Ancillary Services Procurement Plan Emergency Reserve Update Consultation Questions

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Organisation:	Enel X Pty Ltd

Question 1: Do you have any suggestions for other inputs or analysis that should form part of the forecasting process?
Enel X supports the proposed forecasting approach and agrees that the New Zealand Generation Balance (NZGB) results, Security of Supply Assessment (SOSA), and Planned Outage Coordination Process (POCP) will be a useful basis for the forecasting. We encourage the System Operator to additionally consider the relationship between forecast procurement quantities and likely provider participation. Demand response capability is not a passive resource that already exists and is simply waiting to be contracted. Participation requires investment in customer recruitment, technology integration, metering, communications and ongoing programme management. In our view, forecasting should therefore not be limited to estimating system need. It should also consider what level of procurement is likely to support a sustainable provider ecosystem and encourage the development of future demand-side capability. We also recommend consideration of wider market benefits, including avoided wholesale market price spikes and peak demand reduction, when assessing the value of demand response resources.
Question 2: Do you have any comments on our suggested forecasting approach?
The consultation seeks feedback on procurement and forecasting arrangements but provides limited visibility regarding the methodology that will ultimately be used to determine procurement volumes. We encourage the System Operator to maintain transparency regarding: • forecast assumptions; • reliability scenarios considered;

- procurement volume determinations; and
- rationale for procurement decisions.

Greater transparency in these areas will assist market participants in understanding future opportunities and support investment planning.

Enel X would be better placed to provide a comprehensive assessment of the proposed forecasting approach once the Emergency Reserve forecasting methodology referenced in the consultation materials has been published.

Question 3: Do you have any thoughts on the balance between accuracy and pragmatism in the forecasting process, and where the System Operator should aim to land in this balance?

We support an initially pragmatic approach.

The benefits of producing a highly sophisticated forecasting model are likely limited if provider participation remains uncertain and the service is being introduced for the first time.

However, we anticipate forecasting should become increasingly sophisticated over time as the System Operator gains operational experience and develops a better understanding of demand response performance characteristics.

Question 4: Do you have any comments on our proposed procurement approach?

We broadly support the proposed procurement approach.

Enel X notes that consideration should be given to minimum event durations. In our experience, many large industrial facilities are unlikely to find activation for a single 30-minute trading period commercially attractive given the limited remuneration that would be available from such a short event.

In practice, the operational disruption associated with reducing load for a 30-minute event is often similar to that associated with a 1-2 hour event. As a result, many industrial customers are likely to require a minimum activation period of at least one hour before participation becomes commercially viable.

Question 5: Do you have any feedback on the tendering approach described in the consultation document?

Competitive tendering is an appropriate mechanism for establishing an efficient market.

However, the effectiveness of competitive tendering depends on sufficient market depth.

If procurement volumes are small while participation is relatively broad, there is a risk that competition drives prices to levels that are insufficient to support long-term investment by providers, resulting in inferior solutions being procured.

This is particularly relevant for demand response providers, whose costs include customer acquisition, contractual arrangements, integration and ongoing portfolio management. We suggest the System Operator monitor participation outcomes and periodically assess whether procurement mechanisms are producing the desired investment signals.
Question 6: Do you support our proposed approach to pre-contract technical review and testing?
Enel X supports the proposed approach to verifying the eligibility of equipment to provide Emergency Reserve, including confirmation of a participant's ability to receive, acknowledge and respond to pre-activation and activation notifications. Enel X would like to note that while self-certification is recommended for year one of the ERS, should this be replaced with the "low-trust" model for subsequent years, we would not support requiring providers to undertake full performance testing prior to contract award. In our view, verification testing should generally occur after a provider has been selected and a contractual commitment has been made. There are significant costs associated with developing an Emergency Reserve portfolio. For aggregators such as Enel X, these costs include customer recruitment, contracting, and programme development. Participating customers may also incur operational costs associated with preparing for and conducting testing activities. These costs are considerably easier to justify once a provider has secured a contract and has certainty regarding future revenues.
Question 7: Do you support our proposal to use a "high trust" system, including self-certification? Do you have any comments on our proposed implementation of the "high trust" system?
Yes. Enel X strongly supports the proposed high-trust approach. The ability to self-certify reduces implementation complexity and lowers participation barriers, particularly for aggregated demand-side resources and results in a lower cost solution. Overly prescriptive testing and certification requirements risk discouraging participation and slowing market development. We support the proposal to reserve more intensive review and testing processes for situations where performance concerns emerge.
Question 8: Do you support our proposed eligibility settings?

