

12 December 2022

Sarah Gillies
Chief Executive (Acting)
Electricity Authority
Level 7, AON Centre
1 Willis Street
Wellington 6011

Email: sarah.gillies@ea.govt.nz

Re: Winter Peak Ancillary Services Product to maintain security standards

Dear Sarah,

We appreciate how quickly the EA focused on the signal that there are emerging reliability issues for winter 2023 and released a thoughtful consultation paper. We will provide our responses to the consultation paper and include a developed winter peak ancillary service product within the consultation process.

We remain of the view that a multi-hour winter peak ancillary service should be introduced with urgency in order to maintain an acceptable level of reliability in winter 2023. We will comment on other longer-term options in our submission.

We take the view that this short-term solution is executable if we act quickly and is in the long-term interests of consumers precisely because consumers should get the level of reliability they want and are willing to pay for. It is also in the long-term interests of consumers to maintain confidence that the electricity industry will provide reliable supply when electrification is at the centre of the decarbonisation programme. However, the evidence shows the system is more precarious and the heightened risk of a generation emergency in winter 2023 is in no one's interest. Retailers, acting on behalf of consumers, will want the reserve services required in place to support next winter and the energy transition. Our proposed ancillary product will enable this.

We think that a number of options in the consultation paper should be pursued in any event. We can see that there are improvements that can be made with competition and efficiency in mind. However, the only option that will be sure to make a discernible difference to reliability in winter 2023 is an ancillary service product introduced with an urgent Code amendment.

As we noted in our previous letter, for the required work to be completed for our proposed product by winter 2023, an urgent Code change would be required. Our submission will include as much work as we think we can advance on our product without collaborating with you, including design and Code amendments.

We believe that the solution we are seeking to put in place is what would be expected from good risk governance, given the timeframes involved and the consequences. Given the urgency of the need to address the winter 2023 situation, we suggest we work together to advance our developed proposal in parallel to your assessment of all submissions. If your assessment of the issues and the

submissions finds that we should proceed with an ancillary service product targeted at the immediate risk, then this work would be worthwhile. If, after your analysis of submissions, you were to find that the product we have designed is unnecessary, then the cost is simply the cost of maintaining the optionality while you process all submissions.

Yours sincerely



James Kilty
Chief Executive
Powerco



Alison Andrew
Chief Executive
Transpower



Vince Hawksworth
Chief Executive
Mercury



Neal Barclay
Chief Executive
Meridian



David Prentice
Chief Executive
Manawa Energy



Simon Mackenzie
Group Chief Executive
Vector



Nigel Barbour
Group Chief Executive
Orion



Tracey Hickman
Interim Chief Executive
Genesis



Mike Fuge
Chief Executive
Contact Energy



Ken Sutherland
Group Chief Executive
Unison Group



Babu Bahirathan
Chief Executive
Nova Energy