

16 June 2026

Ref: OIA26-TW13

s9(2)(a)

Via email: s9(2)(a)

Dear s9(2)(a)

Thank you for your email of 20 May 2026 requesting information as follows:

“Under the Official Information Act, we request all feedback provided by the Infrastructure Commission to MBIE regarding the planned liquefied natural gas (LNG) import facility. This includes, but is not limited to, feedback provided by the Infrastructure Commission on the MBIE Report “Exploring the case for LNG.”

I have considered your request under the Official Information Act 1982 (OIA). Please find my decision on your request set out below.

Response

Information identified in scope of this request with my decision is summarised in the table below and is appended to this letter.

Item	Date	Title/Description	Decision
1	29/8/25	Email correspondence between the New Zealand Infrastructure Commission (the Commission) and MBIE – Subject: Initial questions on Energy Cabinet Paper	Release with some information withheld under s9(2)(a) and as out of scope
2	3/9/25 to 9/9/25	Email correspondence between the Commission and MBIE – Subject: Follow up discussion MBIE – Commission	Release with some information withheld under s9(2)(a)
3	8/12/25	Email correspondence between the Commission and MBIE – Subject: For feedback: agency consultation on LNG import facility Cabinet paper	Release with some information withheld under s9(2)(a)
4	8/12/25	Memo by the Commission - Title: MBIE LNG Proposals	Release in full
5	1/12/25	Comments from the Commission on draft of MBIE paper titled: Exploring the case for LNG.	Release comments in full as extracts pursuant to s16(1)(e).

I note in Item 1 that some information has been withheld as out of scope. This information comprised either internal communications or feedback from the Commission that was not related to the LNG import facility.

Item 5 comprises a compilation of the comments the Commission made on a draft MBIE paper with extracts from the paper included for context. The draft MBIE paper was considered out of scope of this request as it is not feedback provided by the Commission to MBIE, however a final version of the paper is publicly available from page 25 at the following link: <https://www.mbie.govt.nz/dmsdocument/31754-government-investment-in-dry-year-risk-cover-consideration-of-an-lng-import-facility> .

In making my decision on the release of information, the public interest considerations set out in section 9(1) of the OIA were considered. It is necessary to continue to withhold some information as no public interest was identified that would outweigh the reason for withholding under the following section of the OIA:

- s9(2)(a) – comprising staff direct contact details which are withheld to protect the privacy of individuals

In addition to the information provided I refer you to a Research Insights paper titled “Shifting currents: Energy infrastructure in transition” recently published on the Commission website on 12 June 2026 that may be of interest located at <https://tewaihanga.govt.nz/our-work/research-insights/shifting-currents-energy-infrastructure-in-transition>. The discussion at page 56 and 57 of the paper contextualises the proposed LNG import terminal with previously proposed solutions to address dry year risks.

I trust this response addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my response.

Please note that this letter (with your personal details removed) may be published on the Commission’s website.

Yours sincerely



Peter Nunns
General Manager, Strategy

OIA26-TW13
Appendix
Items 1 to 5

From: Paul Alexander
Sent: Friday, August 29, 2025 5:36 PM
To: Edward.Smith@mbie.govt.nz
Subject: RE: Initial questions on Energy Cabinet Paper


On your point re distribution

We note the commercially sensitive nature of the material.

Those who have seen the Cabinet Paper has been restricted to Geoff Cooper, Peter Nunns, Paul Alexander, Matthew Keir, and Pippa Player.

I look forward to hearing from you on Monday about times of the meeting.

Out of scope



From: Paul Alexander
Sent: Friday, August 29, 2025 5:24 PM
To: Edward.Smith@mbie.govt.nz; Justine Cannon <justine.cannon@mbie.govt.nz>; Sharon.Corbett@mbie.govt.nz
Cc: Geoff Cooper <[Geoff.Cooper@s9\(2\)\(a\)mbie.govt.nz](mailto:Geoff.Cooper@s9(2)(a)mbie.govt.nz)>; Peter Nunns <[Peter.Nunns@s9\(2\)\(a\)mbie.govt.nz](mailto:Peter.Nunns@s9(2)(a)mbie.govt.nz)>
Subject: Initial questions on Energy Cabinet Paper

Thank you for the opportunity to comment. We appreciate the timeframes and constraints on release of the information in the draft cabinet paper. In the time available, and given there is a lot of material we have not been able to fully digest, we have a few areas of question/clarification today.

