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Lodestone Energy Ltd
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Re: Phase 2 SO strategy consultation

Dear System Operator,

Overall position

Lodestone broadly supports the five strategic priorities. The proposed direction appropriately recognises that secure system operation remains fundamental, while the changing generation mix requires better information, modernised tools and more flexible market arrangements.

As a relatively small independent generator and developer, Lodestone particularly supports work that reduces avoidable compliance and onboarding effort, improves the transparency of system needs, and creates technology-neutral opportunities for participants to provide useful system services. System security obligations should be preserved where they address a demonstrated risk, but new or expanded technical compliance activity should proceed only where the system benefit is clear and proportionate to participant and consumer cost.

1. Extent of agreement with each strategic priority

Priority	Position	Lodestone perspective
1. Secure, highly variable system	Support	This is the System Operator's core function. Lodestone supports proactive identification of emerging frequency, voltage, system-strength and stability risks, together with transparent publication of limits, assumptions and mitigations. However, we do note that network operators around the world have often acted very conservatively around the risks associated with IBR. In many cases, these risks have been over-stated, and have not transpired as initially feared. We would encourage the SO to be open minded about technology change and recognise that it is not "all downside" system risk.
2. Efficient market operations and information	Strongly support	Market signals and accessible information should be the primary means of ensuring investment and operational responses. This priority should place greater emphasis on timely development of additional ancillary-service markets.



Priority	Position	Lodestone perspective
3. Evolving operational capability	Support	Modern tools, streamlined commissioning and participant-facing digital services are important. Investment should be staged, outcome-focused and avoid technology-led programmes without a quantified operational benefit, especially if these place additional costs on market participants.
4. Data and distributed resource integration	Support	Common standards and proportionate data sharing can improve visibility and reduce whole-system cost. Requirements should be based on operational need, minimise duplicate reporting and avoid imposing enterprise-scale interfaces (where possible) on smaller participants.
5. Industry resilience	Support	Clear roles, practiced restoration arrangements and reliable event communications benefit all participants. The System Operator should coordinate system-wide response without displacing asset-owner or distributor responsibilities.

2. Relative importance

Priority 1 is the most important because secure real-time operation is the System Operator's essential role and underpins confidence in every other market activity. Priority 2 is the most important enabling priority: well-designed market signals and ancillary services can address emerging needs efficiently, encourage innovation and reduce reliance on bespoke directions or increasingly prescriptive plant requirements.

Priorities 3 and 4 should support those outcomes rather than become ends in themselves. Priority 5 is also important, but should remain focused on coordination, information and system restoration.

3. Definition, gaps and trade-offs

The five priorities are generally well defined. Lodestone suggests the following refinements:

- Elevate development of additional ancillary-service markets within Priority 2. The strategy should explicitly target competitive, technology-neutral markets for fast frequency response and voltage/reactive-power or other locational system-support services where a need and net benefit are demonstrated.
- Make proportionality and materiality explicit across Priorities 1 and 3. Compliance monitoring should concentrate on obligations that materially affect system security or market outcomes, with requirements scaled to plant size, technology, risk and the capability of smaller participants.
- Clarify the boundary between Priority 1 technical analysis and Priority 3 compliance monitoring. Analysis should identify a defined risk and least-cost response before new studies, tests, telemetry or monitoring obligations are imposed.



- Manage the tension between improved visibility and participant burden under Priority 4. Data should be collected once, through common interfaces, and only at the resolution and frequency needed for an identified operational use case.
- Retain clear institutional roles. The System Operator should provide operational evidence, identify needs and implement arrangements; the Electricity Authority should lead market design and Code obligations.

4. Proposed outcomes and measurability

Lodestone supports the proposed outcomes, but most are directional rather than measurable. The final strategy should include a small set of published indicators, baselines and target dates. Measures should focus on participant and system outcomes rather than programme activity.

