

14 November 2025

Hayden Glass
General Manager, Wholesale and Supply
Electricity Authority
PO Box 10041
WELLINGTON 6143

Sent via email: OperationsConsult@ea.govt.nz

Dear Hayden

Emergency reserve scheme – Code amendment proposal

1. This is a brief submission from the Major Electricity Users' Group (MEUG) on the Electricity Authority's (Authority) consultation paper "*Emergency reserve scheme – Code amendment proposal*"¹ published on 17 October 2025.
2. MEUG members have been consulted on the approach to this submission. This submission does not contain any confidential information and can be published on the Authority's website unaltered. Members may lodge separate submissions.

Unconvinced that the scheme provides sufficient incentives for many large users

3. MEUG welcomes the Authority working at pace to develop a tool ahead of winter 2026, to support security of supply. We have reviewed the Code amendments put forward by the Authority and overall, we are comfortable with the design of the proposed ancillary service. We also support the Authority providing a Cost Benefit Analysis to support the regulatory statement, giving readers some sense of the scale of benefits possible from this Emergency Reserve Scheme (ERS).
4. We continue to hold the same view expressed in our September 2025 verbal submission² – we are still unconvinced that the scheme provides sufficient incentives to shift participants' behaviours:
 - Given that it is only intended for times of acute stress as a "penultimate resort", it is likely to be called upon infrequently. We do not believe this provides a sufficient case for businesses to undertake any necessary operational actions to participate in this new ancillary service.
 - Confirmation of the "additionality" principle³ will exclude many of our members taking part, as they are already involved with AUFLS and Interruptible load. Many will not be able to consider this new ancillary service until the 12-month test has passed.

¹ https://www.ea.govt.nz/documents/8484/Emergency_reserve_scheme_Code_amendment_proposal_-_Consultation_paper.pdf

² https://backend.meug.co.nz/assets/Documents/MEUG_-_Emergency_Reserve_Scheme_submission_2025_oral_submission.pdf

³ Updated design element 1: Eligibility for emergency reserves, as discussed on page 21 of the consultation paper.

5. At the time of writing, no MEUG members have expressed interest in taking part in this new ancillary service. However, we expect many businesses will watch to see how it is deployed next year, what prices are paid and the experience of any early adopters, before they consider their involvement.

Detailed comments on design

6. MEUG has the following brief comments on the design of the ERS:
- We are comfortable with a cap being set at the Value of Lost Load (VoLL).
 - We support establishing a pre-qualified panel of ERS suppliers.
 - The four-week procurement timeframe and the pre-activation and activation processes seem prudent. However, we do query whether some industrial consumers may need more than an hour to active the ERS, to manage technical onsite requirements.
 - It would be useful for the Authority to update Figure 2 in the consultation paper to include the deployment of Participant Rolling Outage Plans (PROP), as several MEUG members have these in place.
 - We support the Authority undertaking a review of the ERS once it is fully operational – this is in line with good regulatory practice. We also note that the System Operator is focused on developing a minimum viable product version for deployment in 2026 but may need two years to fully establish the scheme. Timely implementation should be balanced with the need for a robust and tested service.

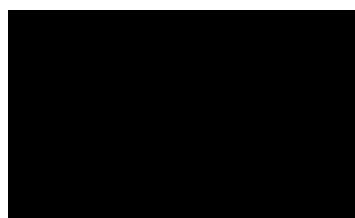
Wanting to understand broader work on demand flexibility

7. MEUG welcomes further discussion with the Authority on the development of a full industrial flexibility roadmap, as signalled under action 2D of the Energy Competition Task Force. We believe that there is still a broader set of actions that could be explored to increase the level of demand response participation in the market. We still have interest in how the current dispatchable demand option could be adjusted for industrial participation.
8. We note that the Authority has recently called for nominations for a new voluntary technical group to co-design a standardised demand flexibility product (e.g., a standardised hedge product). This is a positive step, and we hope that industrial and commercial business representatives put themselves forward for this group.

Next steps

9. If you have any questions regarding our submission, please contact MEUG on [REDACTED] or via email at [REDACTED].

Yours sincerely



Karen Boyes
Major Electricity Users' Group