As discussed with Ed it would be helpful to discuss some of these points on Tuesday morning so that we can provide more informed comments by close Tuesday. We'd be grateful for some further insights/material around the following areas – noting it will be a case of what is possible in the timeframes:

Problem definition and solutions proposed

Our main comment is in relation to the core problem definition, if this has been defined correctly, and whether the solutions proposed will address the problem. In particular the decision to:

'Agree that the Government should proceed with developing an LNG import facility and direct the Ministry of Business, Innovation and Employment (MBIE) to proceed to procurement' when there are other options and counterfactuals to consider.

This is a decision with a potentially decades-long investment payback and path dependency. We would be interested in the analysis or any business case options that have been developed to support this. We would like to test how much of the problem is a pricing problem rather than an energy shortage problem, and whether LNG importation will solve the price problem.

Our very indicative analysis to test with you is that LNG imports would be useful for ensuring that we can get an adequate quantity of gas for our needs, but that they would be unlikely to succeed in reducing winter electricity prices and dry-year electricity prices. Gas peaking plant costs could remain comparable to the average winter energy prices experienced in 2024, and over twice as high as the 2022 winter energy prices.

We would like to test further whether there are other options that have been or could be more fully explored before reaching the LNG investment decision in particular. With the time to establish the LNG import facility taking c 3-4 years, and this being too late to address any immediate 2026 dry year concern, our focus in terms of 30 year infrastructure investment is the medium-long term.

We are interested in alternatives given any unintended consequences that could come at a high cost. It would be helpful to further explore:

- \$4/MWh would be met by a levy on the electricity sector. How long is the investment likely to be for and the \$4/MWh required for, and how many years to recover the investment? The consideration of long term LNG infrastructure management eg ongoing upgrade, or likelihood of new thermal generation sources in the long term.
- A lot will depend on the price of LNG, as above. Have you modelled prices, and if will be economic for e.g. Methanex or Ballance to import LNG for processing here and then onward export, rather than locate nearer to source?
- Any analysis on whether generators will be incentivised to build the thermal plant to use LNG?

We would be interested to see any analysis you have done on other options or counterfactuals. As the establishment of a NewCo, and the LNG facility involve a \$4/MWh underwrite, it would be helpful to assess other options with an equivalent of lesser cost and impact on market incentives.

There is a range of options (demand response, development of firming products, leverage of the Crown's assets and purchasing power) but little time. One in particular to understand is any analysis on a core counterfactual of a renewables overbuild scenario i.e. encouraging greater renewables (wind/solar), more geothermal as baseload, and preserving hydro for firming – supported by any regulatory or other changes.

Bi-partisan support

At a high level we support the intent in the paper to seek bi-partisan support as part of predictable energy policy and would like to discuss the ways we could support framing a pragmatic approach – noting the differences in political views around reliance on fossil-fuels in the long term, and the need to engage soon and setting out a range of options under consideration in order to increase the prospects for consensus. The need to have enduring and predictable energy policy is one of our draft recommendations in the National Infrastructure Plan. We will touch on this more in our comments on Tuesday.

Relaxing capital constraints

- The Recommendations state further analysis on 'options to relax capital constraints on existing participants if these are impeding investments.' Can this be explained further, and good to understand your thoughts and any evidence of this as a presenting problem.

Sovereign Indemnity

- The paper briefly mentions 'provide sovereign indemnities against significant policy changes, given that policy risk was found to be a significant barrier to investment in dry-year cover.' It would be good to clarify how this might work

We look forward to hearing from you and sharing some ideas and thoughts.

