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13 November 2026

Electricity Authority
Wellington
By email: wholesaleconsultation@ea.govt.nz

Improving incentives for long duration firming

Transpower welcomes the opportunity to submit feedback to the Electricity Authority's issues and options paper on improving incentives for long duration firming.

We agree that the energy only market relies on prices, commercial incentives, and supporting regulatory arrangements to encourage private businesses to contract for, and invest in, an efficient amount of reliable electricity supply. There can however be barriers to ensuring a sufficient energy margin is maintained to manage extended periods of supply shortfall. We support:

- Strengthening incentives to manage supply shortfall risk. This is an important component in helping ensure the electricity market delivers the energy transition securely and efficiently whilst navigating future uncertainties and helping support increased electricity and economic growth that is increasingly dependent on access to reliable, affordable electricity.
- Leveraging (and where required enhancing) the existing security of supply framework[1] where possible. This will reduce implementation complexity and avoid duplication of information and mixed messages.

We consider the "long-duration firming gap" to be principally a security-of-supply issue, specifically one concerning energy adequacy (through an efficient standard, not at all cost) during sustained periods of supply shortfall. The existing security-of-supply framework already assesses these risks through the Security of Supply Assessment (SOSA) and Energy Security Outlook.

We feel that any new measure of a long-duration firming-gap needs to be consistent with the existing security-of-supply framework and the Authority's security standards[2]. Otherwise, there is a risk that the new measure applies a different reliability standard to risks already represented in existing security-of-supply modelling and reporting.

[1] These include the Security of Supply Assessment (SOSA) and Energy Security Outlook (ESO). The ESO includes the Electricity Risk Curves (ERCs) and Simulated Storage Trajectories (SSTs).

[2] See Code clauses 7.3(2a) and 7.3(2b).

The relevant question is whether that gap represents a material security-of-supply risk under the Authority's established security standards, and what additional information it provides beyond the existing SOSA, security standards, ESO and SOSFIP outputs.

We've outlined the existing security of supply framework in Figure 1 below.

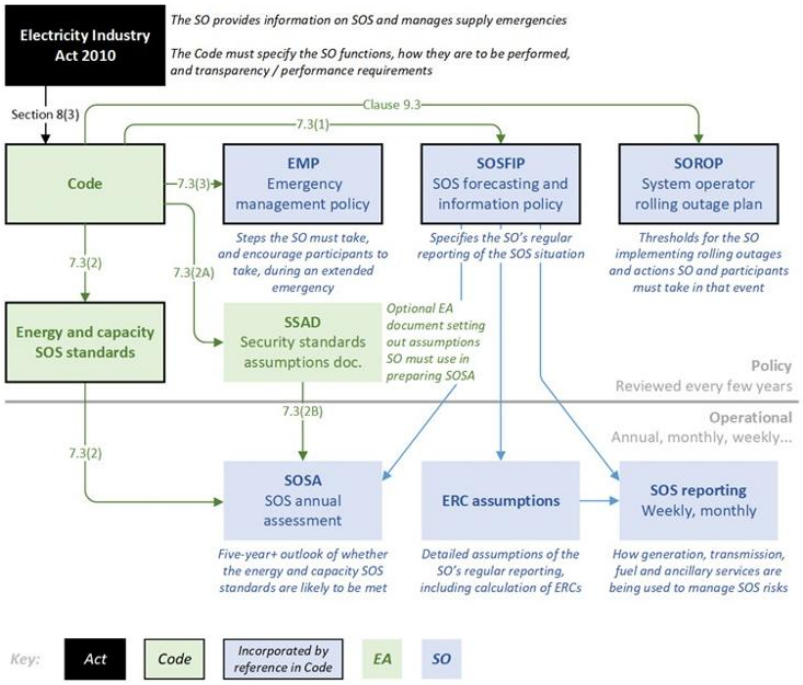


Figure 1: Security of supply key document inter-relationships

We recommend that the Authority review the security standards[3] to ensure these capture the required long-duration firming needs identified by the Authority. This could mean modifying existing standards or adding new ones. This will ensure the standards, assumptions and policies are consistent with each other and the current security of supply framework outlined in the Code and SOSFIP. We think this approach would reduce effort, implementation time and market confusion.

We will continue to work constructively with Authority staff on improvements to the security of supply framework and supporting policies, standards, and assumptions.

