

Via email to [taskforce@ea.govt.nz](mailto:taskforce@ea.govt.nz)

28 August 2025

## Establishing an Emergency Reserve Scheme (ERS)

Mercury welcomes the opportunity to submit on the Electricity Authority's (Authority's) consultation paper, *Establishing an Emergency Reserve Schemes*, 31 July 2025.

The Authority is establishing an ERS to enhance the reliability of New Zealand's electricity system and support security of supply. Mercury supports an ERS that provides the System Operator with an additional tool to use in periods of acute system stress. We consider, however, that it is crucial, over the long-run particularly, the ERS does not displace the incentive to invest in generation and demand flexibility initiatives that mitigates the risk of system stress in the future.

A starting point to address this risk, as highlighted in the consultation, will be to ensure that the ERS does not fetter nor dilute price signals provided by scarcity. We support the recommendation that any demand reduced because of the activation of ERS be 'added back' into nodal load schedules, in real time, so that spot prices are set at the level they would have been (likely scarcity prices) in the absence of the scheme. This would help ensure prices continue to signal effectively the need for both supply in real-time and investment in additional capacity.

Furthermore, Mercury supports the Authority's proposal for cost recovery, where the cost of ERS is allocated to 'loads', including retailers and consumers who participate directly in the spot market, as this will promote efficiency of the scheme. It is efficient to recover ERS costs from customers who benefit by consuming electricity during infrequent, emergency events.

More generally, it is important that the ERS promotes future development of new demand flexibility services. For instance, the Authority has identified around 170MW of 'high-confidence' potential industrial demand response currently available to provide intra-day flexibility services. Having greater visibility of the reasons that this potential capacity has not engaged in commercial products could assist in the development of new services that target gaps in the market.

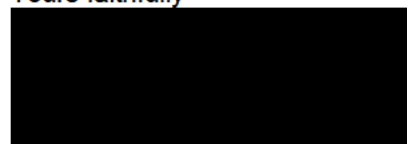
The Authority proposes to implement the ERS in a staged manner. Focusing at this point on an initial implementation by May 2026, targeting winter 2026, that is limited to a 'minimum viable product' version of the ERS is practicable. Given this focus, Mercury supports using the identified high-confidence capacity to design the 'minimum viable products' and exclude off-market generation and batteries.

As the Authority also notes, a staged implementation would provide an opportunity to learn-by-doing and evolve the scheme in response to experience and market conditions over time, or even to suspend it should market conditions change. It will be important that the Authority maintain transparency while learning-by-doing. The Authority should provide a plan (even indicative) that sets out the stages, including amongst others, a review stage of the ERS after winter 2026.

With respect to the other points raised in the consultation paper, Mercury supports the ERGANZ submission.

We look forward to continuing to engage with the Authority and the sector on the implementation of the ERS.

Yours faithfully

A black rectangular box redacting the signature of Antony Srzich.

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