Priority	Illustrative measures
Priority 1	Publication of material emerging risks and limits; time from risk identification to an agreed mitigation; frequency and duration of avoidable security interventions.
Priority 2	Time to onboard new plant and ancillary-service providers; number and diversity of service providers; extent of manual dispatch intervention; timeliness and accuracy of security-of-supply information.
Priority 3	Median commissioning and market-onboarding duration; participant effort and rework; system/tool availability; delivery of quantified productivity or risk-reduction benefits.
Priority 4	Adoption of common data standards; reduction in duplicate submissions; data quality and availability against defined operational use cases.
Priority 5	Exercise frequency and coverage; closure of lessons identified; communications availability; restoration performance against agreed benchmarks.

5. Additional or different initiatives

Lodestone recommends the following changes to the initiative programme:

- Bring forward a structured ancillary-services roadmap under P2.2, including transparent needs assessment, market-design options, cost-benefit analysis, trials and implementation milestones for frequency and voltage/system-support products. Investigation should not default to deferral until 2028-31 where near-term services could unlock investment or avoid more costly technical mandates. Implementation of something similar to AEMO's FCAS market should be the highest priority. Lodestone acknowledges that market design and rules are the responsibility of the Electricity Authority, but encourages the System Operator to work proactively with the Authority to make these changes.
- Under P3.2, establish a genuinely risk-based commissioning pathway with standard test plans, reusable evidence, clear service levels, early issue resolution and a single accountable interface across technical commissioning and market onboarding. Avoid "one size fits all" approaches to compliance that tend to create unnecessary barriers for smaller market participants. Lodestone acknowledges the work the SO has done in establishing new processes associated with the implementation of the CACTIS. At present, this has increased the compliance burden on small independent generators and we would encourage the SO



to continue to think about ways that friction for smaller participants can be reduced or removed.

- Under P3.7, publish a compliance prioritisation framework. It should explain the system risk addressed, evidence relied on, participant burden, materiality thresholds and expected benefit before monitoring is expanded.
- Under P3.3 and P4.1-P4.3, provide common APIs and machine-readable specifications, while retaining practical low-volume submission options for smaller participants. Existing information should be reused rather than repeatedly requested in different formats.
- Under P1.1 and P1.4, publish clearer forward views of locational system needs, including voltage, system strength, inertia and frequency-support requirements. This would allow developers to consider useful capability at the investment-design stage.
- Use the P2.6 market sandpit for real trials with clear routes to production arrangements, including participation by independent generators, BESS, aggregators and demand.

6. System Operator role

The proposed role is broadly appropriate, subject to clearer boundaries. The System Operator should lead real-time operation, operational risk assessment, transparent specification of system needs, procurement and performance monitoring of ancillary services, and efficient implementation of market rules.

Its role should be more active in providing evidence and operational specifications for new ancillary services, but not extend to determining broader market policy or imposing de facto industry standards without the Electricity Authority's process. Similarly, the System Operator should coordinate resilience and TSO-DSO interfaces, but should not directly control distribution-connected resources except through clearly authorised and tested arrangements.

Compliance activity should be reduced or streamlined where obligations are duplicative, low-materiality or unsupported by a defined system-security benefit. Where additional requirements are justified, the System Operator should demonstrate why existing operational tools or market procurement cannot address the issue more efficiently.

7. Key barriers and enablers

- Prioritisation and funding discipline: initiatives should have clear owners, milestones, benefits and whole-of-system cost assessments. A long initiative list without explicit sequencing risks diluting delivery.
- Regulatory alignment: close coordination with the Authority is essential so operational evidence translates promptly into coherent market design, procurement and Code settings.
- Meaningful engagement: independent and smaller participants need early access to workable proposals, sufficient response time and low-cost ways to participate in trials. Engagement should occur before solutions are substantially fixed.
- Data and interoperability: common definitions, secure APIs and clear data governance are strong enablers, provided collection is proportionate and existing data is reused.
- Capability and delivery: scarce power-system expertise, ICT dependencies and large concurrent programmes are material constraints. Staged delivery and transparent reporting will be important.
- Investment signals: publishing forward, locational system needs and creating bankable service markets will enable participants to invest in capability that supports security at least cost.



Conclusion

Lodestone supports a strategy centred on secure operation, efficient market signals and modern, participant-friendly processes. The final strategy would be strengthened by a firmer commitment to developing competitive ancillary-service markets, measurable outcomes, and an explicit requirement that technical compliance work be risk-based, and proportionate.

Regards,

Brad Henderson

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