



TRANSPower

# ERS Co-design Workshop THREE 2026

Emergency Reserve Scheme Design

June 2026





# Workshop 3

# Independent Chair's Welcome

John Hancock  
Signature Consulting



# Housekeeping

- Recording of meeting
- Health & Safety
- Bathrooms



## Quick recap

- In the first two workshops:
  - Reviewed background of the scheme and decisions already in place
  - Discussed roles of EA, SO, aggregators and asset owners
  - Discussion of core operational aspects including eligibility, payments, performance verification and pre-activation and activation processes
  - Use of FlexPoint platform



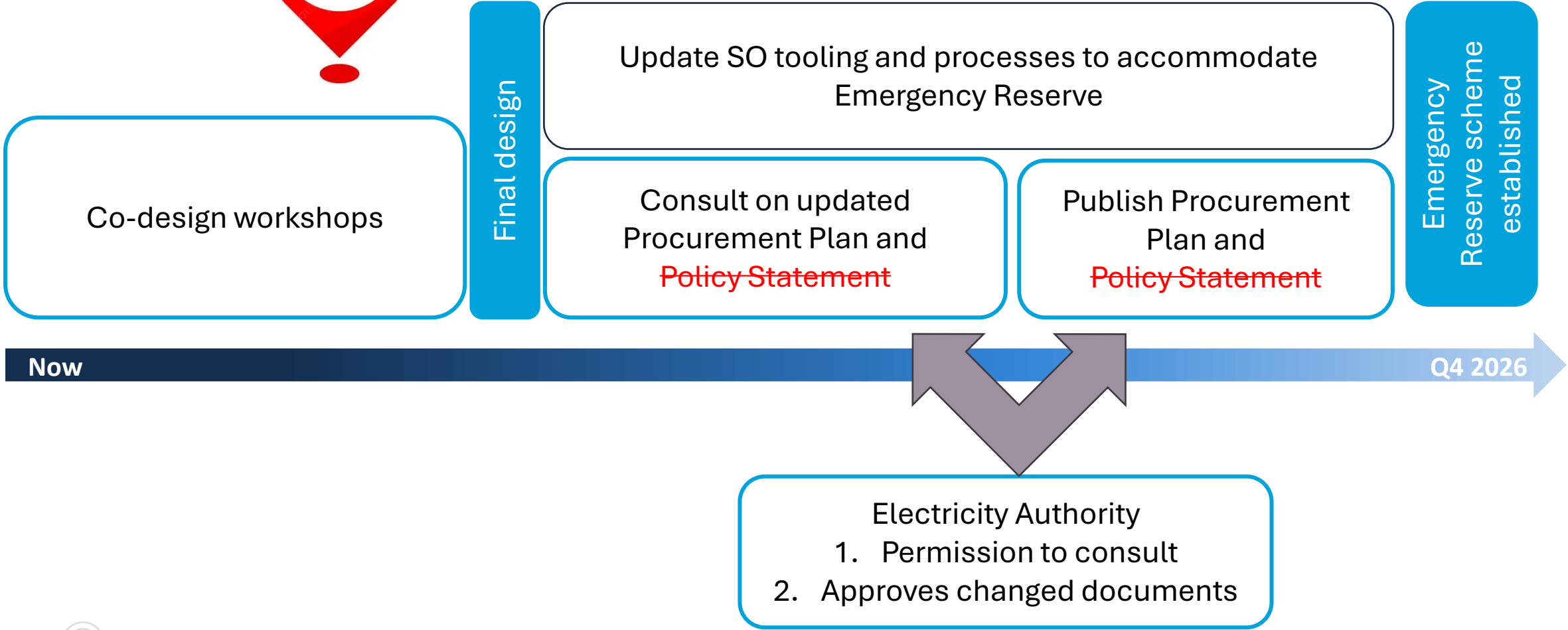
## Aim for today

- Present the System Operator's "strawperson" design
- Feedback on key questions
- Discuss questions and concerns
- Working within given constraints:
  - Code requirements
  - Timeframes
  - SO tooling solution



