SECURITY AND RELIABILITY COUNCIL

10 March 2026

Erik Westergaard
Acting Chair, Electricity Authority
Electricity Authority
PO Box 10041
Wellington 6143

Dear Erik,

Advice from 23 February 2026 SRC Meeting

The Security and Reliability Council (SRC) provides the Electricity Authority Te Mana Hiko (Authority) with independent advice on the performance of the electricity system, the system operator, and reliability of supply issues.

Thank you for the Authority's response to the SRC's 10 November 2025 advice. The SRC is encouraged by your actions with EECA modernising inverter standards for small scale DG and plans for flexible export limits.

The SRC is disappointed that reform of tree regulations appears to miss the mark, allowing commercial forest owners to externalise the cost of their action/inaction to electricity users. Those costs are significant and increasing and weigh on the wider economy.

We are concerned to ensure the System Operator has the tools needed to safely integrate the large increase in solar generation.

The February SRC meeting

The February SRC followed the Government announcement that New Zealand would procure LNG importation facilities with the objective of meeting dry year risk. While having more fuel supply options should improve system security and reliability, the SRC strongly encourages the Authority and participants to plan on a no-LNG scenario and to avoid complacency.

There is a strong expectation that LNG facilities will not be operational until 2028 at the earliest, and a possibility remains that LNG will not proceed. Developments in the Persian Gulf since the February meeting bring reliability and cost risks into focus.

The focus of the February SRC meeting was two-fold, with in-depth discussion of:

1. the implications of declining gas production for the electricity system
2. efficacy of current, and proposed reforms to, tree regulations.

In addition, SRC received:

- a joint security of supply briefing from the Authority and System Operator:
- a briefing from the System Operator on its SOSFIP and strategy reviews.

The SRC acknowledges and thanks all the presenters to its February meeting.

Advice

This letter summarises the SRC's February meeting and its recommendations to the Authority. Our recommendations are to:

1. **prioritise** regulatory enablers for the safe integration of scale solar into the electricity system. Utility-scale solar grew 300% last year and is forecast to repeat that in 2026, reaching 1GW installed capacity.
2. **accelerate efforts to improve** visibility of embedded generation and demand and account for this in system planning and forecasting.
3. **counter and resist** complacency over gas decline. Indigenous gas is in terminal decline; ignoring this risks very serious consequences for energy users and puts at risk the performance and reliability of the electricity system and economy.
4. **proactively engage with the Government** on the need for and formulation of a clear, coherent and converged national energy policy.
5. **advocate for electricity consumers** on tree regulation reform. Current reforms do not go far enough and expose electricity consumers to growing costs and risks associated with the choices made by forestry operators and other tree owning entities. This is an ongoing and worsening issue.

The recommendations above are primarily to the Authority. However, the SRC intends to convey its recommendations on gas supply and tree regulations directly to Minister Watts.

1. Security of supply outlook

The February briefing covered the current market situation, forecast supply / demand balance and security of supply outlook for 2026, historical and futures prices, fuel availability (hydro, gas, coal), generation plant availability, the 'generation pipeline', the BESS roadmap and planned regulatory and reporting changes.

In discussion with presenters, SRC noted:

- the positive autumn energy situation, with strong summer inflows, large coal stockpiles, moderate gas stores and regulatory approvals supporting preservation of a 3rd Huntly Rankine unit and coal stockpiles.
- the security of supply situation is less acute than 2024 and 2025 but remains tight. In particular, retirement of TCC (Taranaki combined cycle) leaves New Zealand short of long-duration thermal generation and exposed to plant failure. This is a plant (not fuel) risk that necessitates running thermals earlier if hydro storage / inflows drop.
- implications and risks associated with the ten-fold increase in utility scale solar over three years, reaching 1000MW in 2026. Agreement on the urgency of providing the system operator with the tools to plan and manage system capacity and stability.
- noted continued maturation of generation and demand forecasts. Emphasised the need to build on this including accelerating transparency over embedded plant, noting importance of both to capacity and stability management, and generally improving understanding of demand and supply changes.

- the risk of complacency. 2026 risk may be less acute than the last two years, but medium-term risk remains elevated, enduring seasonal risks persist and new risks exist, including from reducing thermal capacity and increasing intermittency.

