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To: Transpower

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### **Proposed 'tie-breaker provisions' – Genesis Energy submission**

Genesis Energy Limited (**Genesis**) welcomes the opportunity to comment on Transpower's (**the System Operator**) *Evolving market resource co-ordination: Tie-breaker provisions* consultation document.

**Question 1: Do you support our proposed tie-breaker solution: dispatch in proportion to offers? Do you have any feedback on any aspect of it or our consideration of it?**

Yes, we support in principle the System Operator undertaking further development of its preferred option to dispatch in proportion to offers (pro-rated dispatch), for further consultation with industry. However, it will only provide a partial solution and does not address broader issues with current market design. We therefore support the System Operator (working with the Electricity Authority as needed) considering broader issues with market design to address issues from oversupply of must-run generation. We have noted our main concerns under Question 2.

We note one potential issue for the System Operator to consider is that its preferred proportional dispatch solution may result in discretionary decision-making if all parties are unable to respond equally. A uniform "all on" or "all off" approach may be preferable, as marginal running becomes impractical.

**Question 2: If you do not support our proposed tie-breaker solution, which alternative option would you prefer? If so, please describe the alternative and why you prefer it.**

As noted, we do support the System Operator developing further its preferred option. However, we also support the System Operator exploring additional options to supplement its preferred proportional dispatch option, specifically:

- An updated Must Run Dispatch Auction (MRDA). The effectiveness of the MRDA framework is limited due to several factors:
  - SPD only prioritizes economic solutions.
  - Minor reserve costs can significantly impact SPD solutions.
  - No market mechanism for informing offers of minimum generation requirements.
  - No market mechanism for minimum RTS of inflexible plant if dispatched off.

We also support the System Operator and the Electricity Authority exploring negative pricing, as is used in other comparable jurisdictions such as the National Electricity Market and as suggested by MDAG.

The System Operator should also consider including a provision for preventing participants from over-offering e.g. offering their full nameplate capacity instead of their best view of actual expected volume based on the Forecast of Generation Potential. We see this as necessary to prevent participants from over-offering to try and gain a larger share of pro-rated dispatch.

- Prioritisation of security of supply: certain generation types should be prioritized for security reasons, even if this incurs minor reserve cost penalties.
- Security and PPO Compliance: at present, security considerations are not sufficiently transparent. Rules should be clearly defined around maintaining system security and meeting PPOs, especially as firm generation is increasingly displaced by intermittent sources, contributing to price volatility and uncertainty.
- Recognition of technology-specific response capabilities: different technologies have varying capabilities to respond, which should be factored into dispatch decisions.
- Inclusion of minimum generation requirements in SPD solves: these are not currently considered in SPD solves, necessitating late discretionary actions.
- Inflexible fuel constraints: Current market mechanisms do not adequately accommodate fuel limitations and fuel order lead times therefore leading to inefficiencies.

**Question 3: Are there alternative options we have not identified which we should consider?**

As noted above, a comprehensive market design review may be more effective than incremental adjustments or “patching.”

**Question 4: Do you agree with our qualitative assessment that the benefits of the proposal can reasonably be expected to outweigh the costs?**

The current proposal does not sufficiently address real-time uncertainty, particularly when minimum generation constraints are involved. SPD solutions are uninformed by offers until constraints are considered, leaving other market participants unaware of potential impacts. Demand and intermittent generation uncertainty further compound this.

**Question 5: Do you agree it is appropriate to rely on qualitative evaluation of the costs and benefits of the proposed amendments? If not, what information, evidence etc can you provide and/or what methods would you recommend to quantify the costs and benefits?**

No comment.

**Question 6: Do you think we should progress a proposal to incorporate information about any tie-breaker solution we decide to adopt into the Policy Statement, to enhance certainty and transparency?**

Yes, we support this. Providing transparency around the tie-breaker approach is beneficial and will enhance market certainty.

Yours sincerely,

*Mitchell Trezona-Lecomte*

Mitchell Trezona-Lecomte

**Senior Advisor, Government Relations and Regulatory Affairs**