By email: electricitymarkets@mbie.govt.nz
21st July 2026

SUPA Energy submission on the proposed Winter Energy Reliability Obligation

SUPA Energy (SUPA) supports the Government's objective of improving reliability and reducing dry-year risk. The consultation articulates well the harm to the NZ economy and to consumers that dry-years, electricity shortages and elevated electricity prices can cause.

Current market arrangements place significant value on electricity generated during periods of scarcity but places comparatively little value on maintaining the capability that prevents scarcity from occurring.[1]

We share the Government's concerns about dry-year problems and agree winter 2024 demonstrated current market settings have not provided sufficient certainty that long-duration firm resources will be available when hydro storage is low and demand is high. The electricity sector has faced repeated dry-year conditions over the past decade; with 2024 standing out due to the simultaneous impacts of high demand, low wind generation, and fuel shortages.

The proposed two-layer obligation is a positive step because it puts responsibility for dry-year preparedness on the parties with the greatest ability to manage the risk. A clear obligation to secure reliable winter cover ahead of time should help reduce the risk of shortages and moderate the price spikes that can otherwise occur when hydro inflows are low.

However, we don't think there is a single bullet solution. SUPA considers that the Winter Energy Reliability Obligation should be part of a wider package of reforms that encourage competition, decentralised investment, distributed energy resources and demand-side flexibility.

[1] The concerns the Transpower, the Minister of Energy and the Associate Minister have raised about Meridian's new resource consent to be able to lower Lake Pukaki by another 5 metres and how this is used highlights that the interests of New Zealand as a whole and the commercial interests of particular market participants is not always aligned. Running the lake harder could access more electricity generation but could mean less storage for dry-years if the lake isn't sufficiently replenished.

The Government (and industry regulators) should strive to achieve a highly competitive electricity market, with a diverse range of suppliers and technologies, to unshackle the country's dependency on the investment and commercial decisions of any individual market participant(s).

Summary of SUPA's position

- The consultation paper articulates well that there are problems with current market settings that need to be addressed. We recognise there are a range of potential options that could help better manage dry-year risk. The critical thing is to ensure action is taken, and we don't just wait until the next crisis before doing anything.
- SUPA supports targeting the Winter Energy Reliability Obligation at large market participants.
- The obligation should recognise the role that batteries, virtual power plants, demand response, distributed energy resources and community energy can play alongside thermal firming.
- Obligated parties should be incentivised to contract with 3rd party and independent providers to meet their reliability obligations to ensure the lowest cost solution to the electricity sector's dry-year problems.
- The proposal to regulate a Winter Energy Reliability Obligation for large market participants may well be a positive step in the right direction but it will be regulating against their commercial interests.
- The framework should avoid reinforcing gentailer dominance and should instead support new entrants, independent retailers, aggregators and community-scale energy providers.
- The obligation should be treated as part of the solution, not the whole solution. It should be complemented by reforms that make it easier to invest in generation, storage, demand flexibility and distribution-connected resources. We think part of finding an enduring solution is ensuring there is a wide range of diverse investors in new electricity generation sources, and NZ Inc.

Support for market reform

SUPA agrees that dry-year risk should not be left to taxpayers, households or businesses to absorb through extreme spot prices, scarcity conditions or reduced security of supply. A clear obligation to secure reliable winter cover ahead of time could help reduce the risk of shortages and moderate the price spikes that can otherwise occur when hydro inflows are low.

SUPA supports the proposal to focus the obligation on large market participants. These parties have the greatest influence over generation investment, contracting, fuel security and market outcomes. It is appropriate that they carry the primary responsibility for ensuring the system has adequate cover during forecast dry winters.

Competition and third-party contracting

A key design issue is whether the obligation strengthens competition or reinforces the existing market power of the largest gentailers.

SUPA supports targeting the obligation at large participants, but the framework should not restrict delivery of reliability services to those same participants. Obligated parties should be incentivised to contract with independent providers, aggregators and energy service businesses to meet their obligations at the lowest possible cost.

This would allow companies such as SUPA to help deliver winter reliability through distributed batteries, flexible demand, customer-side resources and community energy platforms. It would also create an investment pathway for new entrants and avoid concentrating additional value in incumbent generation portfolios.

Tradeable reliability products

SUPA recommends MBIE consider whether tradeable reliability certificates or similar products could support the obligation. A tradeable product could create a competitive market for winter reliability, allow independent providers to monetise verified reliability services, and give obligated parties flexible ways to comply. This approach would be consistent with the objective of encouraging investment while preserving competitive pressure on costs.

Demand response and peak shaving should be valued equally

Reducing demand at critical times can be equivalent, from a system reliability perspective, to increasing generation. SUPA recommends the obligation place equal value on verified demand reduction, peak shaving and firm generation where they deliver the same reliability outcome. Batteries that reduce winter peak demand, defer network investment and release capacity during scarcity periods should be eligible to contribute.

Transition to a highly diversified, technology agnostic electricity market is essential

If the Government (and industry regulators) are successful in breaking down the existing oligopoly and promoting a highly competitive electricity market, with little or no barriers to entry and growth by independent and alternative suppliers, the Winter Energy Reliability Obligation may only be needed as a transitional mechanism.

If we want affordable and reliable electricity, what we fundamentally need is a highly competitive market, with a diverse range of suppliers and technologies. A competitive market is the most reliable way to ensure investment occurs when and where it is needed, electricity prices are kept in check, and high electricity prices reflect genuine scarcity.[2]

The questions about whether there has been sufficient investment fundamentally comes down to questions about how competitive the market is. The premise that dry-year risk can be managed through market incentives – high scarcity prices will provide the signals needed to ensure investment in generation capacity occurs when it is needed – is dependent on competition working well, with low barriers to entry and limited market power.

The long-term reliability pathway should not be framed around dependency on the large market participants alone. Batteries, virtual power plants, distributed storage, demand response and aggregated flexible load can all contribute to winter reliability. We should expect to see the emergence of a range of alternative suppliers and technologies and not just as the current market niche, including for example:

- Battery Energy Storage Systems, including utility-scale batteries, grid-forming batteries, community batteries and aggregated distributed batteries.
- Virtual Power Plants that aggregate distributed generation, storage and controllable load.
- Demand response and controllable load, including EV charging, hot water, HVAC, irrigation, commercial refrigeration and industrial load management.
- Distributed energy resources connected at distribution level, including 400 V, 11 kV and 33 kV assets.
- Community energy projects, including schools, businesses, marae and community-scale battery projects.

Concluding remarks

SUPA supports Government intervention as a necessary step to improve dry-year preparedness and energy supply reliability. The Government should, however, treat the Winter Energy Reliability Obligation as a transitional mechanism to deal with problems in the immediate term. The goal should ultimately be to strengthen competition and accelerate the transition to a more decentralised, flexible and resilient electricity system.

[2] This is an important point which the consultation paper does not focus on.

A technology-neutral framework that fully recognises batteries, virtual power plants, demand response, distributed energy resources and community energy will deliver better outcomes for consumers, reduce reliance on incumbent generation portfolios, and help New Zealand achieve a more reliable and affordable energy future.

Yours sincerely,

Luke Blincoe
CEO
SUPA Energy
Privacy of natural persons
w. www.supa.energy