Ngā Mihi,
Paul



Paul Alexander (he/him)

Director, Policy | Kaiwhakahaere Kaupapahere | **New Zealand Infrastructure Commission, Te Waihanga**

s9(2)(a) | Email: **s9(2)(a)**

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From: Paul Alexander
Sent: Tuesday, 9 September 2025 11:15 AM
To: Ed Smith; Pippa Player; Peter Nunns
Cc: Sharon Corbett; Rebecca Heerdegen; Tamara Linnhoff; Matthew Keir
Subject: RE: Follow up discussion MBIE - InfraCom [IN-CONFIDENCE]

Kia ora Ed,

Thanks all for the time yesterday. Given the further context from yesterday, and time to reflect internally on our consistent advice over time on infrastructure decision-making, we'd be grateful if you can update the comment in Paper 1 as below. It's a similar length, so hopefully ok.

We are planning to provide some comments on Paper 2 by later today, though noting that is for your information, and not for inclusion as a comment within that paper.

Infrastructure Commission / Te Waihanga comment

- The Infrastructure Commission strongly suggest that a business case is developed with commercial viability of alternatives before fully committing to procure an LNG import facility. This is consistent with our advice regarding the Infrastructure Priorities Programme (IPP) and project advisory services. Given the significant infrastructure investments involved and long-term path dependency, they recommend a clearer definition of the problem and assessment of options and levers for the LNG pathway before agreeing to proceed with it, as is proposed for any potential investment in generation plant.

Revised comment 9th Sept

- The Infrastructure Commission strongly suggest that a business case is developed with commercial viability of alternatives before fully committing to procure an LNG import facility. This follows from our advice on best practices for infrastructure decision-making in the Infrastructure Strategy and is consistent with the approach we are taking for assessing projects through the Infrastructure Priorities Programme (IPP). Given the significant infrastructure investments involved and long-term path dependency, a clearer definition of the problems and assessment of alternatives are needed for the LNG pathway before agreeing to proceed with it.

Ngā Mihi,
Paul



Paul Alexander (he/him)

Director, Policy | Kaiwhakahaere Kaupapahere | New Zealand Infrastructure Commission, Te Waihanga s9(2)(a) | Email: s9(2)(a)

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From: Ed Smith <Edward.Smith@mbie.govt.nz>
Sent: Friday, September 5, 2025 8:48 PM
To: Paul Alexander s9(2)(a); Pippa Player s9(2)(a); Peter Nunns s9(2)(a); Matthew Keir s9(2)(a)
Cc: Sharon Corbett <Sharon.Corbett@mbie.govt.nz>; Rebecca Heerdegen <Rebecca.Heerdegen@mbie.govt.nz>; Tamara Linnhoff <Tamara.Linnhoff2@mbie.govt.nz>
Subject: RE: Follow up discussion MBIE - InfraCom [IN-CONFIDENCE]

Hi all,

Attached are the updated versions of the cabinet papers (same **sensitivity/ confidentiality** requests as before).

Looking forward to chatting on Monday. Hope you have a great weekend 🍷

Ngā mihi,

Ed Smith
Principal Policy Advisor, Electricity Markets Policy
Ministry of Business, Innovation & Employment

From: Paul Alexander s9(2)(a)
Sent: Thursday, 4 September 2025 11:06 am
To: Ed Smith <Edward.Smith@mbie.govt.nz>; Pippa Player s9(2)(a)
Cc: Matthew Keir s9(2)(a); Peter Nunns s9(2)(a); Sharon Corbett <Sharon.Corbett@mbie.govt.nz>; Rebecca Heerdegen <Rebecca.Heerdegen@mbie.govt.nz>
Subject: RE: Follow up discussion MBIE - InfraCom [IN-CONFIDENCE]

Thanks – Pippa will come back on timing. That’s a good summary, and given your constraints, happy to go with that, but with a minor addition set out below.