Yours sincerely

Ramu Naidoo

Head of Security of Supply and Forecasting

[3] These are currently being reviewed. Review of security of supply standards | Our consultations | Our projects | Electricity Authority

Appendix A– Submission form

Long-duration firming – issues and options paper

Please email your submission to wholesaleconsultation@ea.govt.nz by 5pm, Friday 13 November 2026

Name	Ramu Naidoo
Organisation	Transpower as the System Operator

Questions	Comments
Q1: Do you agree with the Authority and Sapere's analysis that New Zealand faces an ongoing, but declining, long-duration firm energy gap? Please explain your views.	The decline in gas has been a large disruptor in the gas-fired generation's ability to provide firming supply during extended dry periods. The signing of the Huntly Firming Option and increase in new renewable generation has helped reduce this exposure however this is also dependent on the rate of demand growth. We agree there can be a declining energy gap provided the market maintains a strong build programme to encourage and sustain a strong demand growth future but also be robust to downside risks like plant reliability issues. Our most recent SOSA highlights the supply pipeline is strong however ensuring the winter energy margin remains above the efficient standards requires these resources to come to market early enough to support a strong future growth path and ensure the power system can efficiently meet the energy supply variability and is robust to plausible downside risks.
Q2: Do you agree with the Authority's assessment of barriers to the market providing additional sources of long-duration firming? Please explain your views.	Agree. There needs to be sufficient incentives to ensure enough firming resources are available to meet the system needs during extended periods of reduced supply capability. This is especially important for us with a high proportion of variable renewable generation, limited energy storage capability and with no inter-connections to other systems (like other jurisdictions). To support a strong demand growth future and electrification ensuring sufficient energy margins to manage the transition will be critical.
Q3: Are there any other barriers you think limit participation in firming contract markets for buyers, sellers and potential new entrants? Please explain your views.	No comment.
Q4: Does the tenor gap represent a material barrier to investment? What additional work or interventions, if any, could be considered by the Authority to address this issue?	No comment.
Q5: What is the most appropriate method for assessing long-duration firming risks? For example, should the assessment focus on dry seasons or dry years or both? ,	There is currently a security of supply framework set by the Authority through the Code and Security of Supply Forecasting and Information Policy. This reporting is currently done by the System Operator through the: (a) Security of Supply Assessment (SOSA) and (b) the Electricity Risk Curves. We feel that any new measure of a long-duration firming-gap needs to be consistent with the existing security-of-supply

	framework and the Authority's security standards[4]. Otherwise, there is a risk that the new measure applies a different reliability standard to risks already represented in existing security-of-supply modelling and reporting. We recommend that the Authority review the security standards to ensure these capture the required long-duration firming needs identified by the Authority. This could mean modifying existing standards or adding new ones. This will ensure the standards, assumptions and policies are consistent with each other and the current security of supply framework outlined in the Code and SOSFIP. We think this approach would reduce effort, implementation time and market confusion.
Q6: What information or guidance on firming contracts would be most useful for market participants?	No comment.
Q7: What information relating to firming contracts should be disclosed to improve market transparency?	The physical resource linked to these contracts should be disclosed. This will provide certainty of physical resources behind these contracts. See further explanation in response to Q8.
Q8: What measures, if any, should be prioritised to improve investment incentives for long-duration firming?	We feel the key issue is the measure(s) should provide certainty of sufficient physical resources in the market and being brought to market ahead of need to manage energy and capacity needs considering supply-side variability and uncertainties and support a strong future demand growth that is increasingly dependent on access to reliable, affordable electricity.
Q9: Would a physical or financial firming product be more effective in supporting market liquidity, managing risk, and supporting investment signals? Please explain your views.	Whether physical or financial, there needs to be sufficient certainty and monitoring of the resources providing the firming and that these can respond when needed.
Q10: Do you support the introduction of a mandated sell-side auction for a small volume of firm energy products? Why or why not? If you support this option, please include in your response the types, volume, and duration of products that should be auctioned.	No comment
Q11: What additional measures could be introduced to facilitate more effective, or additional, demand response arrangements?	The Minimum Weekly Amount (MWA) needs to be set to a level that is consistent with the security standards to ensure prudent hydro management and contracting of firming (supply and/or demand). This will help ensure an Official Conservation Campaign is not seen as a lower cost alternative to help participants manage commercial risks. We've provided this feedback[5] to the Authority in its determination paper "Review of the minimum weekly amount to be used in official conservation campaigns".

[4] These standards are currently being reviewed.

[5] TP-Feedback_EA_MWA.pdf