



# Meeting Minutes

<b>Meeting name:</b>	<b>ERS Workshop 2</b>
<b>Date, time &amp; location:</b>	29 May 2026, 9am-1pm, Transpower offices and Microsoft Teams

## Attending

<b>Name</b>	<b>Role</b>
<b>Peter Algie</b>	Group member, Ritchies Transport
<b>James Carberry</b>	Group member, Simply Energy
<b>Alan Eyes</b>	Group member, NZ Steel
<b>Michael Jefferson</b>	Group member, Enel X
<b>Craig Parker</b>	Group member, Mercury Energy
<b>Darren Gilchrist</b>	Group member, Oji Fibre Solutions (9am-11am, 12pm-1pm)
<b>Marcus Sin</b>	Group member, Counties Energy
<b>Vincent Smart</b>	Group member, EECA (9am-12pm)
<b>John Hancock</b>	Independent Chair
<b>Murray Henderson</b>	Transpower, Principal Market Advisor
<b>Bridget Legg</b>	Transpower, Contracts & Reporting Specialist
<b>Michael Richardson</b>	Transpower, Flexibility Services Manager
<b>Brenden Kristensen</b>	Transpower, IST Project Manager
<b>Justine Park</b>	Transpower, Senior Market Analyst
<b>Andrea Van Soest</b>	Transpower, Senior Business Analyst
<b>Mark Newlands</b>	Transpower, Senior Business Analyst
<b>Andrew Marriott</b>	Electricity Authority (observer)
<b>Bridget Moon</b>	Secretariat (independent)

There were no apologies

## Introduction and context

The Chair welcomed everyone to the second workshop of the Emergency Reserve Scheme (ERS) Co-design Group, and ran through some housekeeping matters. The group agreed the minutes from the previous workshop.

Murray Henderson explained a correction to his statement at workshop one that the Policy Statement and Procurement Plan would be consulted on concurrently. Rather, the Procurement Plan may be consulted on earlier. Changes to it are critical to progressing the scheme, whereas changes to the Policy Statement could be consulted on later. A member noted this could complicate contracting if some relevant legal provisions are not finalised ahead of signing.

Murray Henderson provided a brief recap of the previous workshop before walking the group through key design aspects of the scheme, with Michael Richardson providing more information on the SO's intended use of FlexPoint to operationalise it — noting that FlexPoint will handle onboarding, baselining, performance verification, and settlement calculations, but is not being positioned as a national flexibility procurement platform.

The group engaged in substantive discussion throughout the presentations.

## Key issues discussed

The group discussed some broad context and procurement issues. For example:

- The system operator (SO) noted that the scheme is not co-optimised with other market and emergency management mechanisms. It is part of grid emergency conditions when time pressure is significant and decision making will differ from ex-post perfect decision-making.
- The Chair returned several times to framing the ERS as an extension of AUFLS rather than of market mechanisms, with over-procurement being the main design risk.
- The group suggested that the small size of the scheme and low probability of it being triggered might moderate the effort put into forecasting quantities and procurement.
- The likelihood, frequency, and duration of an activation event is highly uncertain, with only two historical instances to draw on. This complicates the procurement process for both the SO and prospective providers.
- Cost concerns arise with procuring months ahead because of the inherent uncertainty about need. The EA's intent is for the SO to maintain a pre-qualified provider panel to enable late, targeted procurement. The SO deemed this impractical for year 1, but successful year 1 providers could seed a panel in year 2.
- A member questioned what creates downward pressure on costs for the SO, suggesting that the lower probability there is of an event, the more the SO could theoretically pay for ER, and that if the SO were to direct-source providers, the providers would have a lot of leverage.

The group extended their discussion from workshop one about the SO's approach to pricing during an event, specifically discussing that:

- Actual response will differ from dispatched quantities; providers have an incentive to under-offer relative to likely delivery; and generators' offered volumes may be curtailed.

- ERS could be activated on fleeting scarcity conditions that subsequently resolve, so the trigger mechanism needs to ensure ERS is only called when scarcity is genuinely expected, and this needs to be well signalled.
- The SO should consider assuming some level of over-delivery when adding volumes back into schedules.
- The comparatively small volumes involved in the ERS would not create the same price or over-correction risks as AUFLS.

The group also extended their discussion from workshop one about who the target participant is for the scheme. Specifically, the group:

- Further tested excluding hot water load control. A strict approach would keep low-transaction-cost resources in the current place in the hierarchy. A member suggested the ERS could help recover ripple control maintenance costs, but the Chair countered these are already recoverable under the Part 4 regime.
- Observed that retailers are actively seeking latent demand flexibility, and the ERS is not attempting to resolve friction in that process.
- Considered whether the scheme's objective of building demand response (DR) capability implies a self-limiting design: once a load is armed, it should arguably be participating in existing markets rather than the ERS.
- Circled back several times to a hypothesis that aggregators are the most realistic participants. Excluded resources (interruptible load, contracted DR) leave a residual flexible pool unlikely to line up reliably with the SO's requirements on an individual basis, whereas an aggregator can ensure a reliable response through portfolio diversity. The group identified two key implications of this:
  - The SO need not design a scheme attractive to individual load customers. Rather, it should design one that works at a wholesale level, with aggregators repackaging it for load customers.
  - The SO should focus on what it needs from a service provider, rather than certifying individual loads. This was termed a "high-trust" model.
- Questioned whether targeting aggregators might lock out independent suppliers.

