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29 May 2024

Tēnā korua

Response to 10 May 2024 events and ensuring a reliable transition of sector

The recent events within the electricity sector, both in the days preceding and on 10 May 2024, alongside emerging concerns regarding secure gas supply, have served to underscore the challenges in reliably transitioning the electricity grid to a more sustainable, renewable future.

Reliability of supply is expected by all New Zealanders and maintaining this is a “must” for the sector along with delivering affordability if we are to support electrification of the economy. New Zealand is not unique in facing this challenge. Though I remain confident in our collective ability to address this challenge here in New Zealand, it is evident that additional focus and effort is needed.

Considerations arising from May 10 events

Transpower managed the risks around 10 May well, ultimately keeping the lights on. However, the event highlighted several broader considerations, including:

- a) the impacts of the System Operator directly requesting voluntary demand response from customers on both:
 1. confidence that the market will deliver a secure supply of electricity, which has implications for electrification decisions by customers; and
 2. ensuring the intended market signals/incentives during periods of tight supply are not inadvertently overridden, creating challenges for unit commitment decisions and distorting investment incentives for flexible generation such as gas fired generation and large-scale batteries.
- b) the importance of prioritising work to ensure consumers (outside of those who currently engage in wholesale market arrangements) can be appropriately compensated for their role in responding in these types of events, and to enable the smart system to support distributed energy resources playing a greater role in managing these types of events in the future.

As a sector we need to collectively work through the challenges associated with (a) above with some urgency, given the implications for the management of likely future events and flow on impacts for consumers.

Implications of gas market supply concerns on electricity system

Concerns around low gas production have also been recently identified that are likely to impact the electricity sector given the important role of gas generation in both enabling greater renewables to come into the system and maintaining security of supply during the transition.

As a sector we need to consider how we can support investment in existing and new flexible gas generation and associated storage, and if new market mechanisms are needed to underpin these investments.



This work is critical for ensuring we continue to have flexible generation to support security of supply while other technological options for “green peaking” continue to be developed.

Suggested way forward

The experience of events on 10 May and the workstreams on gas security highlight a broader need to consider whether the current or proposed mechanisms to support a reliable electricity transition, are or will be fit-for-purpose.

A suggested way to approach addressing these interconnected issues at a pace necessary to support ongoing reliability could be a roundtable discussion(s) with appropriate representatives from across the system to:

- > surface information on how the sector performed during the 10 May event. The intention would be to build a common understanding of what went well and areas for improvement, while also ensuring joined up thinking and quick progress via identifying potential changes to the Code and/or other supporting processes; and
- > further consider those initial findings, along with the potential implications of the emergent gas sector challenges for the electricity system, to identify potential options (both short term and long term) for ensuring a reliable transition can occur¹.

I look forward to working with the Authority, Transpower and the broader sector to ensure we can reliably and affordably transition to a more sustainable, renewable future and will prioritise making my team available to assist during this important work.

Yours sincerely



Vince Hawkworth
Chief Executive

¹ The recent advice by the MDAG around the “four key pillars” for an effective wholesale market¹ provides a useful starting point for assessing the options, particularly given the challenges with maintaining public confidence highlighted by recent issues.