# Reminder of the timeline

Policy Statement likely to follow in Q1 2027



## Document framework recap:

- **Procurement Plan** - firm rules

Details what ancillary services SO procures

- For each ancillary service:
  - basis and process for procurement
  - performance and technical requirements
  - contains key contract terms

*“the Code for ancillary services”*

- Contracts (anchored to PP) – e.g. MW, asset details, commercial details

- **Policy Statement** – firm rules

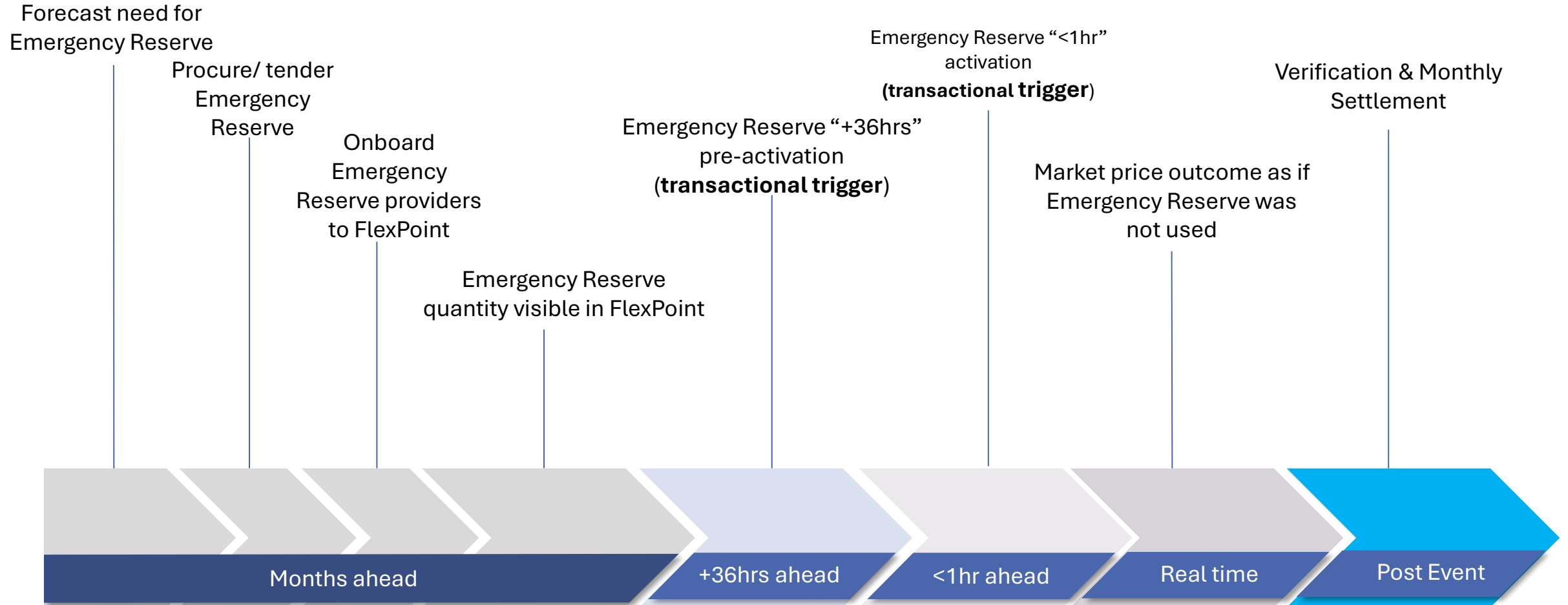
Details how the SO meets Code based obligations – incl. demand mgmt.

- SO documents – SO maintains full flexibility / discretion



# Emergency Reserve scheme conceptual design – Process Overview

## Operationalising the Emergency Reserve scheme



NB: scope for pragmatic 'initial' options as described in the Electricity Authority's decision paper.

