

Via email: system.operator@transpower.co.nz

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Ancillary Services Procurement Plan: Emergency Reserve Update

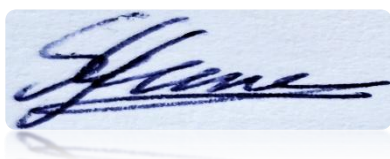
Mercury welcomes the opportunity to comment on the System Operator's (SO's) proposal to amend the Ancillary Services Procurement Plan by introducing Emergency Reserve as a new ancillary service. No part of this submission is confidential.

In principle, we support giving the SO an additional operational tool to reduce the likelihood and extent of involuntary load shedding during grid emergencies. We also support the pragmatic 'minimum viable product' approach to implementing Emergency Reserve for winter 2027 and the SO's high-trust approach to pre-contract review and performance monitoring.

The SO should retain sufficient flexibility to refine the detailed settings as operational experience and industry capability develop. As part of this test-and-learn approach, we expect the SO and the Authority to review Emergency Reserve after winter 2027. A review will be particularly important given that the scheme is new and may create unintended market risks, including double-dipping and gaming.

We therefore recommend that the SO proceed with the proposal for winter 2027, subject to clear performance and reporting requirements and a timely post-implementation review to identify and address any unintended market effects.

Yours sincerely



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