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POWERING A BETTER NEW ZEALAND TOGETHER

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Ministry for Business, Innovation and Employment (MBIE)

via e-mail: electricitymarkets@mbie.govt.nz

Submission on the proposed Winter Energy Reliability Obligation

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net-zero carbon emissions by 2050.

2. We welcome the opportunity to comment on the allocation and design of the proposed Winter Energy Reliability Obligation ('the WERO').

3. We agree that it is not acceptable to continue stumbling from winter to winter in the way that has become commonplace in New Zealand. We have a market-led system and that needs to be strengthened to encourage more firming and flexibility throughout winter when the weather has not delivered enough energy to get us through. This needs to be seen as a kind of insurance option.

4. Our submission **supports** the WERO as the least-cost intervention. But there are caveats. A principled approach is needed to make design decisions such as allocation, threshold tests, capability to manage the dry-year risk, and penalties. These need to be carefully designed to ensure they match the problem definition, which also needs some scrutiny. We provide some illustrative examples to support our views.

Overarching feedback

5. We agree with the problem definition. For a number of reasons (both market and government failures since 2018) the electricity system is lacking sufficient backup 'firm' capacity as it becomes increasingly renewable. Recent media coverage has labelled New Zealand's productivity crisis 'an energy crisis,' and energy has been touted as a key election year issue.[1] Hence, we are seeing such a strongly

[1] See for example: NZ productivity crisis is now an energy crisis | The Post

directive intervention from the Government to address concerns about firm capacity for electricity.

6. The problem definition reflects a classic free-rider problem: while all consumers benefit from a reliable electricity system, individual market participants may lack sufficient incentives to invest in or contract for reliability that benefits the wider system. Left unaddressed, this creates a growing risk that investment in firming will lag behind new demand and renewable generation, increasing exposure to supply shortages during dry years and other periods of system stress.

7. In these circumstances, some form of regulatory intervention may be justified. However, intervention should be targeted at correcting the market failure rather than prescribing particular technologies, fuels or commercial solutions.

8. The objective of the WERO should be to establish clear reliability outcomes while preserving competitive markets to determine how those outcomes are achieved.

9. The WERO needs to be a triaged response, rather than elective surgery. Regulatory intervention should be limited to where and when market failure has been proven, with graduated implementation calibrated over time to respond to evolving market conditions and evidence.

10. Security of supply is not something to be purchased at great cost to the consumer or taxpayer. A principles-based, technology-neutral framework targeted at the wholesale market will deliver this in the most efficient way and provide greater confidence for consumers and market participants making long-term decisions.

11. The WERO is fundamentally an investment mechanism. The design should prioritise long-term, bankable investment signals that encourage new capacity to be built without undue compliance.

12. Other capacity interventions have been considered and were not progressed (we refer to table 4 in the discussion document). We have long held that a fundamental change to the design of the market is not needed and would be destabilising.

Summary position

13. While we support the WERO's intention, we are not entirely convinced that the proposal put forward in the discussion document is the only, or best, solution.

14. Our submission walks through our thinking on the important design elements.

Short-term and long-term obligation

15. The consultation seeks views on a short-term obligation design and a long-term obligation. In our view, there are existing mechanisms and arrangements that will cover the short-term.

16. We think MBIE should focus on long-term solutions that build in sustainable and predictable investment conditions so that the solutions can arrive from domestic or offshore parties and be matched with demand in a market-led way. Some sort-term dry-year risk solutions are already underway, but some are still uncertain. We would expect a long-term WERO to hasten or further incentivise these solutions to enter the New Zealand market. These include:

    a voluntary arrangement between the four gentailers to maintain Huntly and coal as a backup option for ten years – noting that torrefied biomass is a domestically sourced storable, renewable, transportable and dispatchable solid fuel capable of using existing thermal-generation infrastructure, and has been successfully trailed at Huntly;

    b allowing new generation and fuel options (such as torrefied biomass) and technologies (such as long-duration energy storage of 50MW and above[2]) to enter the market; all responding to short-term dry-year risk and price exposure;

    c forthcoming liquified natural gas (LNG) which is currently in a procurement process; and

    d new investment in natural gas exploration (6 new permit applications, oversubscribed $200m gas security fund, for example).

17. Although the short-term obligation may be unnecessary as a standing regime, a transitional mechanism may still be required where a credible new resource could be available before the long-term obligation is triggered but cannot reach investment decision without timely, bankable contracts. Any such mechanism should be competitive, technology neutral, time limited and additional.

