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Draft Security of Supply Assessment 2025

Meridian appreciates the opportunity to provide feedback on the System Operator's (SO) Draft Security of Supply Assessment (SOSA) 2025.

Our feedback is as follows:

- **The draft SOSA sets out information in a clear and straightforward way**. The SOSA performs an important function, providing the SO's perspective on the 10-year security outlook in order to inform risk management and investment decisions by market participants, policy makers, and other stakeholders. Effective communication of these modelling results helps ensure that a wide range of stakeholders can access, understand and draw insights from the SO's analysis. Meridian's view is that the Draft SOSA communicates a range of metrics, scenarios and implications in a clear and reader-friendly way. This will help support the effectiveness of the SOSA in achieving its intended purpose.

- **The market is continuing to deliver significant investment.** In discussing the implications for industry of its modelling results, the SO notes the need for rapid investment in generation, batteries and demand response. We agree there is a need for considerable investment to enable electrification of the economy and ensure future demand needs are met. Market participants are already responding to these signals with significant new investment commissioned and a substantial pipeline of new projects under development. In the last 12 months, Meridian has commissioned the Harapaki Wind Farm and New Zealand's first large-scale grid-connected battery at Ruakākā. We are currently progressing a number of further projects including Ruakākā Solar, Te Rahui Solar (a joint venture with Nova), a further battery in Manawatū, Mt Munro Wind Farm, and a repowering and expansion of the Te Rere Hau Wind Farm. Other investors are likewise moving forward on a number of projects. Investment is happening and it is happening at pace. Our view is that New Zealand's energy market is effectively incentivising investment and will continue to do so absent any significant new policy or market uncertainties.

- **Enabling access to contingent storage would support near-term security**. We note, in considering the short-term implications of its forecasts, the SO refers to the

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need to maximise the availability and capability of existing assets and to ensure "sufficient energy is available to respond to dry year risks through a combination of more conservative hydro storage management and contracting arrangements that enable thermal back-up fuel supply and generation". We agree with the need to maximise availability from existing assets. This includes the 832 GWh of energy which is currently held as contingent storage in South Island hydro lakes but is inaccessible due to the current buffer level set out in the Security of Supply Forecasting and Information Policy (SOSFIP). The SO has indicated it will consider a change to the buffer as part of a wider SOSFIP review to be completed before Winter 2026.[1] Adopting a buffer that will enable access to contingent storage (taking into account wider system constraints) when it is needed will help maximise the availability and capability of existing assets and ensure sufficient energy is available to respond to dry year risks. This is a straightforward change within the SO's control. We encourage the SO to make this change when undertaking its SOSFIP review.

- **Gas forecasts may still be overly optimistic.** We note the decrease in the forecast of gas available between SOSA 2024 and SOSA 2025 and the change in methodology to incorporate an external forecast from Enerlytica. We support incorporation of an external forecast from an expert organisation in the SO's methodology. However, our view is the SO's forecast gas supply may still be overly optimistic given recent gas production trends. Appendix 4 of the SOSA appears to show 2025 gas production rates (based on producers' forecasts) of close to 300 TJ/day. Our understanding is current production levels are well below this. We note also that a significant increase in production is assumed in transitioning from producers' forecasts for 2026 and Enerlytica's forecast for 2027. We would consider such an uplift to be unlikely given recent trends. Overall, we consider Enerlytica's low and reference scenarios to be optimistic but consider Enerlytica's high scenario to be highly unrealistic – it would require drilling programmes in the next few months to deliver massive returns. Such a scenario is likely significantly under-estimating the risks to the market.

- **Transformers are acting as a specific bottleneck for new generation**. Meridian notes that the lead time on receiving transformers for major new generation projects is currently 1-3 years, and sometimes more. This acts as a major constraint on the timing of new projects (note, we are making this point in a general sense, not in relation to any specific project). It may therefore make sense for the SO to consider the status of a project's transformer order as an additional variable in assessing the timing of new build projects. This could either be factored in as a differentiator in the SO's existing four pipeline stages or added as an additional stage (e.g. "consented, committed, and transformer secured").

- **Inclusion of new gas-fired plant in the supply pipeline is optimistic**. We note the SO is assuming the addition of ~360 MW of new thermal plant – presumably Nova's long-planned gas peaker in the Waikato – from 2027. Our view is the development of such a project within those timeframes is unrealistic given both turbine manufacture lead times and the current investment climate for new thermal plant. Nova's recent public statements on this project have indicated the project will not proceed due to a lack of available gas.[2] We therefore consider this assumption to be overly optimistic.

[1] https://static.transpower.co.nz/public/bulk-upload/documents/System%20Operator%20-SOSFIP%20review%20Issues%20Paper%20Summary%20and%20Decisions%20-%20April%202025.pdf?VersionId=gCfwhwm0gZP0awanj4ihN.QDG3R0Z4ds

[2] https://newsroom.co.nz/2025/04/11/nova-energy-chief-quits-as-firm-splits-generation-and-retail-arms/

- **A more regular update cycle for the SOSA may be warranted given uncertainty**. Noting the significant changes the SO has adopted in some areas of the SOSA (notably its gas supply forecasts), we question whether a more frequent update cycle may be warranted e.g. every six months. This would ensure the industry is presented with more up-to-date information to inform its decisions and would reduce the magnitude of adjustments between publications.

- **It is an appropriate time to review the underlying security standards**. While we recognise this is outside of the SO's mandate, we nevertheless consider it is important to note that the underlying security standards are now well out of date. The Security Standards Assumptions Document was last updated in November 2012.[3] There have clearly been considerable and fundamental market and operational developments since that time. Given the tight supply-demand balance expected in the coming period, now would seem a suitable time to update these underlying assumptions to ensure they remain fit-for-purpose and will generate reasonable results when applied to the SO's SOSA updates.

Please contact me if you have any queries regarding this submission. This submission can be published in full.

Nāku noa, nā

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[3] https://www.ea.govt.nz/documents/166/Security_standards_assumptions_document.pdf