



February 2025

Energy Competition Task Force

Electricity Authority

PO Box 10041

Wellington 6143

Submission on PPAs Working Paper

This submission supports the Task Force's view that further work is required on the role PPA's can play in supporting entrant generators. I support all work which will lead to greater transparency around both PPA and firming contract availability, terms, and prices. However, I think it is premature to consider requiring gentailers to offer firming for PPAs.

My concern with requiring gentailers to offer firming PPAs, at this point, is that such a strong regulatory intervention risks suppressing innovation in how firming services are provided. Suppressing such innovation would carry a high long term cost to end consumers as it risks delaying or stunting the development of overall least cost ways to firm intermittent generation.

Fuel access, or cost, may be a constraint on the ability of gentailers to offer firming services;

It is currently unclear exactly how the firming fuel market in NZ might evolve over the next few years. The highly variable prices we are seeing for firming fuel provide opportunities for innovative solutions for provision of flexible fuel arrangements to develop.

For context I submit as a developer of an intraday demand response service. I acknowledge that this is not a full substitute for the longer term firming services required to support intermittent generation PPAs. However it does give me some perspective on how innovative solutions can develop in response to an emerging need. My hope is that others are working on developing innovative solutions to our need for flexible fuel arrangements to support longer term firming services. But the form of the most competitive innovative solutions, or the mix of solutions, and which of them will require economies of scale, is not yet clear.

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No part of this submission is confidential and I am happy for my submission in its entirety to be released publicly.

Regards

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Response to specific consultation questions

Q1	Is there any other related work that you think is relevant to our consideration of PPA issues?	The GIC has done some good work on the likely future availability of flexible fuel options for firming generation. But you are probably already well aware of this.
Q2	Do you have any suggested additions or modifications for our PPA terms and concepts?	It could be worth more explicitly noting the uncertainty around future firming fuel availability and cost.
Q3	Do you agree with our definition of PPAs?	Yes
Q4	Have we correctly identified the buyer and seller motivations for PPAs?	Yes
Q5	Have we correctly identified how PPAs might fit with other contracts?	Yes
Q6	Do you agree with our characterisation of how PPAs may impact system evolution?	Yes
Q7	Have we correctly identified and understood PPA headwinds?	Mostly, but it might be worth giving further consideration to how uncertainty on firming fuel availability and cost might impact a firming service provider's willingness to offer long term firming service contracts.
Q8	Do you agree with the potential benefits we have identified?	Yes
Q9	Do you agree with the potential risks we have identified?	Mostly, but I think under the cost item you should expand a bit on the dynamic efficiency risks if intervention suppresses innovation. This is implied in your statement but could do with some more explicit expansion because dynamic efficiency losses are likely to be significantly greater than allocative efficiency losses in the longer term.
Q10	Do you agree with the potential options we have identified?	Yes
Q11	Do you agree with our comments on the potential options we have identified?	Mostly, but it could be worth expanding a bit on the risks associated with the allocate firming resources option. I think the longer term dynamic efficiency risk of suppressing innovation, particularly in how flexible fuel arrangements for firming services are provided, are materially greater than the allocative risks you identify.
Q12	Do you have a view on the most promising options?	Despite my concern about the more interventionist options, such as allocation of firming resources, I support pretty much all your other identified options. Particularly any that support transparency of price discovery, for PPAs and firming services. With some level of price scrutiny of firming services being top of my list of preferred options.