

28 August 2025

Submissions
Electricity Authority

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By email: taskforce@ea.govt.nz

Establishing an Emergency Reserve Scheme

Nova Energy (Nova) appreciates the opportunity to comment on the above-mentioned consultation paper.

Nova is broadly supportive of the proposal, and notes that in the Winter 2023 consultation, Nova and other submitters highlighted the risk that out of market procurement could distort incentives or weaken scarcity signals. Nova is pleased to see that the current ERS design explicitly addresses this by maintaining scarcity pricing and requiring that demand response be additional. The ERS must complement the market signals and investment already working to deliver a more secure and renewable electricity system.

In line with the Task force's view, the ERS must operate only as a last resort, prior to involuntary load shedding and on the basis that:

- scarcity pricing should continue to apply when the ERS is activated, ensuring efficient wholesale market signals remain intact.
- the scheme should operate via a contestable procurement process, with costs allocated across all purchasers as for other ancillary services (such as frequency keeping and black start)
- participation to be limited to demand-side resources, not generators or batteries.

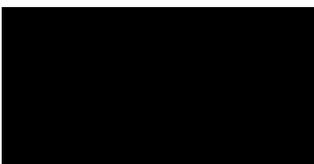
In Nova's view, these measures will help ensure the scheme is targeted, proportionate, and consistent with efficient market outcomes.

The regime should, however, allow for discretionary penalties to be applied in cases of material non-compliance. Given the seriousness of emergency events, a failure to perform should be treated consistently with other forms of non-compliance under the Code (such as failure to follow dispatch instructions). This ensures there are appropriate consequences without creating undue barriers to participation and competition.

Finally, as Nova stated in its Winter 2023 submission, demand-side flexibility can be an efficient, lower-cost tool for managing short-term stress periods, but it must be implemented in ways that strengthen, not replace, wholesale market signals.

On this basis, Nova supports the introduction of an ERS for Winter 2026.

Yours sincerely



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