MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Consultation submission form

The Ministry of Business, Innovation and Employment (MBIE) would like your feedback on:

A proposed reliability obligation to manage dry-year risk.

Please provide your feedback by **5pm, 21 July 2026**

When completing this submission form, please provide comments and supporting explanations for your reasoning where relevant. Your feedback provides valuable information and informs decisions about the proposals.

We appreciate your time and effort taken to respond to this consultation.

Instructions

To make a submission you will need to:

1. Fill out your name, email address, phone number and organisation. If you are representing an organisation, please provide a brief description of your organisation and its aims, and ensure you have the authority to represent its views.
2. Fill out your responses to the discussion document questions. Where possible, please provide us with evidence to support your views. Examples can include references to independent research or facts and figures.
3. If your submission has any confidential information:
    i. Please state this in the email accompanying your submission, and set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 (Official Information Act) that you believe apply. MBIE will take such declarations into account and will consult with submitters when responding to requests under the Official Information Act.
    ii. Indicate this on the front of your submission (e.g. the first page header may state "In Confidence"). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
    iii. Note that submissions are subject to the Official Information Act and may, therefore, be released in part or full. The Privacy Act 1993 also applies.
4. Submit your feedback:
    i. By email to *electricitymarkets@mbie.govt.nz*
    ii. By mailing your submission to:

    Electricity Markets Policy
    Building, Resources and Markets
    Ministry of Business, Innovation and Employment
    PO Box 1473, Wellington 6140
    New Zealand

Submitter information

MBIE would appreciate if you would provide some information about yourself. If you choose to provide information in the section below, it will be used to help MBIE understand how different sectors view the proposals and options for requiring and achieving minimum onshore fuel stockholding. Any information you provide will be stored securely.

Your name, email address, phone number and organisation

Name:	Privacy of natural persons
Email address:	
Phone number	
Organisation:	Channel Infrastructure NZ

☒ The Privacy Act 1993 applies to submissions. Please tick the box if you do **not** wish your name or other personal information to be included in any information about submissions that MBIE may publish.

☐ MBIE may upload submissions and potentially a summary of submissions to its website, www.mbie.govt.nz. If you do **not** want your submission or a summary of your submission to be placed on either of these websites, please tick the box and type an explanation below:

I do not want my submission placed on MBIE's website because... [insert reasoning here]

Please check if your submission contains confidential information

☐ I would like my submission (or identifiable parts of my submission) to be kept confidential, and **have stated** my reasons and ground under section 9 of the Official Information Act that I believe apply, for consideration by MBIE.

Questions for the consultation

Q1. Do you agree with the analysis in this chapter of why New Zealand does not currently have sufficient dry-year firming? If not, where do you disagree?

☒ Yes ☐ Yes, with changes ☐ No

Please explain your views.

Market conditions in 2024 demonstrated the sector's response to perceived generation shortfall risk, including significant price volatility and reductions in New Zealand economic activity. Since then, continued growth in intermittent generation, declining gas reserves and ageing thermal generation assets have increased the importance of reliable dry-year firming. While developments such as the Huntly Firming Options provide some mitigation, we do not consider New Zealand currently has sufficient dry-year firming. Moreover, and as a matter of principle, demand-response outcomes that reduce economic activity are counterproductive to the objective of supporting a growing economy. We therefore support market settings that prioritise dry-year solutions that maintain reliability without relying on reductions in productive activity.

Q2. What do you consider to be the principal remaining barriers to investment in additional dry-year firming following the recent reforms to improve fuel adequacy (Government procurement of an LNG importation facility)?

Please explain your views.

From the perspective of an infrastructure investor experienced in capital-intensive fuel storage projects, the key remaining barrier appears to be uncertainty over the revenue available to support investment in dry-year firming capacity, particularly for independent (non-gentailer) participants who could helpfully add diversity of firming resource to the market, but do not have an energy trading book to manage / monetise the investment in firming. This uncertainty is driven by the inherent unpredictability of future hydro inflows, together with the variability of wind and solar generation.

Without clear and demonstrable commercial returns, large-scale capital investments are difficult for a commercial entity to justify on economic grounds alone. These projects require additional certainty or compelling drivers to become investible. The proposed long-term obligation would help provide that additional certainty and commercial drivers.

Q3. Do you agree that, despite the recent reforms to improve fuel adequacy, information, roles and tools, further measures are still needed to strengthen incentives to invest in dry-year firming? If not, please explain why not?

☒ Yes, I agree ☐ I agree in part ☐ No, I don't agree

Please explain your views.

As per our response to Q2, large-scale capital investments in firming capacity are difficult to justify purely on economic grounds, given the uncertainty associated with assessing the future earning potential from such investments. The proposed Winter Energy Reliability Obligation could provide the additional incentive to make those projects investible.

Q4. Do you agree that there is value in building new measures on existing regulatory architecture, rather than creating an entirely new regime from first principles? Why or why not?

☒ Yes, I agree ☐ No, I don't agree

Please explain your views.