# Forecasting the need for ERS

## Our proposed approach

We will undertake analysis to determine:

- Procurement period (timing, duration), and
- Tender quantity

At the start of 2027 (for winter 2027)

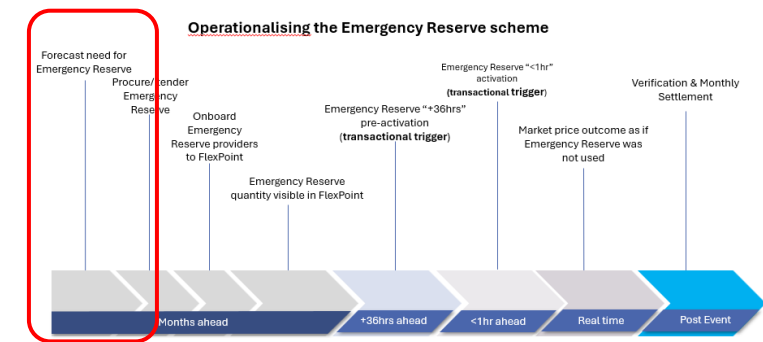
Will use existing sources e.g.

- Security of Supply analysis
- NZ Generation Balance
- Experience and intuition

We'll publish forecasting methodology  
Forecast results / justification published alongside the release of tender docs

We'll use year 1 as a market development / testing / learning opportunity, targeting a non-zero but judicious volume.

Review Yr1 ahead of Yr2



- 5.29. We are satisfied that it is not necessary to amend the proposed Code provisions to address these points. Instead, we note that the Code provisions already enable the System Operator to determine the appropriate availability period for an ERS procurement. We consider that it would be appropriate for the System Operator to consider a defined availability period for the early operation of the scheme (eg, three to six months), to provide greater certainty for both the operator and providers in determining the costs of the scheme during this period.

### Procurement Period

1 May – 30 September [TBC]  
1<sup>st</sup> and last cold snaps



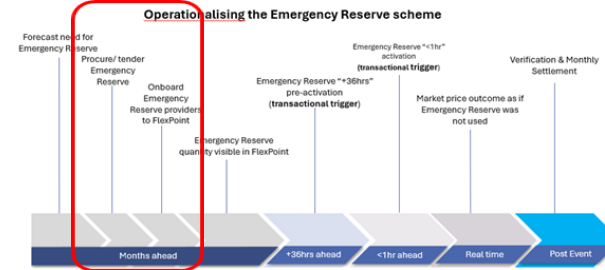
# Provider eligibility and technical requirements

## Our proposed approach

Eligibility against Code requirements (eg, no batteries, 12 mth stand-down) – **NB** non-participants must become participants

In the Procurement Plan, we will additionally and explicitly:

- Exclude:
  - ERS providers on networks with automated control limits (e.g. Orion) because net effect is paying for no change to system load
  - Hot-water load control / ripple sources (on the basis it is controllable load and should be used under that scheme)
- Not exclude IL that has recently participated in other markets
- Have minimum metering requirements – in terms of resolution, meter standard required, frequency, format, timeframe, aggregation level etc
- Not include a minimum participation size in the procurement plan, but will allow for one in any tender process
- Require providers to be capable of responding within timeframes implied by pre-activation / activation timeframes (**24hrs**, 20mins)
- Require that providers can maintain load-reduction for a minimum of 2 hrs



## High-trust model

Onboarding and events

## Metering

Base off IL requirements  
Minimum of 1min resolution  
30mins pre-event  
Auditable – keep event records

## Duration

Maximum of 3 hrs

# Procurement arrangements

## Our proposed approach

The ideal future state is that procurement is conducted within 4-weeks of the need arising, but this will not be set in the Procurement Plan and is not the aim for year 1

We will not set up a panel of providers in the first instance

In year 1 we may directly approach 1 or 2 [known] providers, rather than conduct an open tender. Or choose to only pursue [known] providers via a tender rather than all tenders. [if cost comparable]

Quantity, duration and price will be part of the tender

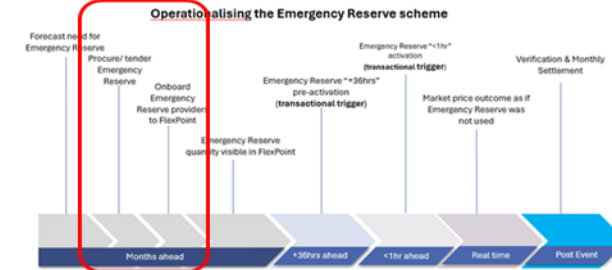
- Quantity – minimum fixed ER amount
- Defined duration
- Price “pre-event” & “event”
  - Pre-event – fixed fee i.e. per month
  - Event fee – fixed or variable

Tenderers will need to provide information to evidence eligibility, and ensure access to X years of historic data

Decision and tender award required to be notified on website / comms channels. Timeframe for decision covered in tender docs.

