



22 October 2026

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

Review of the minimum weekly amount to be used in official conservation campaigns

Transpower welcomes the opportunity to submit feedback to the Electricity Authority's draft determination paper on the minimum weekly amount to be used in official conservation campaigns.

In summary, Transpower supports the regular review of the minimum weekly amount (MWA) to ensure the incentives to manage hydro storage in dry years are maintained relative to other changes in the market. To further improve this process, we propose:

- Testing the estimated marginal prices used for the MWA calculation against recent market observations during dry years as well as market settings to signal efficient winter energy margins.

Together these will help ensure the MWA continues to serve its intended purpose of improving incentives to appropriately manage dry year risks to achieve an efficient level of security as reflected through the security standards. Any change to the MWA needs to be considered against other effects it could have and needs to be made for the long-term benefit of consumers.

Ongoing review of the minimum weekly amount is important to ensure these market settings are continuing to achieve their intended outcomes

The MWA is the minimum payment made by retailers to qualifying customers when an OCC is triggered by the System Operator. During an OCC, the public are asked (through an advertising campaign) to voluntarily conserve power due to an elevated risk of running out of hydro storage. If conditions do not improve after an OCC is triggered and there is a risk of extended periods of demand curtailment¹ then the System Operator triggers a supply shortage declaration indicating that rolling outages will be initiated to manage electricity consumption until the situation improves.

The MWA is intended to:

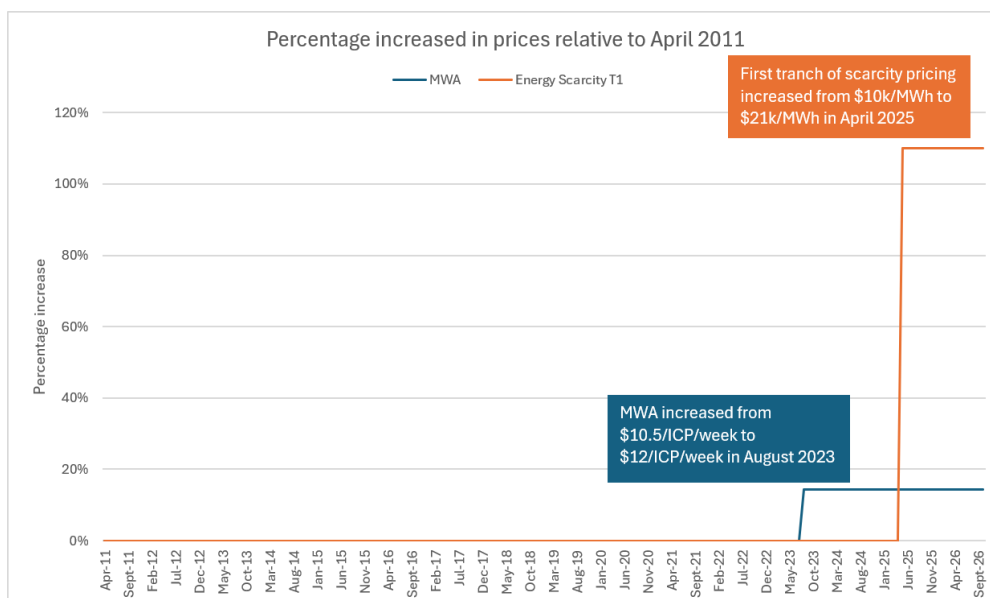
¹ Within the next 35 days.

- incentivise prudent management of hydro resources by ensuring that public conservation is not seen as a "free or lower cost resource" to reduce electricity consumption and therefore reduce spot prices to help participants manage commercial risks.
- provide incentives to consumers to reduce their electricity usage and reduce the risks of more severe consequences (rolling outages)

The MWA is reviewed every 3 years. A regular review of the MWA helps ensure it continues to serve its intended purpose with changing market and system conditions.

The chart below shows the changes in the MWA as a percentage change from its initial value of \$10.5 per week per ICP. In August 2023 it was increased by 14% to \$12 per week per ICP. Also shown is the first tranche of the capacity scarcity pricing value in the market which is the price paid to generators when there is insufficient supply to meet the demand in the spot market. The capacity scarcity price is somewhat analogous to the MWA in that it provides a signal to incentivise investment in resources to reduce risks in the market. If either the MWA or the capacity scarcity price tranches were set too low, then reduction in electricity demand would be triggered ahead of using other market resources. This would disincentivise investment in (and contracting for) more resources which in turn leads to further increases in demand reduction to manage tight capacity or tight energy situations.

The recent review of the capacity scarcity prices in 2025 resulted in it increasing by 110% to better reflect the increased incentives required to manage capacity risks in the market. This increases the prices paid to generators selling in the spot market and prices paid by spot purchasers during scarcity situations thereby increasing the incentives to invest in peak resources (such as batteries, peaking generation and demand response).



