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Draft Security of Supply Assessment – Genesis Energy’s submission

Genesis Energy Limited (**Genesis**) welcomes the opportunity to comment on Transpower’s draft Security of Supply Assessment (SOSA) 2026. The draft SOSA shows that system resource adequacy is sufficient but fragile and that New Zealand requires sustained and rapid investment in new renewable and flexible generation. Our view is that, provided regulatory settings remain stable, predictable and supportive, industry will continue rapid investment in new generation, within constraints such as consent and connection queue timeframes, and that this is the best way to improve New Zealand’s energy and capacity security. New Zealand is currently experiencing a “renewables boom”, with over 1,000 MW of new generation capacity to be commissioned in 2026, a record. Genesis has an ambitious development pipeline, and we aim to allocate more than \$2 billion across up to 2.5 GW in new generation and storage capacity.

Need for firm, flexible generation

We agree Huntly Power Station will remain critical to New Zealand’s energy security for the foreseeable future, as highlighted by the “Reduced Rankine” sensitivity showing the energy margin being breached much sooner (i.e. this year). As Transpower is aware, the long-term Huntly Firming Options Genesis entered with Contact, Mercury and Meridian provide for three Rankine units to remain operational for 10 years (effective January 2026).

Under our Gen35 Strategy, Genesis aims to achieve around 1,370 MW in flexible capacity at Huntly. This will be achieved through a combination of our existing thermal generation capacity and additional BESS capacity. The first 100 MW / 200 MWh BESS is under construction with commercial operations on target for Q4 FY26, and the second 100 MW reached FID in April. Genesis is also reviewing an option to invest in a new dual-fuel gas-fired / diesel-fired fast-start peaking unit at Huntly (Unit 7).

For further detail on our investment intentions see our FY26 H1 Investor Presentation and Interim Report which we have appended to this submission.

Consistent with Transpower's draft SOSA 2026, one of the key ongoing priorities identified by the Government in response to Frontier Economics' *Review of Electricity Market Performance* is the need to ensure the system maintains sufficient firm, flexible generation capacity, and we understand government is progressing policy work on rules for market participants to ensure the system maintains sufficient dry year supply.

Genesis agrees that market settings should evolve to reflect changing conditions, and that firming and capacity signals is one area where the market could benefit from further refinement. The HFOs demonstrate that commercial solutions can emerge, but the broader system would benefit from clearer price signals or mechanisms for recognising the value of keeping dispatchable capacity available for security of supply.

SOSA highlights the need for sustained rapid new generation investment

Overall, the SOSA shows the system delivering an adequate but fragile energy margin. Compared to last year's SOSA, the draft 2026 SOSA shows:

- an improved short-term outlook. Last year's SOSA showed the system falling below the energy security standard in 2026. This improvement reflects efforts by industry to improve short-term security ahead of winter 2026 including more generation coming online, higher thermal generation contribution with more gas having been secured for generation short-term, and demand flex, and;
- a slightly worsened medium-term outlook. Our understanding is that this worsened outlook is primarily due to ongoing declines in gas supply and Transpower tightening the criteria it uses for assessing the likelihood of new generation projects coming online on schedule.

While we agree there is room for an improvement in systemwide security, it is also important to note actions taken recently or currently underway are significantly boosting generation capacity and resource adequacy. Actions taken by industry appear to be having a material impact on electricity futures, reflecting the improving supply/demand balance and mitigations against dry year risk. We note recent analysis by Concept Consulting highlighted significant falls in electricity futures for 2027, 2028 and 2029 by around 25%. Concept notes futures reflect market expectations on average, inclusive of dry-year risk, and suggests three key contributing factors:¹

- renewables build is outpacing demand growth
- the HFOs have placed the system in much better position to withstand dry year risk
- renewables are reducing the need for thermal generation

As Transpower notes, falling below the security standards does not necessarily mean there will be shortages (although it does reflect the probability of shortages). Rather, it means investment in new generation would result in an efficient increase in supply, i.e. where the cost of new generation is equal to or less than the cost of shortage. Consistent with the assumption underpinning the security standards – that industry will rationally deploy capital into new generation in response to demand and price signals – our observation is that the market is deploying new generation at or close to maximum industry build capacity, within relevant legal constraints such as consenting timeframes.