## Secondary Objective

Build capability to provide demand flexibility more generally, through building organisational capability and investments in equipment.



## Procurement

Open tender  
National product

Pre-event costs only

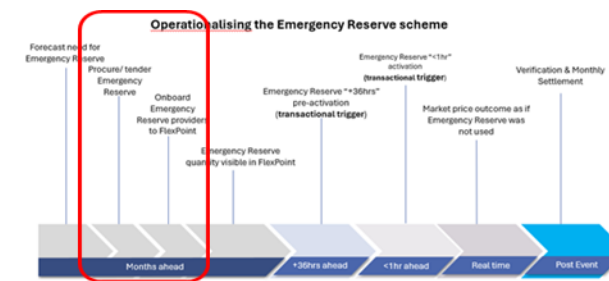
# Assessing proposals

## Our proposed approach

No obligation to procure following a tender.

Screen on eligibility, and verify Code eligibility with EA

- Assessment criteria to be outlined in tender documents – not strictly limited to costs
- May provide weightings.
- SO will need to estimate # of events to compare prices – may state this assumption in tender doc
- Testing and performance confirmation – physical performance and subsequently communications checks



## Assessing proposals

Pre-event costs only simplifies assessments of tenders  
Year 1 - reserve the right to prioritise known providers and or previous IL provider

