

## Security of electricity supply: NZES summary, p59

<p>1. <u>Maintaining</u> security of energy supply at competitive prices is essential for a modern economy</p>	<p><input checked="" type="checkbox"/> In the long term consumers should <u>decide</u> trade off between levels of security versus price</p>
<p>2. Security of electricity supply is delivered through a well-functioning market operation within a <u>well-defined regulatory environment</u> enabling efficient investment, competition and informed consumer choice, and the provision of <u>back-stop measures</u></p>	<p><input checked="" type="checkbox"/></p> <p>Is the regulatory environment sustainable? Eg role of EC</p> <p>What are “back-stop” measures? If to overcome market failures – OK. If not ... then questionable.</p>
<p>3. Energy efficiency, demand-side management and an increased diversity of electricity supply all contribute to higher levels of security</p>	<p><input checked="" type="checkbox"/></p> <p>Efficient pricing underpins all this – challenging for non TOU load</p>

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<p>4. Increasing the use of renewable sources of energy will reduce our <b>reliance</b> on fossil fuels, including the possible need to import LNG or CNG in the future</p>	<p>True, but so what?</p> <p>If imports are cheap and reliable, who cares about our “reliance” on them? The market can weigh risks</p>
<p>5. New security-of-supply policies have reduced dry-year risks. <b>Cost-effective options</b> to further improve security of supply will be investigated</p>	<p><input checked="" type="checkbox"/> EC role has been useful.</p> <p>Lets hope “cost effective options” doesn’t mean more Whirinaki’s</p>
<p>6. It will be important to establish a robust wholesale gas market as we move from a market dominated by the Maui gas field to sourcing gas from a number of wells</p>	<p>If a gas market smaller, no need for robust “market”, just need reconciliation for bi-lateral trades.</p> <p>NZ gas market death spiral will accelerate incentive on existing gas users’ to import LNG to supply stranded assets</p>

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<ul style="list-style-type: none"><li>Increasing the proportion or renewable electricity from current levels to 90% by 2025 <u>should not</u> compromise the security of the system and will reduce greenhouse gas emissions</li></ul>	<p>But at what cost, eg over investment will be needed in wind, standby thermal and transmission. What's the strategy if we find dry-year risk is OK but real time security of supply is or becomes a problem?</p>
<ul style="list-style-type: none"><li>Emissions pricing is not expected to affect security of supply</li></ul>	<p>On its own, this is probably correct as the market will assess the optimal level of thermal needed after C charges. A moratorium on thermal generation in addition to ETS though reduces options and increases risks</p>