18. New, long-term, legislated obligations will need to provide participants and affected parties with lead time to prepare. Equally, the WERO should provide sufficient confidence that the fuel and technology will be required for a long-term period beyond ten years.[3]

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2 See Highview Power's long-duration energy storage solutions, for example which can provide day-long battery-like storage using a range of technologies. They say the WERO could significantly improve incentives to invest in New Zealand.

3 MBIE now expressly identifies the absence of bankable revenues, the 10-15 year contract-tenor gap and the difficulty of financing new long-duration firm-energy resources.

19. In our view, MBIE should discard the short-term WERO design choices and focus on long-term options only.

20. Having said that, the Government could consider a limited, competitive transitional underwrite for the first tranche of new long-duration firm energy to meet new demand from the WERO. This could enable New Zealand to establish a commercial-scale domestic biocoal supply chain for Huntly and new infrastructure for battery storage, as a couple of examples.

Allocating the obligation

21. Our primary concern with the proposals is how the obligation will be allocated. New Zealand's energy-only system is heavily interconnected and depends on participants having access to information about the risks and market conditions of investment. It will not be an efficient system if supply and demand are not appropriately matched.

The obligation should be placed on the source of the reliability risk

22. Dry-year risk is one manifestation of a wider reliability problem that arises when the electricity system lacks sufficient **long-duration energy cover** to meet demand under periods of sustained system stress (MBIE's wording). Those periods may be driven by low hydro inflows, fuel supply disruptions, prolonged renewable generation shortfalls, unexpected plant outages or future changes in demand.

23. The obligation should be placed on the party that creates the need for additional reliability. As electricity demand grows, the requirement for long-duration energy cover also increases. The obligation should sit with those responsible for serving that demand, allowing the market to determine the most efficient means of providing reliability.

24. This approach is consistent with the principles of competitive electricity markets. It doesn't favour technologies or fuels; it establishes the reliability outcome that must be achieved while allowing participants to determine how best to meet it.

25. Technology neutrality should not mean that all resources are treated as economically identical. Eligibility should be neutral, but capability and value-for-money assessment should recognise differences in additionality, construction lead time, contract tenor, fuel security, emissions exposure and reliance on imported supply chains.

Retailers are well placed to manage this obligation (but not just because they are retailers)

26. Retailers are well placed to manage this obligation through a combination of generation contracts, demand response, storage, fuel diversity, firming arrangements or other commercial solutions. This preserves technology

neutrality, supports innovation and competition, and ensures reliability is delivered at least cost.

27. Importantly, framing the obligation around long-duration energy cover provides a more durable regulatory framework. As technologies evolve and the generation mix changes over time, the obligation remains focused on the reliability outcome required by consumers, rather than the characteristics of today's market or assumptions about which technologies will provide tomorrow's firming capacity.

28. As currently proposed, there is a risk that *participant type* guides the allocation. The four generator-retailers are identified as the most likely obligated participants which risks missing out other, including future participants who could play a significant[4] role in either*:*

    a the dry-year *problem*; or

    b helping the system to find a *solution* in a dry-year.

This moral hazard (or free-rider) risk needs to be addressed.

29. In our view, the obligation should be allocated according to a two-stage test:

    - **size/scale** – does the participant (or group of participants?) have a sufficiently large impact on winter reliability to justify regulation? (you could call this the causation test)

    - **potential** – does the participant have practical means to improve winter reliability through investment, contract, fuel procurement, storage, demand response, or other firming measures? Or conversely, expose the system to dry-year risk with no practical means to cover that risk?

30. This simple framework aligns regulatory responsibility with commercial capability, encourages efficient investment, and minimises unnecessary compliance costs.

Useful comparison between liquid fuels MSO and electricity market WERO

31. This type of insurance framework is already reflected elsewhere in New Zealand's energy regulatory framework. The Fuel Industry Act 2020's Minimum Stock Obligation ('MSO') for liquid fuels is placed on fuel suppliers because they control fuel procurement, storage and inventories – not on fuel users, who have little ability to influence national fuel security.[5] This promotes efficient

[4] We discuss the role of 'significance' below in the context of threshold tests.

