

16 August 2024

Transpower New Zealand  
22 Boulcott Street  
Wellington, 6011

To whom it may concern,

The BusinessNZ Energy Council (BEC) supports Transpower's draft decision to bring forward access to contingent storage reserves by lifting the alert status for the month of September. We consider this decision to be necessary to address current conditions of elevated scarcity as hydro storage falls to near historically low levels, gas supply remains significantly constrained, demand is high and wind generation is low.

If rainfall remains scarce over the coming months, and gas supply shortages persist, accessing contingent water reserves will be essential to mitigate the heightened risk to system security and help towards ensuring the lights stay on. We recognise that this decision will have downstream effects on recreational activities and ecosystems, affecting wildlife and fish populations. However, given the increasing threats to energy security and the critical need to maintain the electricity system's stability, accessing these reserves takes precedence over short-term ecological impacts.

We note that this option should not continue longer than necessary to protect short-term security of supply in the face of heightened energy shortage risks in 2025 and 2026 due to insufficient gas supply.

New Zealand's energy imbalance has become acute. Businesses and exporters are under significant pressure. We simply do not have enough fuel in the system to meet demand, with tight firming and peaking capacity in the short-term. Options to tweak market settings to effectively boost supply in the short-term are limited. Options could include LNG importation which is under investigation but remains to be seen. Nevertheless, security of supply requires further investment to be made across many fuels in the backdrop of a business and regulatory environment that is certain and sends clear and consistent investment signals. An industry and market-led solution which addresses this significant problem, both in the short and long term, is the number one priority and remains vitally important.

A heavy-handed and knee-jerk intervention risks creating disruptive and worse outcomes in the medium to long-term, without delivering needed supply required in the short term. Such intervention would undermine market fundamentals, distort price signals, worsen uncertainty and discourage investment in much needed new generation at this critical juncture. Addressing the wider supply shortage is a pressing issue, highlighting the need for a multi-party agreed Energy Strategy developed in tandem with industry, which encompasses the role of gas in the sector. Additional options must be included to improve optionality and investment as New Zealand faces rapidly declining reserves.

Yours sincerely,



Tina Schirr  
Executive Director  
**BusinessNZ Energy Council**