

12 August 2026

Hon Heather Roy
Chair
Security and Reliability Council (SRC)

By email: heatherjroy@gmail.com

Dear Heather,

Re: SRC advice from its 20 May meeting

Thank you for your letter of 5 June 2026. The Electricity Authority Te Mana Hiko (Authority) Board considered the SRC's advice at its 9 July 2026 meeting. This response reflects that consideration.

Security of supply outlook

Continue to build understanding and forecast capabilities for system demand and supply

We agree with the SRC that this will need to be a continuing focus.

Since the last SRC meeting, the Government has released a revised [Government Policy Statement \(GPS\) on Electricity](#). The GPS includes a new requirement for the Authority to report regularly to the Minister for Energy on the status of electricity supply security at a strategic level, with independent input from the SRC. We welcome this development and look forward to engaging with the SRC as we develop our approach for the report.

We expect that this work will require the Authority to model a range of demand and generation pipeline assumptions. The SRC's expertise and perspective will add valuable insight to the process for generating and testing future scenarios and assumptions

To undertake this will mean we need to invest in enhancements to our modelling tools and capabilities. This will enable more mature forecasting of the system as suggested by the SRC. These enhancements would also be useful if the Government proceeds with its proposed Winter Energy Reliability Obligation, which involves the Authority making judgements about the adequacy of supply to meet winter demand up to five years in the future.

In the meantime, we continue to enhance our existing demand forecasting scenarios and actively track forecasts produced by other organisations to strengthen our understanding of system demand and supply. We are also continuing to improve visibility of the investment pipeline with:

- [our decision](#) to require distributors to regularly provide information on significant distributed generation and load connection developments, and

- improvements to our [generation investment pipeline dashboard](#) – this is now published monthly and has been updated in response to participant feedback.

Enabling and incentivising generation build

Alongside this enhanced monitoring role, we agree with the SRC that measures to support investment in new generation remain central to strengthening security of supply. We note that participants continue to deliver a significant volume of new generation, and the Authority remains focused on regulatory settings that support efficient investment and timely connection.

Two recent milestones are especially relevant here:

- Our work on [unlocking the potential of battery energy storage systems \(BESS\)](#) is a key initiative to support security of supply. The role of BESS in supporting system security was demonstrated in late July and early August when the System Operator issued low residual notices.¹ We are on track to release a decision on improvements to the wholesale market arrangements for BESS in late September.
- Our decision to [extend the duration of baseload futures contracts from three to five years](#). Longer-dated futures can support price discovery and provide better insights into the extent to which prices are converging to the levelised cost of energy. Importantly, longer-dated futures can also help to price power purchase agreements for renewables.

Considering the impact of fuel availability on security of supply

We note the SRC's recommendation that security of supply assessments should consider the impact of daily gas delivery limitations. The System Operator's current modelling uses monthly deliverability values which, when converted to daily values, provide useful approximations. We will work with the System Operator to consider whether its modelling can be augmented with daily gas data from GIC.

Maintaining grid stability as more inverter-based resources come online

We support the SRC recommendation to prioritise regulatory enablers and ensure System Operator readiness for faster deployment of inverter-based resources.

Authority staff were pleased to have the opportunity to highlight the work of the Future Security and Resilience (FSR) programme to the SRC. This work has been underway since 2021 and is focused on how to ensure the electricity system remains secure and resilient in the coming decades. It is a project that requires close collaboration with the System Operator.

Our FSR work and our BESS work, mentioned above, are both important projects to support grid stability and a future with increasing inverter-based resources. These are priority initiatives for the Authority as highlighted in our [statement of performance expectations 2026/27](#).

We have recently started developing, with the System Operator, a [frequency management strategy](#). The strategy is intended to provide clearer direction to industry participants on how frequency management should evolve, while establishing a framework to address emerging challenges such as increased intermittency, the changing generation mix, declining system inertia, new technologies and evolving load behaviour. Its scope includes:

- reviewing the interactions between asset owner obligations and frequency-related ancillary services

¹ BESS added capacity over the peak periods and provided reserves to maximise northward HVDC flow.

- identifying potential new ancillary services to provide for emerging system needs.

The Authority will continue to work closely with the System Operator to ensure regulatory settings and operational capabilities keep pace with emerging risks, as well as monitoring System Operator performance in this area. We recognise that unmanaged risks in this area could have significant consequences for the power system.

While we consider that our current work programme is appropriately designed to address these risks, we will continually scrutinise the rapidly changing technology and the deployment of this for implications on our future work. These emerging system challenges also reinforce the importance of ensuring the System Operator has the tools, capability and strategic direction needed for a more complex power system.

Explore opportunities for increased use of sensing and AI by the System Operator

We acknowledge the SRC's recommendations to work with the System Operator to mature its understanding and forecast capabilities for system demand and supply, and to explore opportunities for increased use of sensing and AI.

The System Operator has indicated in its draft [strategy](#) that it is looking to:

- enhance its forecasting tools to capture the effects of growing distributed resource and intermittency, and
- expand its capability to use tools such as AI to stress test a wider range of load and generation scenarios.

These enhancements are planned for the next System Operator Service Provider Agreement (SOSPA) period (ie, 2028 to 2031), and the System Operator is signalling that this will require investment in its tools and processes.

The System Operator Strategy, along with the [independent review of the System Operator](#) service, are important deliverables for ensuring that the System Operator is prepared for the transition to an increasingly complex power system. The Authority thanks the SRC for its input into the scope of the review and for the quick turnaround on feedback. We have kept the scope of the review focused to manage both time and cost pressures. However, we believe the SRC can add value through direct engagement with the provider and by independently assessing the advice once it is received.

Act early to prepare for an at-scale transition from gas to electricity

We note this recommendation. As we have mentioned in response to previous advice, encouraging or managing any transition from gas to electricity is not a role for the Electricity Authority.

The Authority and System Operator do consider the potential impacts of both increased and faster electrification through planning and assessment processes, including the annual Security of Supply Assessment (SOSA), which includes a high-demand sensitivity. And we note that electrification, particularly of process heat, is expected to be a key driver of changing electricity demand. Our updated strategy for 2026/27 sets out how we are responding to a changing system.

On one specific matter, the SRC's letter refers to an estimate that 750,000 litres of diesel are required each week "to support the electricity system". We understand that this reflects the diesel estimated to be required by essential service providers to operate vehicles used to

maintain transmission and distribution infrastructure and respond to faults. The Authority will continue to monitor fuel availability and related operational risks closely.

Other matters

Update on tree regulation reform

We know that tree regulation reform has been on the SRC's radar for some time. We are pleased to advise that the updated [Electricity \(Hazards from Trees\) Regulations](#) came into force on 23 July 2026. These amendments will lower the risk to power lines from trees outside the immediate Growth Limit Zone. The changes will:

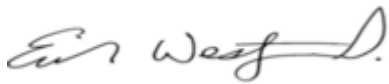
- enable lines owners to assess the likelihood and potential impact of a tree falling onto an adjacent line, and to issue a Treefall Hazard Notice for moderate and high-risk trees
- restrict the planting of new trees on land that is not already forested or part of a shelterbelt outside urban areas.

Looking forward

Thank you again for the SRC's advice, and congratulations on publishing the SRC's first year in review document. We consider it a useful and accessible summary of the SRC's work.

The Board highly values the role the SRC plays in contributing independent advice and sector insight to the Authority's work. We look forward to continuing our work with the SRC and to our meeting in person next month.

Yours sincerely,



Erik Westergaard
Deputy Chair
Electricity Authority – Te Mana Hiko