Hon Simeon Brown

Minister of Health
Minister for Energy
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To: Expert Panel, Lake Pūkaki Hydro Storage and Dam Resilience Works (FTAA-2510-1120)

Date: 27/05/2026

By email: Substantive@fasttrack.govt.nz

I acknowledge the invitation to the previous Minister for Energy to comment on Meridian Energy Limited's application under the Fast-track Approvals Act 2024 (the Act) for approvals for the Lake Pūkaki Hydro Storage and Dam Resilience Works.

I appreciate that the original deadline to comment on this project has passed. However, given the importance of this proposal, and new information of relevance to this proposal, I am grateful that the Panel has exercised its discretion to consider this letter. I note also that Transpower and the Electricity Authority have provided different perspectives to the Panel on the costs and benefits of this proposal. I am concerned by the differing views of the market regulators provided to the Panel on a significant security of supply matter. My comments provide broader context which may be useful for the Panel in considering the respective perspectives of the Electricity Authority and Transpower.

I am providing these comments in my capacity as Minister for Energy, under section 53(2)(j) of the Act. I have considered how this project would support the purpose of the Act, i.e. *to facilitate the delivery of infrastructure and development projects with significant regional or national benefits.*

New Zealand's electricity system faces a significant challenge in managing dry-year risk. While the market performs well in delivering energy reliably most of the time, a 2025 review of our electricity market found it does not provide strong incentives for investment in electricity capacity and associated fuel that is used infrequently, delivers system-wide benefits and is primarily valuable during infrequent but high-impact dry conditions. The experience of 2024 illustrates the impact of having insufficient fuel for generation in a dry year.

Meanwhile, our energy system is in a significant state of flux. On a positive note, we have a significant pipeline of renewable generation being delivered at pace. However, New Zealand also has rapidly declining gas production. On 14 May 2026, New Zealand's latest gas reserves data was released, showing gas production is falling faster than expected and the Māui field is expected to cease production this year. As gas supply declines and Māui exits (with Methanex expected to exit at the same time), the system's ability to temporarily redirect gas from industry to electricity disappears.[1] This will make it harder, and costlier, for the market to manage future dry years.

To improve dry-year security of supply, the Government is progressing a package of measures. We are currently in a procurement process for an import terminal for liquefied natural gas which, if successful, could be in place for winter 2028. We are also progressing

[1] Gas production cannot easily flex up and down and New Zealand has no spare gas storage. Instead, Methanex has effectively provided storage by turning off in dry years (including 2021, 2024 and 2025).

reforms to strengthen the electricity regulatory framework to better ensure the sector maintains adequate resilience to dry-year risks. This new framework should be in place and improving our management of dry year risk in the coming years.

In the meantime, contingent hydro storage provides an important reserve of energy, that can be used in stressed system conditions. If access is provided to water currently held as contingent storage, and this storage is drawn down, it would reduce the volume reserved for rare but critical periods of system stress, and may also affect incentives for the sector to invest in alternative sources of firm or stored energy.

On average, across a wide range of hydro conditions, providing access to current contingent storage should mean lower electricity generation costs (e.g. by meaning the system uses more hydro and less coal to generate electricity). However, these benefits should be considered against the risks outlined above that could occur in more adverse conditions, such as a dry year combined with a plant outage. These adverse events are plausible, noting for example that in 2024/2025 we had two concurrent dry sequences and in 2023 we faced significant thermal plant outages.

Meanwhile, New Zealand's thermal generation fleet is ageing and prone to outages.[2] For example, some units at Huntly Power Station are 44 years old and some thermal plants have been unreliable in starting from cold. This means that, despite the industry having committed significant investment in maintaining a coal stockpile and the availability of coal-fired generating capacity, the system remains at risk from outages of thermal generation plant coinciding with periods of low hydro inflows. The risk of thermal plant outages will be of increasing concern if contingent storage has been drawn down.

In light of these considerations, at this time, I do not support this application in its current form. I consider it appropriate to take a cautious approach to proposals that materially alter the management of hydro storage at this time, while broader system reforms are still being implemented and their effects are uncertain.

As the Minister for Energy, I encourage the Panel to view the application from a national interest perspective ahead of commercial interests.

I make no comment on the environmental or community impacts of the application.

I support the Panel's continued consideration of this application.

Yours sincerely

Hon Simeon Brown
Minister for Energy

[2] New Zealand has 50% less thermal generation capacity than in 2011.