# Contract terms

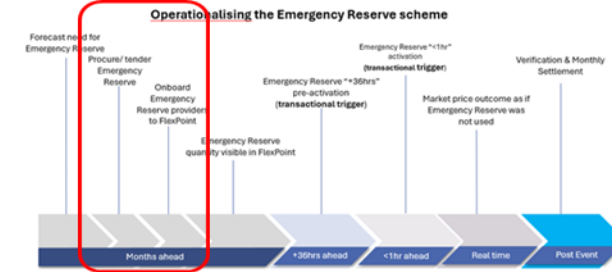
## Our proposed approach

### Compliance

Obligation to notify of outages / maintenance that affect availability

### Non-performance clawback

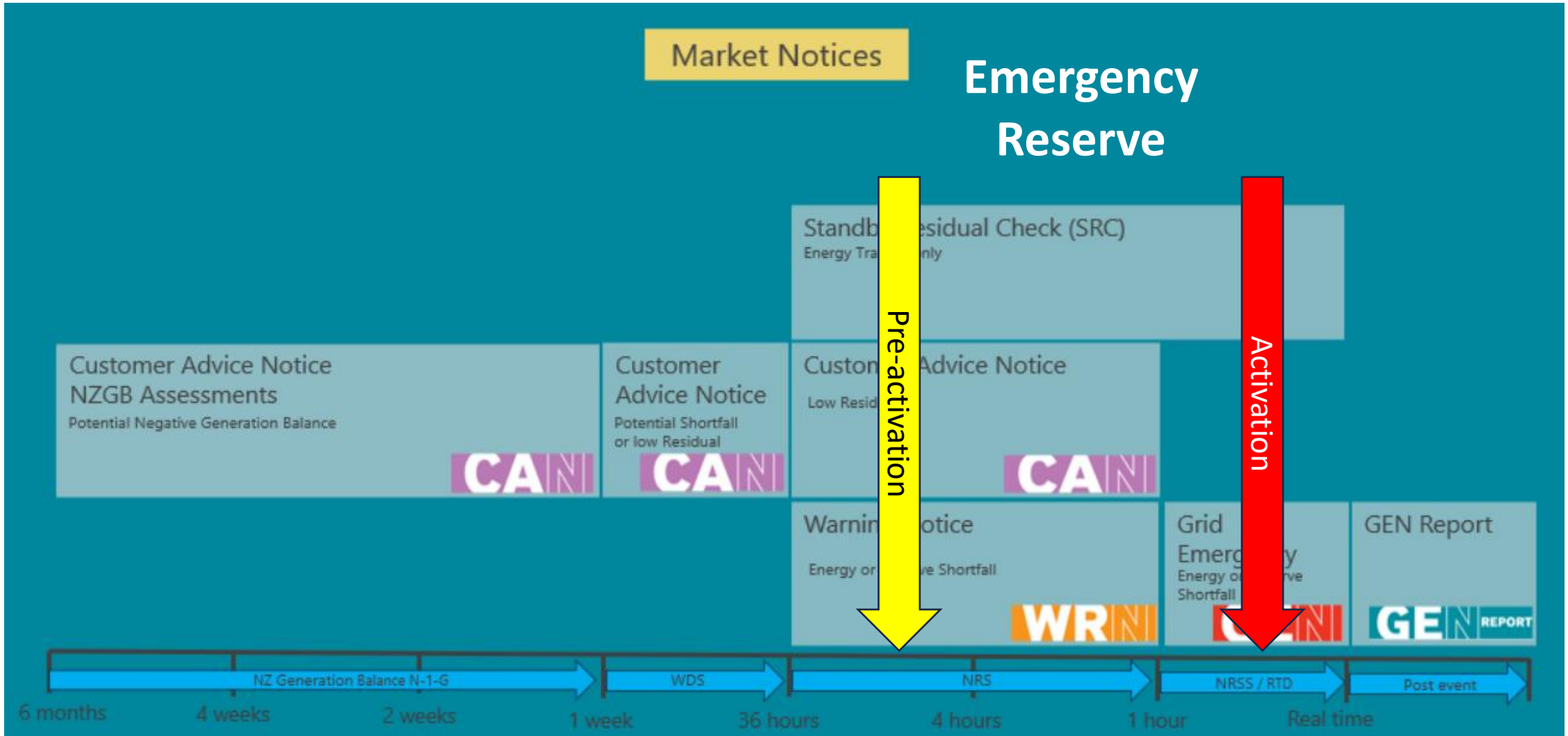
Must make data available if requested (eg metering – granularity, aggregation, pre-event/event/post-event)



## Contract terms

Expectation is full delivery  
Pro-rata clawback for non-delivery  
Bona-fide unavailability / outages  
consistent with OFA and Black Start

# Pre-activation and activation triggers and timelines – Our proposed approach



# Pre-activation and activation triggers and timelines

## Our proposed approach

Notifications via FlexPoint to providers

ER providers must acknowledge activation notice but not pre-activation notice.  
No specific notifications to market but clear from residual shortfall notifications

Pre-activated quantity the procured quantity, but activated quantity the residual shortfall

- Cheapest ER providers selected – whole bids

Pre-activation on rolling 2 hrly basis with lock-out of 'X' hours ahead of real-time.  
Pre-activation for first period which fails rather than worst if there is an extended series of failed periods.

No 'de-pre-activation' / 'stand down' notice (just expires)

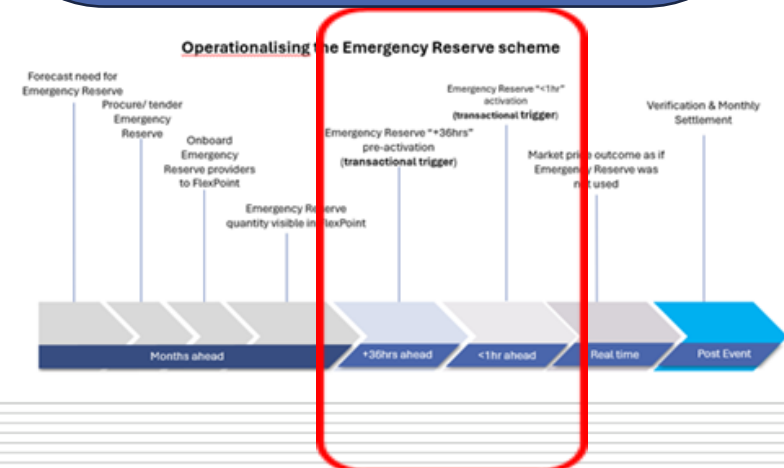
Activation issued ~25mins ahead

Activation **can** occur if not pre-activated

- Payment as though pre-activated
- No compliance – best endeavours

## Triggers

- Pre-activate all ERS (pre-event costs only)
  - Pre-activation at 24hrs
- Pre-activation applies for -2hr from notified periods
- Pre-activation trigger if NZ/NI residual < 100MW
- Activation trigger if NZ/NI residual < 0MW