[5] We acknowledge the recent Commerce Commission approved merger between fuel importer (Gull) and a retail-only distributor (NPD), and shared acquisition by parent companies outside New Zealand. This may trigger a reallocation of the MSO and illustrates how flexibility in design to allocation is very important in future-proofing.

investment, minimises unnecessary compliance costs, and aligns regulatory responsibility with commercial capability.

32. The same logic should underpin the design of the WERO. However, the MSO addresses a *physical* inventory obligation (holding enough fuel in reserve). The WERO is intended to stimulate *ongoing investment and operational decisions* in a dynamic electricity market.

33. That means the WERO will almost certainly need more flexibility in how participants comply than the MSO does. The key lesson from MSO implementation is "listen to and adapt with the industry".

Allocate by capability rather than participant type

34. We think that the WERO should recognise the different ways major participants can contribute to system reliability, rather than prescribing obligations solely by participant category (as we discuss above, the obligation should sit with the causal parties).

35. Generators (by size, only the four gentailers would apply here) are well placed to carry the primary obligation because they make investment and operational decisions that directly influence winter reliability. They can procure fuel, maintain dispatchable generation, invest in storage, contract demand response, or develop new firming technologies. Importantly, they are also best placed to determine the most efficient means of compliance.

36. Large electricity users occupy a different position. While they may not be able to increase electricity supply, some have the capability to make a significant contribution through varying their demand. Participants that can significantly reduce demand during periods of system stress should have this recognised as an equivalent contribution to reliability rather than being expected to invest in generation assets.

37. New connections present a further distinction. Large new loads can increase pressure on the electricity system, particularly if they are running a baseload demand throughout winter that cannot be turned down or off. But a blanket obligation on all new connections risks discouraging investment and electrification while doing little to improve system reliability. Where exceptionally large new loads are likely to have a significant impact on winter demand, it may be appropriate to require them to demonstrate how they will manage that impact, for example through flexible demand, on-site storage, backup generation, or commercial arrangements that support new firm capacity.

There needs to be careful consideration of the impact the participant could have on the problem and/or the solution. The same principle should apply to the dry-year risk.

38. A fuel neutrality approach allows participants to respond to changing market conditions without Government prescribing which fuels or technologies should provide reliability.

39. That said, natural gas currently provides a substantial proportion of New Zealand's dispatchable electricity capability and is likely to remain an important firming resource.

40. Long-duration electricity reliability cannot be separated from investment confidence in fuel supply. Market participants considering investment in gas exploration, appraisal, development, storage and import infrastructure require confidence that future reliability mechanisms will appropriately value firm energy resources.

41. Maintaining generation assets alone is insufficient if fuel supply is not available when required. Reliability arrangements should recognise the importance of securing both generating capability and the fuel needed to operate those assets

Ability to influence dry-year risk

42. Not every market participant has a meaningful ability to influence winter reliability. We are talking about sustained shortfalls of supply, measured in weeks rather than days or hours – but system-wide. Applying the obligation universally would impose compliance costs that are unlikely to deliver commensurate reliability benefits.

43. Thresholds should be designed to minimise unnecessary compliance costs while ensuring that participants with a significant influence on system outcomes contribute appropriately.

44. We support the use of appropriate *materiality thresholds* so that the obligation applies only to participants capable of making a meaningful contribution to system reliability.

45. These should be applied according to the risk or reward they can offer the system, as such, should be graduated rather than applied under blanket terms.

46. This may call into question the application of the compliance burden, which is rising from $2 million per offence to $10 million, three times commercial gain, or 10% of a company's turnover, whichever is the greater. There may need to be some grading of compliance and enforcement to accommodate the thresholds for application of the WERO.

Illustrative examples

47. The following examples demonstrate how the obligation could be allocated according to capability:

- **a large generator**, such as *Genesis Energy*, owns dispatchable generation assets, procures fuel, and makes investment decisions affecting system reliability. It is therefore appropriate that it carries a primary reliability obligation while retaining flexibility over how it complies (noting some structural barriers that may restrict dispatch at short notice or in large volumes).

- **a large industrial electricity user**, such as the *Tiwai Point* aluminium smelter, cannot readily provide additional generation to the market but can materially reduce demand during periods of system stress. Recognising verified demand response as an alternative means of compliance would reward behaviour that improves reliability without unnecessarily increasing costs for productive industry.

- **a large new data centre** may significantly increase winter demand but have limited ability to improve reliability unless it incorporates flexible demand, storage, backup generation or long-term contracts supporting firm supply. Rather than imposing a blanket obligation on all new connections, any requirements should be targeted at system-significant loads where the participant has a genuine opportunity to manage its impact.

