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Electricity Authority  
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## Manawa Energy's Submission on Potential solutions for peak electricity capacity issues

### Introduction

Manawa Energy (**Manawa**) welcomes the opportunity to provide a submission to the Electricity Authority (**Authority**) on its *Potential solutions for peak electricity capacity issues* consultation paper (**Consultation Paper**).

Manawa is an independent power producer with a proven track record of investing in local and grid scale renewable generation. Its strategic plan for future investment aligns with the achievement of New Zealand's decarbonisation and electrification objectives.

Manawa operates a diverse portfolio of 44 power stations across 25 hydro-electric power schemes, supplying around 5% of New Zealand's electricity needs.

### Submission

As increased electrification is expected to drive peak capacity issues in the sector, Manawa is supportive of the Authority working to investigate how to supply consumers' electricity needs reliably and affordably. The challenge will be to find the right balance between solutions to capacity issues and the protection of overall system goals.

The following submission focuses on areas we suggest should be a priority for the Authority and considerations that will need to be included in the assessment of options.

#### *Improved market participation for demand response and BESS in the short-term*

Manawa is supportive of the Authority focussing its resources on identifying and lowering barriers for Battery Energy Storage Systems (BESS) and demand side flexibility to participate in the wholesale and ancillary service markets. As discussed in the Consultation Paper, the timeframes needed to procure and commission physical resources means short-term solutions are limited to co-ordinating current resources. Removing regulatory roadblocks for BESS and demand response to participate more easily in the market is going to be the most pragmatic and timely solution.

#### *Financial incentives to provide flexibility*

Whilst Manawa is supportive of the development of new flexibility products so participants are able to better manage their risks associated with increased volatility under more renewables, their design will need to be carefully considered to ensure they succeed and that unintended consequences do not arise. The proposed industry workshops will be a good first step in this analysis.

We do not support the immediate focus on introducing market making arrangements for these new flexibility products (whether mandated or commercially supplied). New market arrangements will need time to embed and careful consideration of the cost-benefit of introducing market making arrangements is required as they have the potential to introduce significant additional cost for consumers and potentially affect liquidity for other products. A thorough cost benefit analysis will be required to support any decision on introducing market making for new flexibility products

This position is consistent with the Market Development Advisory Group's (MDAG) final recommendations<sup>1</sup> which does not put market making in its first tranche of recommendations (measures that are required urgently).

#### *An Integrated Standby Ancillary Service*

Manawa broadly agrees with the potential advantages and disadvantages of an Integrated Standby Ancillary Service as described in the Consultation Paper. The assessment that the service is not a potential solution for winter 2024, nor is it able to provide certainty of improvements over the medium to long term, is sensible. Given this, and the additional costs of such a service, the Authority should be focusing on encouraging participation of BESS and demand response, as discussed above.

If you have any questions regarding the content of this submission, please contact Grace Burtin, Regulatory Manager.

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<sup>1</sup> [https://www.ea.govt.nz/documents/4335/Appendix\\_A2\\_-\\_Final\\_recommendations\\_report.pdf](https://www.ea.govt.nz/documents/4335/Appendix_A2_-_Final_recommendations_report.pdf)