# During event processes

## Our proposed approach

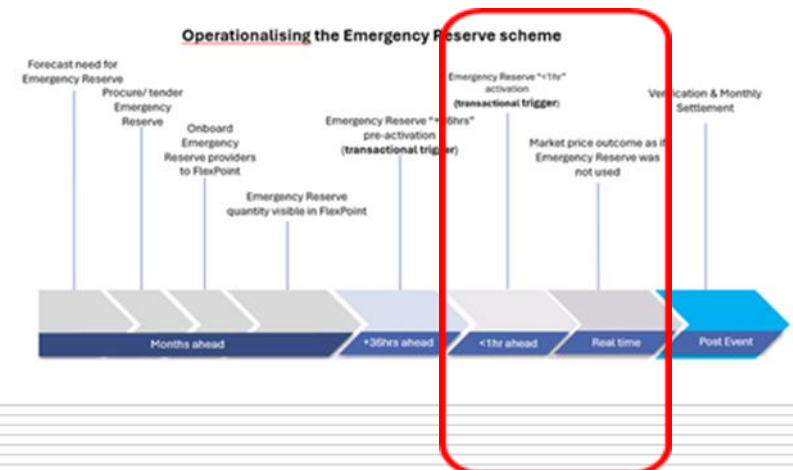
Providers must deliver (minimum) contracted quantity before start of period of first activation (~20mins to achieve activation)

Restoration manually co-ordinated

ERS load added back into schedules for activated periods to maintain market prices, but won't reflect load reduction between activation notification and activated period.

If ERS quantities in FlexPoint aren't at GXP level, activated ERS will be disaggregated to GXP pro-rata. Scarcity pricing remains as a 'marginal price outcome' not an administered one, therefore subject to changes in other system conditions (eg wind) - same as now

No change



# During and post event processes

## Our proposed approach

Verification / performance assessment assessed via FlexPoint, given metering and data requirements set out at tender/contract stage

System Operator sends ER info to Clearing Manager

- Pre-event costs
- Event costs (probably zero in year 1)
- Per-provider

Clearing Manager bills purchasers for ER costs and pays ER providers

Pre-event costs paid monthly

Year 2+ - Any event costs paid post-performance assessment - non-payment possible for non-performance

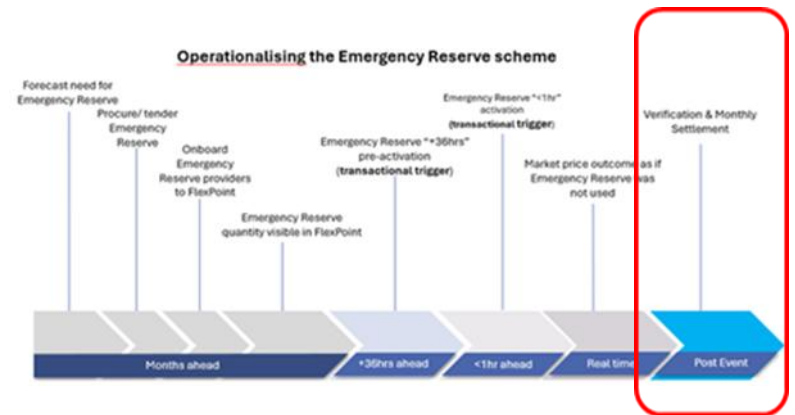
Clawback possible of pre-event costs for non-performance – audit of high trust model possible

Usual timings, wash-up etc apply

System Operator must report on use of ER

- Details of ER use
- Comparison with VoLL costs

**Pre-event costs only**



## Looking ahead to workshop 4

- Wrap up and review
- Procurement Plan consultation targeting end of August
- Co-design group statement?



**OPEN  
MIC**





**Thank you**

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