The SRC discussed the value these joint updates provide, noting a tangible improvement in engagement, quality of information provided and evidence of growing collaboration between Authority and system operator teams.

The SRC recommends the Authority:

1. **prioritise regulatory enablers** for the safe integration of scale solar into the electricity system. Utility-scale solar grew 300% last year and is forecast to repeat that in 2026, reaching 1GW installed capacity.
2. **accelerate efforts** to improve visibility of embedded generation and demand and account for this in system planning and forecasting.

2. Navigating NZ's energy transition: declining natural gas production

The SRC is focussing on gas supply because gas is an input to electricity production and electricity is a complement to and partial substitute for gas. The consequences of falling gas supply impact electricity system performance and reliability, including through:

- less and more expensive fuel for power generation, undermining its historical role in long-duration firming (dry year cover) and to a lesser extent peaking; while
- increasing electricity demand as gas users convert to alternative energy, including electricity; and
- impacting *some* electricity distribution networks, and the overall electricity transmission system as gas users convert to alternative energy, including electricity.

There is near consensus that indigenous gas production is in terminal decline. Whether that unfolds over five, ten or twenty years is not yet known. In contrast, it is increasingly clear we can expect increasing supply and price volatility, supply shortfalls and supply (wells fail, are decommissioned) and demand shocks (large users exit).

While drilling and other tactical initiatives should be pursued to limit economic damage, and LNG may play a role, none appear likely to alter the need for a transition away from gas for many or most current users. In contrast, SRC hear reports of large commercial and small-mid size industrial users 'burying heads in the sand' about gas supply decline and a sense of complacency that government would solve the problem.

However, increasingly evident is the need for clear, coherent and joined-up all-energy policy that factors in the interdependencies between and convergence of electricity, gas and liquid fuels. This would help participants, users and regulators plan for and navigate:

- an orderly management of gas decline, limiting economic and societal damage
- decarbonisation of electricity supply and efficient electrification of the economy.

In the absence of such policy clarity, New Zealand risks missing opportunities and sleepwalking into avoidable catastrophic energy crises.

The SRC recommends the Authority and government:

3. **counter and resist** complacency over gas decline. Indigenous gas is in terminal decline; ignoring this risks potentially catastrophic consequences for energy users, puts at risk the performance and reliability of the electricity system and economy.
4. **proactively engage with the Government** on the need for and formulation of a clear, coherent and converged national energy policy.

3. Reform of tree regulations

Electricity Networks Aotearoa (ENA), Powerco and MBIE presented to the SRC on the growing impact of poor tree management on electricity networks and users and steps currently underway to reform tree regulations.

While the SRC has not seen the exposure draft of new tree regulations the key provisions were introduced and critiqued by respective presenters. Based on presentations and discussion it was evident to SRC that:

- trees have a major impact on reliability of power supply - with 80% of power outages during severe weather events are due to trees contacting power lines
- the cost to electricity users of tree management and tree related damage is very material and include:
    - lost service, likely to exceed $100m per annum on average
    - tree trimming / cutting costs, $70m and growing per annum
    - cost to restore power supply and remediate tree relate network damage.
- those costs are increasing as forests on farm conversions grow, severe weather events increase and reliance on electricity increases.
- MBIE's 'phase two' reforms, while welcome, do not go far enough. ENA is concerned even after proposed reforms are implemented:
    - distributors (and therefore electricity consumers) will continue to bear most of the burden of action or inaction by tree-owners
    - tree-owners have little incentive to mitigate those burdens
    - workability issues limit the benefits available from reforms.

The SRC recommends:

5. the Authority **advocate for electricity consumers** on tree regulation reform. Current reforms do not go far enough and expose electricity consumers to growing costs and risks.
6. the government **pursue further reform** to mitigate the growing cost of and risk to reliability of supply, in particular from commercial forestry and tree owning entities.

7. The SRC's next meeting

The SRC's Q2 (May 2026) agenda is still being finalised. The following themes are being considered:

- Integrating the large increase in solar generation while protecting grid stability.

- Winter 2026 plus gas supply outlooks.

Yours sincerely,

Hon Heather Roy
Chair of the SRC

cc: SRC members, Natalie Bartos, Hayden Glass (Authority)