Finding the right threshold to trigger the obligation

48. MBIE has asked for views on the appropriate *de minimis* threshold. Any obligation that is threshold-based creates incentives to change behaviour around the threshold rather than improve reliability.

49. Considering the systemic nature of the WERO's approach and potential application, we think there are some options to consider regarding thresholds that aren't reflected in the proposals.

50. In the discussion document, MBIE favours a GWh/year measure because it can be time-bound to cover the dry-year risk period (i.e., winter). However, there are other ways of looking at threshold measures and this is useful when considering potential new participants, or where multiple participants might be considered together as a consortium.

51. It is also worth considering the potential for 'gaming the system' or arbitrage, if potential participants are incentivised to display their credentials in certain ways to avoid the obligation.

52. Our option analysis (using X as proxy for final figures to be determined by MBIE):

Option 1: installed capacity (MW)	This is intuitive for generators and new connections. For example: • **X MW** = too low. Captures many small renewable projects and imposes disproportionate compliance costs.

	• **XX MW** = more reasonable, probably the minimum level at which a participant becomes 'system-significant', but still catches a large number of smaller participants. • **XXX - XXXX MW** = captures only the larger participants but risks excluding assets that collectively matter. On balance, **XX MW** is a better starting point if MBIE chooses a simple installed-capacity threshold and would capture new players appropriately. For example, a 50 MW generator operating during winter peaks is a meaningful contributor to system reliability, as would 50 MW of demand reduction.
Option 2: annual energy (GWh) *(MBIE's preference)*	This may be a better measure for retailers and large users as a measure of scale but has less relation to causation. For example: • **200 GWh/year** – large commercial participant • **500 GWh/year** – major industrial load or retailer • **1,000 GWh/year** – only the largest market participants. The benefit of this approach is that it reflects **market exposure**, not simply plant size. It can be time-bound to focus on winter dry-year risk. **500 GWh/year may be too high** as it would most likely preclude new entrants or solutions.
Option 3: peak winter demand (MW)	Dry-year risk is about unexpected long-duration energy shortage, not annual energy supply. For example: • participants with more than **XX MW** (potentially shared if they are a developer) winter demand could become obligated. This option directly links the obligation to the dry-year problem. The risk is it complicates the situation. New entrants should not be favoured over current players and there could be workarounds that seek to avoid the obligation by being small.
Option 4: portfolio threshold	Instead of individuals or individual assets, the WERO could apply to, say: • a gentailer with **XX MW** across several stations; or • a developer with several **XX MW** wind farms. This could avoid, or incentivise, gaming the system by joining or splitting assets, ownerships and titles. Both scenarios need to be considered as part of the design.

53. Setting the threshold too low risks creating unnecessary barriers to entry, increasing compliance costs for emerging technologies and smaller participants, and inadvertently reinforcing market concentration.

54. Conversely, setting it too high risks excluding participants capable of making a meaningful contribution to winter reliability (either because of timing or calibration of business, or the unintended consequences of arbitrage). The threshold should be calibrated to target system-significant participants while preserving competition and innovation.

Penalties

55. Penalties should form part of the incentive to bring forward investment in firming. They are not intended to punish participants who are acting within agreed laws and frameworks. Penalties should be sufficiently credible to deter deliberate non-compliance, while remaining predictable, proportionate and focused on behaviours within an obligated party's control. For example:

    a unexpected fuel outages;

    b transmission constraints;

    c consenting delays;

    d force majeure events; or

    e government policy changes.

56. Again, a principled approach will help with the design. Proportionate, reflective of actual reliability harm, a graduated or flexible compliance pathway, and commercial incentives should remain stronger than penalties to be encouraging of new investment.

Conclusion

57. The objective of the WERO should be to ensure that participants with a substantial ability to improve winter reliability contribute in ways that reflect their role in the electricity system.

58. The WERO should procure a reliability outcome, not prescribe a reliability solution. A framework based on capability, thresholds, and technology neutrality will create stronger investment incentives, preserve competition, encourage innovation, and deliver winter reliability at least cost.

59. This approach is consistent with the principles of efficient market design and aligns with existing approaches to managing energy security risks elsewhere in New Zealand's energy sector.

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:	Energy Resources Aotearoa

☒ 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.

Energy Resources Aotearoa agrees that additional intervention is warranted to improve security of electricity supply during dry years.

