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The Ministry of Business, Innovation and Employment
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Transpower's submission on the draft Fuel Security Plan

Transpower welcomes the opportunity to respond to the Ministry of Business Innovation and Employment's (MBIE) draft Fuel Security Plan ('plan') consultation. The plan is a useful document that outlines the proposed steps the Government is taking to make New Zealand's fuel system more resilient and secure.

While the consultation primarily focuses on liquid fuels, we have chosen to focus our submission on the interdependencies with other fuels (including electricity) in maintaining energy security for New Zealand. This reflects the critical role of fuel security to enable the electrification of the economy, to provide affordable energy supply, and drive economic growth.

Our brief submission provides responses to the consultation in our role as both National Grid Owner and System Operator.

Electricity is a domestic alternative to improve resilience, but it is reliant on imported fuels

The New Zealand electricity sector relies on imported fuel to maintain energy security and resilience. This is not limited to liquid fuel, recognising the interdependence of the whole energy system. Transpower believes it is critical to ensure domestic electricity supply is secure and resilient as the economy electrifies. Currently hydro provides more than half of our national electricity supply and has relatively limited storage capability.[1] In addition, as New Zealand has no interconnections to neighbouring electricity systems, we need to build our resilience with domestic supply. Fundamental to our success is how we enable the acceleration of new generation build and our role in securing the necessary backup supply of energy to support intermittent renewables for the long term.

The risk of an energy shortfall in the years ahead demonstrates the importance of fuel security to our unique situation in New Zealand; extraordinarily high levels of renewable electricity and a rapid decline in natural gas availability for backup generation.[2] Recent news and market commentary[3] has highlighted increased gas supply risks in the near term which would further stress the electricity and gas markets, further highlighting the urgent need for diversified fuel sources to help manage New Zealand's security of supply risks. The uncertain outlook on gas supply in the next 1-2 years means we are even more reliant on imported coal as a strategic reserve and underpins the criticality of building out new renewable energy to support the energy system. The country also navigated two very dry periods on the power system: a dry winter in 2024 and an exceptionally dry start to 2025.

[1] National hydrology storage is around 6 weeks of national electricity demand
[2] Gas decline increases urgency for new electricity generation – Transpower | Transpower
[3] See Māui gas field at end of life, timing TBD | BusinessDesk and Enerlytica reporting on Maui available to subscribers (Maui - What, why, when and how? | Enerlytica)

Addressing security of supply issues for electricity is paramount to support a secure, affordable and highly renewable electricity system for economic growth

Our current ability to meet electricity demand is being challenged. Growth in peak demand has outstripped investment in new flexible resources, leaving gas and coal-fuelled generation as the only available solution for times when renewables, such as wind and solar, are not available and cold weather increases demand. The current Government has a goal of doubling renewable electricity by 2050 under its Electrify NZ policy. This will drive a greater share of electricity produced from domestic renewable energy sources such as geothermal, solar and wind and contribute toward meeting our domestic electricity supply needs. Renewable energy is key to a more resilient and secure energy system, particularly to meet energy adequacy.

While the work to build and connect new generation is gaining momentum, our analysis shows that both short-term peak demand and longer-term energy supply will continue as security of supply risks out to 2034.[4] The Security of Supply Assessment 2025 (SOSA), which provides a 10-year view of energy (and capacity risks), projects that New Zealand's winter energy margin (NZ-WEM) may fall below the lower security standard by 2026, which assumes three dual fuel Rankine units at the Huntly Power Station are available. This is mainly due to the decline in gas availability. Risks like delays in new plant commissioning, further reduced gas supply, or higher demand could worsen the situation beyond current projections.

In the SOSA, an assessment is also conducted of the North Island winter capacity margin (NI-WCM) relative to the security standards. The analysis indicates that the NI-WCM does not meet the lower security standard in 2029, given existing and committed generation. This assumes that only two Rankines contribute to the winter peak, as the third Rankine unit is primarily maintained for energy-constrained needs requiring extended operation and is not typically online for short-term peak load capacity-constrained situations.

It is clear from our analysis that the ongoing maintenance and fuelling of all three Huntly Rankine units is necessary for the next decade, alongside increased new development, to maintain a secure supply. Increasingly our electricity generation relies on imported coal for dry year electricity backup. Given its strategic importance, we expect this to continue for the foreseeable future. We support the need for a strategic energy reserve to provide firm energy supply critical for dry year cover and renewable energy build, especially given the rapid decline in actual and forecast gas production.[5] This fuel is only as good as the quality and availability of the infrastructure to convert it into electricity, not only the availability and access to the fuel itself. Our reliance on coal and gas will reduce over time as more renewables come to market (including biomass) – but for now we need it – we need it, until we don't.

The importance of a secure and reliable electricity supply will become more critical in the future as the economy electrifies and the transition to renewables

The plan proposes to encourage the production of domestic low carbon fuel alternatives like green hydrogen and biofuels to reduce reliance on imported fuels and promote sustainability. Transpower is ready to enable this future. Looking ahead, the electrification of transport and process heat demand, and the potential for e-fuels for use in domestic energy demand for marine and aviation

[4] Transpower, Security of Supply Assessment 2025

[5] Application by Genesis, Contact, Meridian, and Mercury to the Commerce Commission for the Strategic Energy Reserve Huntly Firming Option.

sectors will result in greater use of electricity. Together, this will reduce the reliance on imported fossil fuel and shift an even greater focus on ensuring a secure and resilient electricity sector.

Transpower, in its role as System Operator, plays a key role to ensure the electricity industry is well placed to manage the issue of security of supply

The System Operator, as required by section 8 of the Electricity Industry Act 2010, must provide security of supply information and short- to medium-term forecasts, and manage supply emergencies. This includes an annual Security of Supply Assessment comparing winter energy and capacity margins to security standards over the next decade, as well as near-term risk updates covering periods from the next 12 months down to five minutes ahead.

Thank you for the opportunity to submit. We would be happy to discuss our submission with you.

Yours sincerely,

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