

14 November

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Submissions - Energy Competition Task Force  
Electricity Authority / Commerce Commission

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## **Nova Energy's submission to the consultation paper: Energy Reserve Scheme – Code amendment proposal**

Nova Energy (Nova) appreciates the opportunity to comment on the above-mentioned issues paper from the Electricity Authority (the authority). Nova overall supports the establishment of an Emergency Reserve Scheme. However, is concerned that the proposed design introduces risks that could undermine market integrity and long-term investment signals if not carefully managed.

Nova's most pressing concerns are:

- The risk of double dipping, where participants receive overlapping payments for the same physical response.
- The risk of distorting scarcity pricing, which is essential for incentivising flexible demand, storage, and peaking generation.
- The risk of crowding out merchant investment, if ERS payments displace private investment in fast start assets or demand response.
- The risk of locational mismatch, where procurement fails to target areas of actual shortfall.

To address these risks, we recommend a small number of targeted Code amendments. These safeguards are to ensure the ERS remains a narrowly focused backstop, complementing rather than displacing market driven reliability solutions.

### Proposed Code Additions

#### **A – Mandatory Disclosure & Prequalification**

Any ERS Provider must disclose all existing bilateral contracts, demand response obligations, or other arrangements that could affect availability of the same resource. The System Operator shall maintain a confidential register of these commitments.

#### **B – Netting of Revenues / No Double Dipping**

Payments under ERS must be net of any other remuneration for the same physical response. Providers must disclose overlapping payments within five business days. Non-disclosure or overlap triggers clawback and penalties.

#### **C – Additionality Test & 12 Month Lookback**

A resource is considered “additional” only if:

- (a) It was not contractually obligated to deliver the same service in the preceding 12 months;
- (b) It is not subject to an existing obligation in the same activation window;
- (c) Its participation does not displace ordinary market responses.

***D – Locational Procurement & Probabilistic Forecasting***

The System Operator must incorporate probabilistic and locational security assessments into ERS procurement. Where locational shortfall risks are identified, procurement must target those regions rather than contracting undifferentiated system wide volumes.

In Nova's view, adoption of these clauses will help ensure the scheme delivers genuine incremental reliability while maintaining confidence in market signals.

Yours sincerely,

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