The estimated marginal price used for the MWA should be benchmarked against market observations with increased hydro risk and market security settings to ensure better alignment with observed and desired security outcomes

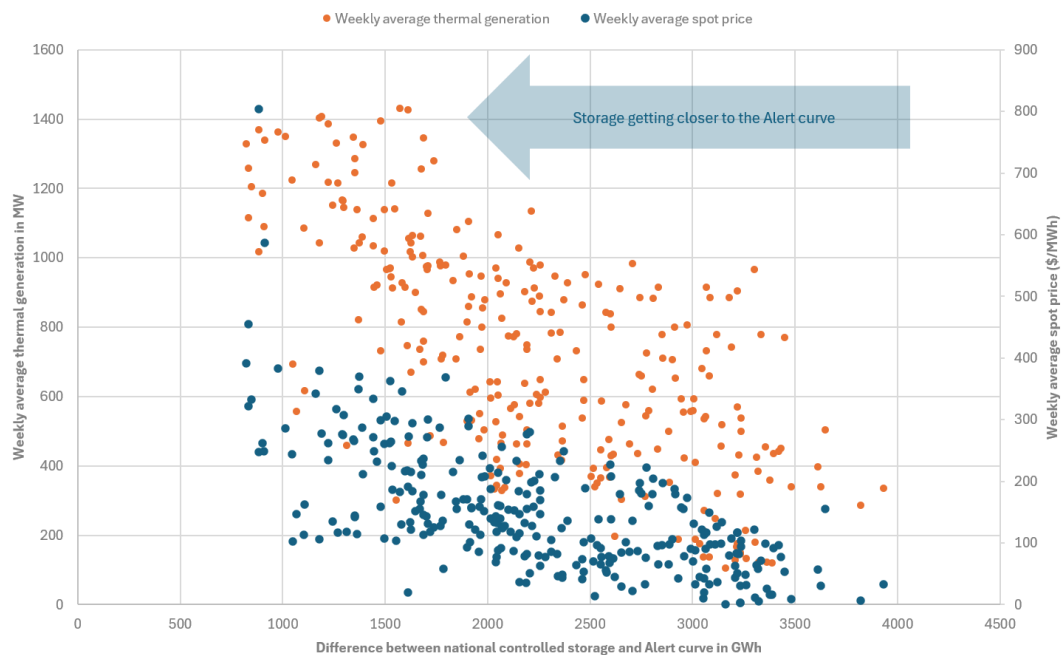
As discussed above, the MWA serves an important purpose in reducing incentives on retailers exposed to spot prices from seeking an OCC due to them:

- paying high spot prices which would occur during extended dry periods
- being unable to pass on these high prices to their fixed price customers

For the MWA to be effective in achieving this outcome, it needs to make an estimate of what the spot price could reach just before of an OCC is triggered and therefore what cost savings the retailer could experience from an OCC being triggered.

The updated price in the Electricity Authority's proposed draft determination estimates this price as ~\$755/MWh. Retailers exposed to this spot price would "benefit" from an OCC being triggered as the reduction in demand from the OCC will result in a reduction in spot price.

A trigger for an OCC is when there is at least a 10% risk of hydro storage reaching zero over the next 12 months. The chart below shows the weekly average spot price and thermal generation in the market from Jan 2010 to June 2025. The x-axis shows the difference between controlled hydro storage and the Alert curve (which represents a lower risk threshold (4% risk level) compared to an OCC). Recent observations in the market (from 2024) have shown higher spot prices at hydro risk thresholds lower than an OCC. Prices rise sharply as the risk increases and we would expect even higher spot electricity prices if the risk had increased further.



Another useful benchmark is the implied spot price used for an OCC (voluntary demand curtailment) when assessing the energy security standards. The Electricity Authority is

currently consulting on potential changes to the security standards with updated inputs, including demand response costs for the winter energy security standards (as shown in the table below). The proposed voluntary demand reduction tranches used for the energy security standards (\$996/MWh and \$4,268/MWh) are both above the estimated spot price used for the MWA calculation. We think aligning the estimated spot price used for the MWA with those used for the energy security standards would better align its intent with the desired longer-term efficient security outcomes. Using even the lower range of these voluntary demand response costs used for the security standards (\$996/MWh) in the MWA calculation implies an MWA of \$16 per week per ICP which is greater than the proposed value.

Demand response level	2026 proposed cost (\$/MWh)
2.5% (voluntary)	\$996
5% (voluntary)	\$4,268
15% (involuntary)	\$7,113
77.5% (involuntary)	\$14,226

Conclusion

The MWA is an important piece of the security of supply framework, similar to the capacity scarcity price. We support regular reviews of these settings to ensure they continue to serve their intended purpose in providing incentives to invest to manage energy and capacity risks ahead of demand reduction under changing system and market conditions. We also support benchmarking these settings against recent market observations and market security settings to ensure they are better aligned with market conditions during periods of increased hydro shortage risk and with the efficient security standards. Any change to the MWA needs to be considered against other effects it could have and needs to be made for the long-term benefit of consumers.

Yours sincerely



Ramu Naidoo

Head of Security of Supply and Forecasting