From an external perspective, the market appears to be functioning broadly as intended, but targeted adjustments are required to address the issues identified in the consultation paper. Reducing the severity and likelihood of future dry-year events should help lower the ongoing risk premium reflected in market pricing and give confidence for further demand-side growth, particularly from large electricity users who are significantly impacted by periods of high prices (driving economic activity for the benefit of New Zealand).

Creating an entirely new regime from first principles would risk significant disruption, lengthy development and implementation timeframes, and unintended consequences. Building on existing regulatory architecture is therefore preferable, provided the changes are targeted, practical and effective.

A key consideration is that current market incentives may be discouraging generation market participants from investing in additional dry-year firming where that investment could reduce the broader dry-year risk premium and therefore lower revenues across their generation portfolio.

Long-term Obligation

Q5. Do you agree that a long-term obligation should be introduced to strengthen incentives to secure sufficient dependable winter cover in advance where a forecast winter energy adequacy shortfall is identified? If not, why not?

☒ Yes, I agree ☐ No, I don't agree

Please explain your views.

Industrial-scale firming capacity typically requires substantial investment in complex assets, supported by multi-year business-case development, engineering, consenting, procurement and construction activity – as well as immediately-available fuel. Commercial entities require a compelling investment case before committing capital to projects of this nature.

Experience suggests that the current market settings have not provided sufficient incentive or confidence for the market to invest in adequate dry-year capacity. At face value, the current structure may also discourage participants from over-investing in firming capacity where that could place downward pressure on long-term electricity prices.

Q6. Do you agree that the long-term obligation should be placed on large wholesale purchasers rather than on, say, generators or the market more broadly? If not, which parties should hold the obligation, and why?

☐ Yes, I agree ☐ No, I don't agree

Please explain your views.

We do not have sufficient information to comment definitively on which parties should hold the obligation.

This issue is not theoretical. Channel Infrastructure, with support from some existing generators, has developed a credible, practical concept for a 72 MW diesel peaking plant at Marsden Point. The project represents a near-term, dispatchable firming solution using immediately-available fuel that could add meaningful dry-year resilience to the system if supported by appropriate long-term contracting arrangements.

Channel is ready to invest in and construct this facility, provided it can secure a long-term capacity agreement with one or more gentailers. Channel would not participate directly in the electricity market; rather, it would own, operate and maintain the peaking plant on behalf of customer(s), enabling those customer(s) to use the contracted capacity to balance generation with demand.

It is important that any new regulations are sufficiently flexible to unlock arrangements of this nature. In particular, the obligation should be capable of being met by an electricity market participant through firming capacity provided by assets owned by a third party that is not itself a market participant. This would ensure the regime can mobilise specialist infrastructure providers, such as Channel, rather than limiting delivery to existing market participants only.

Q7. Do you agree that a de minimis threshold should apply to limit the obligation to wholesale purchasers with a material winter load? If so, is the 500 GWh threshold appropriate, and should it be measured by reference to aggregate load over the winter period?

☐ Yes, I agree ☐ I agree in part ☐ No, I don't agree

Please explain your views.

We do not have sufficient information to comment definitively on the appropriate threshold or measurement approach.

Q8. Do you agree with the proposed staged approach under which a warning notification would be issued five years out, a binding obligation would be issued three years out and compliance would be assessed one year out? If not, what timing or trigger approach would be preferable?

☐ Yes, I agree ☒ I agree in part ☐ No, I don't agree

Please explain your views.

The proposed timeframes should reflect the long lead times associated with large, complex and capital-intensive firming projects.

Project development typically requires time to prepare business cases, assess options, identify suitable locations, progress consenting, complete engineering and design, secure funding, and contract construction and commissioning activities.

By way of example, Channel's proposed firming capacity project could be implemented within a 2-year timeframe, having already completed c.12 months of scoping study and engineering assessments. The project is advantaged by utilising existing infrastructure, and the schedule is not affected by the long lead times associated with equipment such as transformers.

Existing gentailers are also well placed to comment on whether the proposed timelines are sufficient to enable a meaningful and practical generation response.

Q9. Do you agree that any identified adequacy shortfall should be allocated among obligated wholesale purchasers by reference to their shares of expected winter demand? If not, what allocation approach would be preferable?

☐ Yes, I agree ☐ I agree in part ☐ No, I don't agree ☒ Not sure/no preference

Please explain your views.

Q10. What forms of cover should be eligible to meet the long-term obligation?

Please explain your views.

Eligible cover should include any generation or firming capacity that can demonstrably meet the requirements of the obligation, including reliable on-demand generation capable of being called upon when required.

Q11. How should the compliance framework be designed? In particular, what evidential standard should apply, and how should the regime address more difficult issues such as hydro treatment, attribution, portfolio treatment, shared arrangements and double counting?

Please explain your views.

We do not have sufficient information to comment definitively on the detailed compliance framework or evidential standard.

Q12. Should the regime deal with arrangements that appear compliant in advance but later fail because of counterparty failure, project delay, force majeure or similar events? If so, how?

☐ Yes, I agree ☐ I agree in part ☐ No, I don't agree ☒ Not sure/no preference

Please explain your views.

We do not have sufficient information to comment definitively on how the regime should address counterparty failure, project delay, force majeure or similar events.