- *We strongly suggest that a business case is developed with commercial viability of alternatives before fully committing to procure an LNG import facility. This is consistent with our advice regarding the Infrastructure Priorities Programme (IPP) and project advisory services. Given the significant infrastructure investments involved and long-term path dependency, we recommend a **clearer definition of the problem and** assessment of options and levers for the LNG pathway before agreeing to proceed with it, as is proposed for any potential investment in generation plant.*

From: Ed Smith <Edward.Smith@mbie.govt.nz>
Sent: Thursday, September 4, 2025 10:04 AM
To: Pippa Player s9(2)(a); Paul Alexander s9(2)(a)
Cc: Matthew Keir s9(2)(a); Peter Nunns s9(2)(a); Sharon Corbett <Sharon.Corbett@mbie.govt.nz>; Rebecca Heerdegen <Rebecca.Heerdegen@mbie.govt.nz>
Subject: RE: Follow up discussion MBIE - InfraCom [IN-CONFIDENCE]

Thanks Pippa – very happy to loop Peter back in. Could you do 11.30am or 2.30pm on Monday? We're happy to host again, I suspect we'll be able to get through a bit more if you're able to come over, but there will always be an online option.

While we have you all – Does this condensed version of the comments you sent through convey your main point? As you expected Paul, we need to shorten them a bit for the paper.

- *We strongly suggest that a business case is developed with commercial viability of alternatives before fully committing to procure an LNG import facility. This is consistent with our advice regarding the Infrastructure Priorities Programme (IPP) and project advisory services. Given the significant infrastructure investments involved and long-term path dependency, we recommend a clearer assessment of options and levers for the LNG pathway before agreeing to proceed with it, as is proposed for any potential investment in generation plant.*

Ngā mihi,

Ed Smith

Principal Policy Advisor, Electricity Markets Policy
Ministry of Business, Innovation & Employment

From: Pippa Player [s9\(2\)\(a\)](#)

Sent: Wednesday, 3 September 2025 5:07 pm

To: Ed Smith <Edward.Smith@mbie.govt.nz>

Cc: Matthew Keir [s9\(2\)\(a\)](#) Paul Alexander [s9\(2\)\(a\)](#)

Sharon Corbett <Sharon.Corbett@mbie.govt.nz>

Subject: Follow up discussion MBIE - InfraCom

Kia ora Ed,

Many thanks for your email, with additional information - much appreciated.

Yes, we are keen to meet with you and continue the discussion and involve Peter Nunns. Peter is back in the office next week.

Would 10:30am Monday 8 September work for you? We'd be happy to meet face-to-face again or online.

I look forward to hearing from you.

Ngā mihi,

Nā, Pippa

Pippa Player | Principal Advisor, Policy

New Zealand Infrastructure Commission | Te Waihanga

Email: [s9\(2\)\(a\)](#)

Phone number: [s9\(2\)\(a\)](#)

www.tewaihanga.govt.nz



We want your feedback on the draft National Infrastructure Plan

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From: Paul Alexander
Sent: Monday, 8 December 2025 4:02 pm
To: 'Daniel Cruden' <Daniel.Cruden@mbie.govt.nz>
Cc: Rebecca Heerdegen <Rebecca.Heerdegen@mbie.govt.nz>; Sharon Corbett <Sharon.Corbett@mbie.govt.nz>; Victoria Coad <Victoria.Coad@mbie.govt.nz>; Peter Nunns **s9(2)(a)**; Pippa Player **s9(2)(a)**
Subject: RE: For feedback: agency consultation on LNG import facility Cabinet paper [IN-CONFIDENCE - RELEASE EXTERNAL]

Kia ora Daniel -

Please see our comments attached as both a note and comments on the short business case.
I'll call to give a bit more context

Ngā Mihi,
Paul



Paul Alexander (he/him)
Director, Policy | Kaiwhakahaere Kaupapahere | **New Zealand Infrastructure Commission, Te Waihanga**
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8 December 2025

Memo MBIE LNG proposals

Pippa Player, Principal Advisor, Policy
 Paul Alexander, Director Policy

1. Comments for feedback to MBIE

Our comments acknowledge the pace of the process which has meant that a truncated business case has been undertaken, and that Ministers have provided direction that MBIE's advice is developed with urgency.

