

24 March 2025

James Kilty
Chief Executive
Transpower
PO Box 1021
WELLINGTON

Sent via email: system.operator@transpower.co.nz

Dear James

Security of Supply Forecasting and Information Policy Review Issues Paper 2025

1. This is a brief submission from the Major Electricity Users' Group (MEUG) on Transpower's issues paper "*Security of Supply Forecasting and Information Policy Review*"¹ published on 10 March 2025.
2. MEUG members have been consulted on the approach to this submission. This submission does not contain any confidential information and can be published on Transpower's website unaltered. Members may lodge separate submissions.

Support review of SOSFIP ahead of winter 2025

3. MEUG supports the System Operator, in conjunction with the Electricity Authority, undertaking a review of the Security of Supply Forecasting and Information Policy (SOSFIP). Considerable changes have occurred in the market since the last review in 2022. We support the proposed scope of the review, looking at actions that can help provide greater clarity ahead of winter 2025. MEUG supports:
 - The proposal to provide greater clarity on physical versus contracted capability in the Electricity Risk Curves (ERC). We understand the Authority has recently passed a Code amendment to enable this.
 - Providing greater clarity on how the System Operator would apply the criteria to its discretion with the Contingent Storage Release Boundary (CSRB) buffer. In times of stress, it is important that participants and broader market participants have confidence in how this will be applied, taking a consistent and robust approach. We recognise that changes to access to the CSRB buffer could impact the fuel decisions made by thermal fuel generators ahead of and during winter.
4. In terms of shorter-term initiatives that could help lower the risk of energy shortages, we query how demand response agreements, such as the NZAS Meridian deal, can be utilised to help balance the market, while not impacting business productivity and GDP.

¹ <https://static.transpower.co.nz/public/bulk-upload/documents/System%20Operator%20-SOSFIP%20review%20Issues%20Paper%20-%20March%202025.pdf?VersionId=40ZOnGYIIOC6EXKbSJgh1ND2CfdX1r0z>

5. We also query whether any sector actions to make greater quantities of coal available could be found this winter – noting that the current agreement between the four gentailers is focused on options to support Huntly from 2026 onwards. Any arrangements with Methanex for accessing natural gas in coming months for electricity generation could also assist, also noting the broader GDP / productivity impact this has on New Zealand Inc.

Access to contingent storage – balancing competing views

6. MEUG has had valuable discussions with both Transpower and Meridian about this request and has appreciated the engagement. We remained unconvinced of the merits of this change, due to several factors across the market:
 - It could provide short term price relief in the wholesale market, if further hydro generation was made available. Providing access to additional fuel for the electricity system could also reduce the shorter-term risk of outage.
 - However, it is unclear whether drawing down this resource earlier in the year could lead to higher price impacts later in the year, or in the subsequent years (if lake levels are not sufficiently replenished).
 - Contingent storage is intended to be the “last line of defence”, and this proposal could be seen as changing its hierarchy in the options that the System Operator has available to it at times of stress.
 - We have heard that the current criteria make it extremely difficult to ever access this contingent storage, therefore it is a resource that is unable to be of use in the market. This could simply be a process matter, where a review and changes to criteria could address these concerns.
 - We understand that access to current contingent storage (the triggers) is linked to resource consents for the hydrogeneration sites. Any changes to access would need to consider the impact on resource consents, and whether changes to the resource consents would be needed to enable any change. This may have impacts for the communities living around these hydro lakes.
 - It would be helpful for the regulator to undertake a cost benefit analysis of this proposal, to consider the price impact for consumers and broader sector impacts, to understand if this is a net positive option.
7. Given these factors and concerns, we would prefer a cautious approach that would allow Transpower to continue to provide discretion for the next 1 – 2 winters, allowing the System Operator and the Authority time to fully investigate this proposal.
8. Underlying all this discussion, is a clear need for more generation, particularly flexible firming, to be urgently built, to reduce the risk of shortages and ongoing issues during dry years. This is a topic that was discussed heavily at the recent Downstream conference where most participants reflected the lack of build in prior years leaving us in the current situation.
9. We hope that the Government’s review of electricity market performance and the current work underway the Electricity Authority, including the Energy Competition Task Force, makes this a priority issue to address.

Welcome opportunity to discuss our comments further

10. We look forward to taking part in the cross-submission process and would welcome further discussions with the System Operator and stakeholders to understand the differing views on this issues paper. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Boyes', with a long horizontal flourish extending to the right.

Karen Boyes
Major Electricity Users' Group