Q13. Should penalties for non-compliance be designed and calibrated to tilt investments to comply without overly encouraging inefficient over-procurement? Please explain your reasoning.

☒ Yes, I agree ☐ I agree in part ☐ No, I don't agree ☐ Not sure/no preference

Please explain your views.

Penalties should be calibrated so that rational commercial decision-making supports timely investment in appropriate firming capacity. The regime should avoid creating incentives for under-investment based on a perception that non-compliance is unlikely to be identified or materially penalised.

As noted in the consultation document, investment in adequate firming capacity can be viewed as an insurance mechanism for a low-probability, high-consequence dry-year event. Such investment may not be justified by normal market returns alone.

The proposed 72 MW Marsden Point diesel peaker project is a practical example of the type of firming investment the regime should be designed to enable. It is a potential turnkey capacity solution that could be delivered by a specialist infrastructure owner, but it is not currently progressing because the market structure does not provide sufficient certainty and commercial drivers for gentailers to commit to the long-term capacity payments required to support investment.

A regime that makes market participants responsible for securing adequate long-term firming capacity would help convert this type of shovel-ready infrastructure concept into an investible project.

Q14. What other design features, transitional arrangements, or implementation issues should be considered to ensure that the long-term obligation is workable, proportionate, cost-effective, and beneficial for consumers?

Please explain your views.

Any regime change should be guided by the principles of minimal intervention, simplicity and certainty. Given the long investment horizons associated with large, complex capital projects, investors need confidence that the rules and thresholds will remain stable over time and will not be subject to material change after investment decisions have been made.

Short-term Obligation

Q15. Do you support the introduction of a short-term obligation as a targeted backstop where a near-term winter reliability risk emerges despite the operation of the long-term obligation?

☐ Yes, I agree ☐ No, I don't agree

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the proposed short-term obligation.

Q16. Do you agree that the short-term obligation should apply to large generators whose contribution to annual energy supply exceeds a defined *de minimis* threshold? We welcome views on whether 2,500GWh of expected annual generation is the appropriate threshold.

☐ Yes, I agree ☐ I agree in part ☐ No, I don't agree

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the appropriate de minimis threshold for the short-term obligation.

Q17. Do you consider the proposed trigger – projected hydro storage crossing the Watch Curve within 90 days if it declines at an assumed rate of 18GWh/day – is appropriate? If not, what alternative trigger should be considered?

☐ Yes, I agree ☐ I agree in part ☐ No, I don't agree

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the appropriateness of the proposed trigger.

Q18. Do you agree with the proposed monitoring period, notification process, three-week response window, and approach to switching off the obligation if conditions improve? If not, what alternative process would be preferable?

☐ Yes, I agree ☐ No, I don't agree

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the proposed monitoring period, notification process, response window or approach to switching off the obligation.

Q19. Do you agree that each obligated generator's obligation should be determined by reference to the winter load its portfolio is expected to support, including its own retail load and relevant contractual commitments? If not, what alternative basis should be used?

☐ Yes, I agree ☐ I agree in part ☐ No, I don't agree

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the proposed basis for determining each obligated generator's obligation.

Q20. What forms of firm energy fuel cover should qualify under the short-term obligation? In particular, how should hydro be treated, including whether, and in what circumstances, existing stored water should be capable of counting toward compliance?

Please explain your views.

It is important that the regulations are not overly prescriptive, which could result in the exclusion of specific fuels. The key assessment of whether a fuel cover qualifies under the short-term obligation should be determined by its ability to meet the objectives of immediate and sustained availability when intermittent electricity generation is insufficient to meet projected demand.

It is difficult to see how hydro could be considered as a firming energy source, since one of the key objectives of the Winter Energy Reliability Obligation is to ensure adequate electricity generation capacity (including immediate and sustainable fuel supplies) are available when intermittent renewable generation is low, especially in a dry year.

New Zealand's primary storage lakes can be drawn down in the space of a few months in a severe dry spell, so hydro cannot be considered to provide firming capability in a dry year.

Q21. How should compliance be assessed? We welcome views on what evidence should be required, and how the Authority should approach questions of firmness, attribution, double counting, and reliance on third-party arrangements (including examples of how these matters are addressed in other jurisdictions).

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the detailed compliance assessment requirements.

Q22. How should the regime deal with arrangements that appear compliant in advance but fail in practice because of upstream supply failure, transport disruption, force majeure, counterparty failure, or similar events?

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on how the regime should address arrangements that fail in practice due to upstream supply failure, transport disruption, force majeure, counterparty failure or similar events.

Q23. How should penalties for non-compliance be designed and calibrated so that they provide a credible incentive to secure genuine firm fuel cover without encouraging inefficient or disproportionate responses?

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on the appropriate penalty design for the short-term obligation.

Q24. What other design features, transitional arrangements, or implementation issues should be considered to ensure that the short-term obligation is workable, proportionate, cost-effective, and beneficial for consumers?

Please explain your views.

We do not have sufficient information or knowledge to comment definitively on additional design features, transitional arrangements or implementation issues for the short-term obligation.