¹ <https://www.linkedin.com/feed/update/urn:li:activity:7457299538102534144/>

We also note the energy and capacity security of supply standards have not been updated since 2012, and that Transpower agrees these need to be reviewed and the Authority is currently reviewing them.² As noted in our submission on the Authority's proposed non-discrimination obligations,³ we agree the Security Standards need to be updated and that the Security Standard Assumptions do not reflect

- i. current generation mix (significant increase in intermittent renewables);
- ii. fuel availability constraints (domestic gas supply issues);
- iii. demand characteristics (electrification, demand response evolution); and
- iv. new technologies (grid scale battery storage).

We therefore welcome the Authority's review of the security standards and assumptions, and note the Authority plans to consult on this in the first half of 2026.

We also suggest SOSA would benefit from more granular delineation of assumptions behind new generation project delivery, as per "Table 3: Supply pipeline stages" and in the draft appendices. For example, the sensitivity of new generation pipeline delivery to supply chain and equipment bottlenecks, consent timeframe constraints, grid access constraints, and commissioning, are not clearly stated in the documents.

Fuels supply

Transpower's Expected Future case highlights the importance of gas, with the lower gas sensitivity resulting in a much larger energy shortfall of around 1,900 GWh in 2031. We note the recent PwC gas supply and demand study completed for GIC showed indigenous gas production is projected to halve by 2035. However, the report identified potential for LNG to significantly increase future gas supply, with supply in 2035 projected to be ~80PJ with LNG (and ~50PJ without). We acknowledge the Government's current procurement process to determine whether LNG is an appropriate dry-year solution for New Zealand.

Another key point highlighted by the GIC's report is that, as well as additional supply, New Zealand would also greatly benefit from additional gas storage to improve flexibility. Through our Tariki (Gas Storage) Project, Genesis has signed a Memorandum of Understanding to accelerate studies to establish viability, and subsurface studies are progressing.

We also note that changes sought by Meridian Energy to its consent conditions for Lake Pūkaki under the Fast-track Approvals Act 2024 could impact demand for thermal generation in the future if approved. Genesis will consider the need for thermal fuel and plant capacity in response to future systemwide supply-demand dynamics and based on our portfolio requirements and contractual commitments under the Huntly Firming Options.

Distributed energy resources

We agree distributed energy resources will continue to play an important and growing role in New Zealand's energy future. Under our Gen35 Strategy, Genesis aims to achieve by FY28

² As per the *2026 Security of Supply Assessment: Reference Case Assumptions and Sensitivities Response to Feedback confirmed that the Authority: [2026 Security of Supply Assessment - Reference Case Assumptions and Sensitivities - Response to Feedback.pdf](https://www.ea.govt.nz/documents/8947/Genesis_-_Level_playing_field_Code_amendment_submission1.pdf)*

³ [https://www.ea.govt.nz/documents/8947/Genesis - Level playing field Code amendment submission1.pdf](https://www.ea.govt.nz/documents/8947/Genesis_-_Level_playing_field_Code_amendment_submission1.pdf)

- 150 MW of demand-side flexibility in our customer book. Towards that goal, Genesis has over 30,000 customers with solar, and around 18,000 customers with managed hot water.
- Genesis customers comprise 30 per cent of the EV market. Genesis currently has more than 14,000 customers on an EV Plan.

Yours sincerely,

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Appendix: Genesis Energy H1 FY26 Results

Investor Presentation: [h1_fy26_results_presentation.pdf](#)

Interim Report 2026: [h1_fy26_interim_report.pdf](#)