Yes. Enel X supports the proposed eligibility settings. The framework appears appropriately broad and recognises the value that different forms of aggregated demand-side flexibility can provide.
Question 9: Do you have any comments or questions about the eligibility criteria? Note that some eligibility criteria are determined by the Code's definition of "emergency reserve" and therefore out of scope for the current consultation.
Enel X encourages the System Operator to maintain technology-neutral eligibility requirements wherever possible and focus on performance outcomes rather than technology type.
Question 10: Is your organisation considering entering the emergency reserve market? If so, are you considering using resources removed from other schemes (such as interruptible load), or resources that do not currently participate in any similar schemes? Are you considering using load or generation or both?
Yes, Enel X is actively evaluating participation opportunities within the Emergency Reserve market. Our participation decision will ultimately depend on factors including procurement volumes, expected revenues and the longer-term outlook for demand-side participation in New Zealand. While Emergency Reserve presents a potentially attractive opportunity, the development of a meaningful demand response portfolio requires confidence that ongoing investment can be justified. Enel X anticipates that participation could include a combination of customer load reduction and behind-the-meter distributed generation resources. We are also considering opportunities to utilise resources that currently participate in interruptible load programmes.
Question 11: Do you have any questions or comments on the System Operator's proposed use of specified software for the implementation of Emergency Reserve?
We support the use of FlexPoint to facilitate consistent communication between providers and the System Operator. Where possible, onboarding processes should minimise integration costs and avoid bespoke implementation requirements. We encourage the System Operator to continue engaging with providers regarding interoperability and technical integration requirements.
Question 12: Do you support our proposed availability requirements including call period, allowed outages, and maximum response duration?

Enel X supports the proposed approach of treating outages pragmatically and generally agrees with the proposed outage framework.

However, we do not support a requirement for continuous 24/7 availability. Such a requirement is likely limit participation to only those sites that operate 24/7 and exclude resources that could otherwise provide significant value during periods of greatest system risk. In practice, Emergency Reserve is expected to be most valuable during peak demand periods rather than throughout all hours of the day.

While aggregators may be able to manage 24/7 availability obligations across diversified portfolios, many participating customers would face material costs in maintaining staffing and operational readiness outside normal operating hours. We note the System Operator's comments regarding software limitations associated with supporting partial availability periods. As an alternative, consideration could be given to maintaining 24/7 contractual availability while limiting the application of non-performance penalties outside defined peak risk periods.

Enel X also has reservations regarding the absence of a maximum event duration. We acknowledge the System Operator's concern that participants should not be permitted to restore load arbitrarily when a genuine system need remains.

A potential compromise would be to retain unlimited event durations while adopting a "best endeavours" obligation after a defined period, such as four hours. Under this approach, participants could continue to receive dispatch instructions beyond four hours, however non-performance penalties would no longer apply after the initial period. This would likely capture the majority of peak demand events while enabling participation from a broader range of resources, including cold storage facilities and customers relying on diesel generation where fuel storage constraints may become a consideration.

Question 13: Do you support our proposed approach to setting pre-activation and activation triggers? Do you have comments or suggestions regarding the residual threshold values to be used?

Enel X broadly supports the proposed approach to activation and pre-activation triggers.

One area that may warrant further consideration is the proposed 25-minute activation timeframe. In our experience, many large industrial facilities require significantly longer to safely and effectively implement demand reductions. For some facilities, an activation notice period of approximately one hour may be more realistic and would support broader participation in the programme.

We understand that a 25-minute timeframe is designed to avoid activating resources that may not be required as forecasting accuracy would be reduced if this timeframe was to be increased. For this reason, resources that can respond within the 25-minute timeframe would be preferred to slower responding resources. We therefore encourage the System Operator to consider whether different activation timeframes could be accommodated for different resource types and whether activation response time could form part of the tender evaluation process.

Question 14: Do you have any comments about our proposed operational approach to pre-activation, activation and restoration?

Yes.

In particular Enel X supports the proposed restoration approach, particularly the decision to retain manual control of restoration.

Where activation and restoration thresholds are set at the same level, there is a risk that resources could be repeatedly activated and restored over a short period if system conditions fluctuate around the threshold. This behaviour can create unnecessary operational disruption for participants and may reduce confidence in the programme.

In our experience, restoration thresholds are generally most effective when set below activation thresholds, creating an appropriate degree of hysteresis and reducing the likelihood of repeated cycling of resources.

Question 15: Do you have any comments on our proposed reporting provisions?

Regular reporting should include procurement volumes, participation levels, activation events, delivered response volumes and overall programme performance. Transparent reporting of these metrics will improve market confidence and support future investment decisions.

Question 16: Do you support our proposed approach to on-demand testing?

Yes.

Enel X supports a risk-based testing regime as a proportionate approach to assuring performance while minimising unnecessary costs and barriers to participation.

However, the current drafting of the "Testing and self-certification requirements for Emergency Reserve" provisions does not provide clear guidance regarding the circumstances under which the System Operator may initiate an on-demand test.

Greater clarity would improve certainty for participants and reduce the risk that providers are exposed to an excessive number of testing events. We encourage the System Operator to define the circumstances that may trigger on-demand testing, such as demonstrated performance concerns, significant configuration changes or audit-based verification activities.

Question 17: Do you support our proposed approach to monitoring and verification?

Yes.

