

Fonterra submission on System Operator SOSFIP 2025

November 2025

Fonterra welcomes the opportunity to provide input to the 2025 Security of Supply Forecasting and Information Policy Review (SOSFIP) consultation paper.

Fonterra is a dairy co-operative owned by over 8,000 New Zealand farming families with 27 manufacturing sites across the country, making us the country's largest exporter and a major supplier of dairy products to the domestic market.

With manufacturing operations spread throughout New Zealand, Fonterra is a major electricity user. We rely on stable and affordable access to electricity to support our operations. This reliable access underpins New Zealand's export competitiveness.

Fonterra supports the value and continued publication of the annual Security of Supply Assessment (SOSA) and the proposals as outlined in the current SOSFIP review, with several recommendations.

Fonterra is concerned that the SOSFIP Electricity Risk Curves (ERCs) are modelled on the assumption that the market price signals will materially incentivise demand reduction. Because there have been over seven years where electricity market prices have remained higher than long run margin generation prices, many industrial users are now choosing to cover financial risk exposure by moving to fixed price contracts, thereby eliminating any driver to provide demand response to price signals. This should be better reflected in the ERCs, by limiting the expectation of demand response to high price signals, unless specifically contracted demand response exists, like the Meridian Rio Tinto agreement.

Fonterra supports the inclusion of thermal fuel contractual ERC curves and cautions the System Operator on the continued use of the physical ERC curves as this has been shown to hide thermal fuel supply risks. If anything, Fonterra would support the elimination of the physical ERC curves and instead combine the two together to show thermal plant capacity/availability at contracted fuel availability. Like for electricity, we also believe there should be less influence from demand response on gas availability modelling without formal arrangements, as this cannot be guaranteed.

In general, the SOSFIP should take a conservative view of the electricity supply situation, to minimise the risk of supply shortages and potential impacts on end users. Crucially, the signals need to be in place to ensure generators are contracting thermal fuel supply with sufficient notice to avoid any potential supply crunch. To this end, there is merit in updating the ERCs monthly, now that monthly forecasts of thermal fuels for both generators and industrial uses are available.

Finally, Fonterra supports the proposed revised time to Simulated Storage Trajectories (SST) calculation methodology and the addition of the watch adder option 1 for above the alert curve.