The Chair challenged the group as to whether event payments are necessary if the design objective is to build DR capability, and the group circled back to this question a few times.

- An availability-only approach would simplify tender assessment, and remove the need to estimate event frequency and duration, which are virtual unknowns for all parties. It would be consistent with the analogy of the ERS as insurance, and the view that arming load is the core barrier to address.
- On the other hand, event costs are real and distinct for some participants, particularly large industrials. An event payment could also provide a meaningful performance incentive.

The group discussed compliance and performance, specifically that:

- A punitive regime would reflect the security-of-supply purpose of the scheme and incentivise resources into the right market, but may discourage participation or lead to conservative delivery, increasing scheme costs.
- Non-performance results in load shedding that would have occurred anyway, suggesting clawback of availability payments may be sufficient consequence. Force majeure and bona fide reasons for non-performance warrant consideration.

- Where aggregators are the counterparty, contract terms and reputational risk provide additional discipline, and portfolio diversity can manage the risk of unexpectedly frequent events.
- The group noted the Code's trading conduct provisions would not apply to the ERS but could be replicated in the SO's bilateral contracts.

On pre-activation, baselining and interruption duration:

- 36 hours is likely too long for pre-activation given associated costs, false alarm risk, and gaming potential. Around 24 hours would suit complex industrial plant, and the SO could consider a staged approach (~24 hours early signal, ~2 hours pre-activation, ~25 minutes final activation), though year 1 may simplify to a single pre-activation. It was noted WITS residual data provides informal advance warning in any case.
- Pre-activation creates baselining risk, with manipulation of baselining noted as being the primary source of gaming in comparable overseas schemes. After pre-activation, providers could inflate load ahead of an event to increase measured reductions. However, some pre-activation behaviour may be efficient (eg charging storage). The baseline lookback period should hence exclude the pre-activation window.
- FlexPoint's baselining methods could be drawn on, but may not be required under a high trust approach. Director certification may be an alternative to technical baselining under that approach, (testing the service, not individual devices) transferring the burden of proof to the provider.
- The SO should not pre-activate all contracted load if it expects to need only part of it, given costs involved. Whether pre-activation costs should be captured in contracts warrants further consideration, noting this issue could inform/depend on the event charge question.
- A member questioned whether an earlier activation response by a provider should be allowed, but the SO suggested it would displace market-based responses.
- A minimum interruption duration is reasonable. Providers would also value an indicated maximum to inform tenders, and tranches of load could be offered for different durations, reflecting different load characteristics.

Other more technical points were also discussed:

- The inherent challenge of forecasting ER need, given previous load-shedding has been driven by factors unlikely to be directly forecastable (eg, weed blowing across a lake), which 3<sup>rd</sup> party forecasts would not overcome. The SO explained its intention to use the NZGB 200-day ahead AM/PM peak analysis, Yes Energy demand forecasts, and POCP notified generator outage data.
- Metering resolution requirements, with the group agreeing that the SO's proposal to align with instantaneous reserve metering standards is a reasonable starting point, and that the appropriate resolution sits somewhere between half-hourly (insufficient) and millisecond (unnecessary).
- Procurement and dispatch would be at island or national level in year 1, and would most likely be focussed on the North Island given HVDC and reserve interactions. Baselining would necessarily be more locationally granular. The SO would need to protect against gaming through load substitution across feeds.
- EDBs with automated control limits should be excluded, as ERS responses on those networks would likely be offset by the EDB restoring load — noting this is distinct from DERMS.

- The SO needs good visibility of other DR on the system to make effective activation decisions. EDBs also need visibility of ERS load restoration, noting this is covered under the Code.
- No minimum participation size would be set in the procurement plan, though the SO reserved the right to add one through the tender process. Total procured quantity would be public, but individual provider quantities confidential.

At the next workshop on 23 June, the SO will bring a detailed strawman design for the group's consideration, drawing on the discussions to date.

### Actions

ID	Description	Owner	Due by
1	Share the slide pack and minutes with participants	SO team	8 June
2	SO team to prepare a detailed strawman design for Workshop 3	SO team	23 June
3	Participants to email any additional topics ahead of Workshop 3	Group members	20 June

### Parking Lot/Issues for later resolution

ID	Description
1	<b>Ripple control and the contestability of controllable load.</b> The multiple and evolving ownership arrangements around ripple-controlled load, and whether the priority given to different uses is appropriate, may extend beyond the ERS design, though the group may wish to consider whether ripple control should be explicitly excluded from the scheme.
2	<b>Contract length and investment certainty.</b> The tension between a short contracting horizon to manage costs on behalf of purchasers and the multi-year certainty that prospective providers may want to justify investment in DR capability was not resolved.
3	<b>The ERS as a capacity payment.</b> The concept of the ERS representing a first step toward broader capacity payments, and the implications of that for flexibility resources outside the ERS, is beyond the scope of the group.
4	<b>Co-optimisation of ERS with energy and reserve markets.</b> The ERS is not co-optimised with other market services, meaning there is potential for flow-on impacts if ERS participation cannibalises other markets. The additionality principle is an imperfect solution to this problem, and may become less effective as the ERS matures and DR resource grows.