	Monitoring and verification are fundamental to programme integrity and the proposed performance assessment approach is broadly consistent with the high-trust and self-assessment model proposed for Emergency Reserve. Enel X supports a proportionate approach that verifies delivery while avoiding unnecessary compliance obligations that may discourage participation.
Question 18: If you are a potential provider of Emergency Reserve, are the suggested requirements technically feasible for you? To what extent would metering or other hardware upgrades be required for your assets to participate in the scheme?	
	Yes. The proposed technical requirements appear achievable for many demand response resources and aggregators. In Enel X's experience, the majority of participating sites would not require substantial hardware upgrades. The primary implementation effort is more likely to relate to communications integration, programme administration and operational readiness rather than major metering or control system investments.
Question 19: Do you have any comments on our proposals regarding baselining? If you are a potential provider, you may wish to include examples relating to particular assets that may participate in the scheme.	
	Baselining is arguably the most important technical component of the proposed framework. Participant confidence depends heavily on reliable and transparent baseline methodologies. We recommend that baselines: • accurately reflect normal operating behaviour; • accommodate variable industrial and commercial loads; • minimise opportunities for gaming; • provide clear dispute resolution pathways; and • remain subject to future refinement as experience is gained. We agree with the pragmatic approach the System Operator has proposed to agree on a baselining methodology with the participant as a part of the contracting process. This allows for a range of baselines to be considered and to be tailored to suit a wide range of facilities.
Question 20: Do you have any comments on our proposed approach to enforcement and penalties?	
	We support the proposed proportionate approach. Emergency Reserve is intended to operate under unusual and often challenging system conditions. Performance frameworks should recognise that genuine operational constraints can occur.

	The primary objective should be encouraging reliable delivery and continuous improvement rather than creating a punitive compliance regime.
Question 21: Do you support our proposed approach to fees?	
	Yes, Enel X broadly supports the proposed fee structure. However, additional information regarding the tender evaluation methodology would assist participants in developing efficient and competitive offers. For example, it is not currently clear how offers with different combinations of availability and activation payments will be assessed. A proposal with relatively high availability payments and low activation payments may produce a very different risk and cost profile to one with low availability payments and higher activation payments. Presumably, evaluation of these offers will require assumptions regarding the expected frequency and duration of Emergency Reserve activations. We encourage the System Operator to publish these assumptions prior to the commencement of tendering so that participants can appropriately structure their offers and better understand how bids will be evaluated. Providing additional transparency regarding tender evaluation would also improve confidence that procurement outcomes appropriately balance cost efficiency with long-term market development objectives.
Question 22: Do you have any drafting suggestions for our proposed amendments?	
	No material drafting issues have been identified. The proposed document is generally clear and accessible.
Question 23: Do you agree the benefits of the proposed amendments to the Procurement Plan can reasonably be expected to outweigh its costs?	
	Yes. We agree that Emergency Reserve is likely to provide net benefits through reduced reliability risks and reduced likelihood of involuntary load shedding. In our view, the benefits are likely to increase over time if the programme successfully stimulates broader investment in demand-side flexibility and creates a foundation for future market development.
Question 24: Are there any other options we should consider? Please explain your preferred option in terms consistent with the Authority's statutory objective in the Electricity Industry Act 2010.	
	Enel X supports the proposed Emergency Reserve framework and does not consider its implementation should be delayed while broader reforms are considered. However, we encourage the System Operator and the Electricity Authority to consider Emergency Reserve as part of a longer-term demand-side participation roadmap. The proposed framework already contains many of the foundational elements required

for broader demand response participation, including aggregation, dispatch capability, baseline methodologies and performance verification.

International experience demonstrates that demand response can deliver benefits beyond emergency reliability services.

A broader demand response framework has the potential to:

- reduce wholesale price volatility;
- improve market competition;
- support renewable integration;
- reduce peak demand;
- defer infrastructure investment; and
- improve consumer outcomes.

While Enel X supports implementation of Emergency Reserve as an important reliability measure, we encourage the System Operator and Electricity Authority to consider how the capabilities being developed through this programme could support broader market participation over time. Doing so would maximise the value of investment in demand-side resources and unlock benefits that extend beyond emergency reliability services alone.

Question 25: Do you agree that the proposed amendment complies with section 32(1) of the Act?

Based on the information presented, we agree that the proposed amendments appear broadly consistent with the objectives of section 32(1).

Any other comments:

Enel X supports the implementation of Emergency Reserve and commends the System Operator for developing a pragmatic and inclusive framework within a compressed implementation timeframe.

Our primary concern is not the detailed operational design of the mechanism, but whether an emergency-only procurement programme will provide a sufficiently strong and enduring investment signal to unlock substantial demand-side capability.

We encourage the System Operator and the Electricity Authority to use Emergency Reserve as the foundation for a broader vision of demand-side participation in New Zealand's electricity market. While the emergency reserve capacity procured in 2027 is expected to provide significant value to the market, the demand response capability it encourages the market to build for the future could be of even greater long-term value of this initiative