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To whom it may concern

## Ensuring an Orderly Thermal Transition

Firstgas Group welcomes the opportunity to comment on the Electricity Authority's consultation paper "Ensuring an Orderly Thermal Transition". The consultation paper presents analysis by Concept Consulting Group and examines a number of policy options to ensure an orderly transition of thermal electricity generation.

We broadly support the conclusions the Electricity Authority has reached on the policy options.

The remainder of this submission sets out our comments on the implications of the consultation paper on the security of supply standards. We recommend the Electricity Authority schedule a review of the security of supply standards.

There is no confidential information in this submission.

## Updates to the security of supply standards and assessments are warranted

Concept Consulting Group's analysis stated that "Our analysis did not identify a scenario where investment in new thermal generation was likely to be economically beneficial (or revenue adequate) in or before 2032." If this conclusion is accepted then it should raise two concerns:

- The electricity system operator's assessment of security of supply includes 360 MW of new thermal generation coming online in 2025 (in three of the four 'supply pipeline stages' the system operator assessed). Their analysis indicates the presence or absence of this generation makes about a two-year difference on when the winter capacity margin is breached.
- The Electricity Authority's winter security standards are modelled using thermal generation as the most efficient way of meeting the next 10 MW of capacity.

In both cases, if Concept's analysis is correct, readers may understand the system operator's assessment against the security standards as showing that security of supply is more assured than the data warrants.

If new ancillary service markets were created (Option F in the consultation paper), then this could impact the suitability of the security standards for generation capacity. At present, 400 MW of reserves (including 140 MW of interruptible load) is 'hard-coded' into the security standards themselves. If the actual reserves procured change significantly, the system operator cannot account for this in the security of supply assessments without making an inaccurate comparison.



We understand that the Electricity Authority has not completed a full review of the security standards since they were calculated in 2012 (although a review was partially completed in 2018). The consultation paper raises new reasons to review the security standards, though there are plenty of other reasons to do so. In order to understand whether consumers are receiving an efficient level of reliability (in terms of the energy and capacity of the generation fleet), the Electricity Authority should schedule a review of the security of supply standards.

## Contact details

If you have any questions about this submission, please contact me on 027 2016600 or via email at [callum.mclean@firstgasgroup.co.nz](mailto:callum.mclean@firstgasgroup.co.nz).

For more information about Firstgas Group's businesses, refer to **Attachment 1**.

Yours sincerely

**Callum McLean**

Senior Policy & Government Affairs Advisor



## Attachment 1 About Firstgas Group

Our vision is to lead the delivery of New Zealand's energy in a changing world. Our mission is to safely and reliably deliver energy that's affordable and accessible to Kiwi families and businesses. We're proud of this and of the important role we play in Kiwis' lives.

Firstgas Group is an umbrella brand consisting of Rockgas, Firstgas, Firstlight Network, First Renewables, Flexgas and Gas Services NZ. Firstgas delivers natural gas to over 165,000 customers through a gas network of over 2,500 kilometres of high-pressure transmission pipeline and 4,800 kilometres of distribution pipeline in the North Island. Rockgas supplies LPG to 36 local suppliers and over 180 Refill and Save locations across New Zealand.

Firstlight Network is the electricity lines company for Tairāwhiti and Wairoa. Firstlight delivers electricity to more than 25,000 customers over a 12,000 square kilometre area.

Flexgas and Gas Services NZ are energy storage, operations and maintenance companies which make sure gas can be delivered safely and continuously. Flexgas operates the Ahuroa gas storage facility in central Taranaki. Gas Services NZ provides operational and maintenance support to all gas infrastructure owners, including the companies within Firstgas Group.<sup>1</sup>

New Zealand's homes have benefited from a choice of energy sources to meet their household needs. Currently there are over 400,000 homes in New Zealand which have natural gas and LPG. These homes predominantly use gas for cooking, instant hot water and heating. There are many benefits of having gas in the home. Natural gas is currently the most affordable way to heat water.<sup>2</sup> Gas boilers heat water so that it is instantly available. It requires no onsite storage in the home.

Firstgas is investigating opportunities for using our assets to help reduce New Zealand's carbon emissions. Our gas transmission and distribution networks cover much of the North Island and are ideally placed to support the development, transfer, and use of emerging fuels such as hydrogen and/or biogas.



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<sup>1</sup> For more information about Firstgas Group, visit [www.firstgas.co.nz](http://www.firstgas.co.nz) , [www.firstlightnetwork.co.nz](http://www.firstlightnetwork.co.nz), [www.rockgas.co.nz](http://www.rockgas.co.nz) , [www.flexgas.co.nz](http://www.flexgas.co.nz)

<sup>2</sup> [Home heating costs - Consumer NZ](#)