective.

Although changes to the IR cost allocation methodology are outside the scope of the Consultation, we encourage the Authority to consider updating that methodology to formally prefer renewable energy generation when allocating IR costs (i.e. to charge additional costs to fossil fuel-based generation or to offer discounts for renewable generation). Although renewable generation is more responsible for intermittent generation than other forms of generation, non-renewable generation should not be encouraged (adding BESS to the grid would be better for achieving Net Zero 2050 goals).

We would welcome the opportunity to discuss this submission in more detail.

Nāku, nā

**New Zealand Green Investment Finance Limited**

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