The electricity system is entering a period of significant change. Demand is expected to increase as electrification progresses, while an increasing share of generation will come from intermittent renewable resources. At the same time, the system requires sufficient dispatchable capacity to maintain reliability during periods of low hydro inflows and low renewable output.

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.

We acknowledge the collaborative investment by the four gentailers to keep Huntly operational until 2036. This was a significant contribution from the gentailers and is an important dry-year energy investment that will help see us through the next few winters.

While New Zealand's energy-only market has delivered efficient investment over many years, current market conditions suggest additional incentives should encourage timely investment in new firming resources.

The shift to a more renewable electricity system changes the investment challenge. Firming resources may operate relatively infrequently, yet they provide significant value during periods of system stress. The market requires mechanisms that appropriately recognise and reward reliability before those events occur. This has been the missing piece of the puzzle in our electricity system.

We consider the WERO has the potential to provide those investment signals while preserving competitive market outcomes.

The obligation should complement, rather than replace, existing market incentives by encouraging retailers to contract for reliability services ahead of time, allowing investors to respond to those commercial signals.

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.

Existing market arrangements have not consistently delivered investment in firming resources ahead of need. While scarcity pricing provides incentives during periods of system stress, it does

not necessarily provide sufficient confidence to invest in new reliability resources before those conditions emerge.

We support the objectives of the proposed WERO as a market-based mechanism that strengthens incentives for retailers to secure reliable capacity in advance.

If appropriately designed, the WERO can improve security of supply while allowing competitive markets to determine the most efficient reliability solutions.

The success of the WERO will depend on ensuring it supports investment while preserving competition, innovation and consumer choice.

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.

We do not support regulatory reform that would disrupt the electricity market in a substantial way. The WERO should be designed so that it stabilises and brings forward investment incentives.

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.

As addressed in our submission, strengthened incentives for secure firm backup energy (firming) will help to deliver an energy system that works for New Zealanders and may reduce wholesale electricity prices. Nothing else so far has worked to achieve this.

The obligation needs to target long-term investment. We have arrangements in place for short-term firming but long-term is not getting investment due to insecure investment confidence.

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 agree, but have suggested a broadening set of criteria in our submission to consider future participants, such as a large data centre that places a substantial load on the electricity system and should be obligated to provide evidence of firming capacity alongside its demand.

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 think the 500 GWh threshold may be an arbitrary figure, although helpful as a starting point. It may preclude new entrants from becoming obligated when they may place significant burden on the electricity system during winter or periods of system stress. We believe the obligation should be matched to the causation.

We present alternative ways of looking at thresholds in our submission. These are illustrative only. However, we have members who could be on the 'solution' side who can offer firming in the realm of 50-200MW, which is substantial, especially if it was additional to other firming support in a dry-year situation. Framing the threshold as GWh only may preclude these sorts of assets becoming viable in our future electricity system.

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.

Useful in part, but not the full picture. A forecast alone will not bring new firming capacity to fruition. There is a much more complex picture, including investment certainty, political risk, timeframes, consenting issues etc.

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.

This is a useful starting point but not the only way of looking at the obligation and how it might be allocated, as we discuss in our submission.

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

Please explain your views.

We think proven assets, with physical properties, should be considered. The WERO is not intended to become a capacity market whereby non-physical assets can be traded to meet demand. There needs to be a link to being able to draw on actual firming capacity, not shifting the problem elsewhere in the system or gaming for higher prices.

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.

Hydro treatment is an interesting conundrum in a dry-year situation, because it causes the problem and cannot be part of the solution, however it does provide firming capacity in all other situations – and hydro generator-retailers have portfolios to manage this risk.

There is a risk of double counting or avoidance of the obligation if portfolio contracts are not considered upfront.

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.

[insert response here]

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.

Obligated parties may act in accordance with the WERO but fall short – the question is whether this is by negligence or avoidance, or just luck and risk. If the former, there needs to be some

flexibility. If the latter, that is part of being a participant in the electricity market and that risk should be internalised.

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.

The WERO needs to work alongside other regulatory obligations in the Code, and closely with market measurements and assessments, such as the SOSA. It should not destabilise existing market mechanisms, rather it should complement them with clear obligations that bring forward new investment in firm capacity.

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 address this question in our submission and will not provide further responses in this section. We are happy to discuss this later.

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]

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.

[insert response here]