The Cabinet paper recommends narrowing focus on a small number of LNG solutions, with a view to making an investment decision by July 2026. Our core feedback is to take the time needed to identify the right solution, not the most expedient one. Given it equates to a potential \$2.4 bn investment over 15 years impacting all electricity users, MBIE could consider submitting the project to the Infrastructure Priorities Programme¹ (IPP).

Relationship to 30 year National Infrastructure Plan

Our interest is in long-term infrastructure needs. In the final National Infrastructure Plan we intend to set out how the energy system could evolve and transition away from fossil fuels over the next 30 years. Doing so requires alignment between energy and climate policy to support electrification and decarbonisation. We acknowledge the short term risks this LNG proposal aims to address, and the need to manage the decline in domestic gas, though we will need to face up to this transition at some point.

The next stage could usefully consider the impacts of the proposal in the long-term on investment in electrification and the role of a mix of innovative system management. We recommend proposals are considered from a 5, 15, and 30 year perspective to address this.

A little more time to determine the best, not the fastest, solution is time well spent

Given the inherent volatility of LNG prices and cost escalation often associated with large projects, we are unclear that such a solution would consistently reduce wholesale electricity pricing. Where electricity pricing *is* reduced, this may reduce incentives to invest in renewable energy generation. We support undertaking further analysis on the potential impacts of reducing prices on the energy transition.

We agree with the Treasury that it is better to get the best solution for New Zealand rather than necessarily the fastest solution. Similar to the Treasury, we believe the financial and market

¹ <https://tewaihanga.govt.nz/our-work/infrastructure-priorities-programme> The IPP is an independent and standardised process to identify proposals and projects that will meet New Zealand's strategic objectives, represent good value for money and can be delivered. The IPP will enable an independent approach to identifying and building consensus around the top infrastructure priorities.

implications associated with an energy sector investment warrant a thorough business case process to fully consider a range of options, benefits and risk.

We agree with this Treasury assessment, and recommend allowing time for a fuller analysis of options and procurement, and moving to a full RFP process if necessary. This could include greater market testing of other proposals and the impact of the other workstream on the regulatory framework for dry year risk (which we have not seen as yet). These options should be given full and equal consideration before any final investment decision is made on LNG procurement.

We also note the Parliamentary Commission for the Environment's (PCE) comments that the LNG option creates a self-reinforcing path dependence² that needs consideration. This requires assessing the reliance on an 'insurance' product against the potential opportunity cost of bringing on more domestic generation capacity.

Managing investment risk and building broad public agreement³

We see merit in a 'fuel- and technology-agnostic' procurement process that tests the market on a range of options alongside the specific LNG procurement option. This would take time but is important to test the potential benefits, costs and risks of multiple options in a transparent way. There is a clear investment risk over the life of a 15-year contract of the approach not maintaining political consensus. A key point raised in both the draft NIP and the Frontier Economics report is the chilling impact of policy unpredictability on investment. Transparently market testing the LNG option against other options would provide any preferred option greater likelihood of durability.

Comments on Business Case approach undertaken

We reviewed the LNG business case relative to what we'd expect to see in a document at this stage.⁴ This review identified a number of issues to address before options are narrowed on an investment of this scale and implications. In summary, these are:

- The LNG option has been developed in far more detail than the other options – making it hard to do a balanced comparison between them.
- The problem definition could be clearer about differentiating between the benefits arising to electricity market participants and gas users. This flows into the commercial model relating to who benefits and who pays, impacting the design of any levy
- The Benefit Cost ratio does not indicate whether this option provides relative value for money compared to other options, as this has only been calculated for the preferred option - notwithstanding questions about the methodology used here. Other options may have higher BCRs [Cab Paper paras 26/27].

² Letter to Minister Watts [letter-to-minister-watts-re-lng-import_nov-2025.pdf](#) Parliamentary Commissioner for the Environment 3 November 2025.

³ Consistent with Te Waihanga mandate - "The Commission has the following additional functions: *Strategy and planning functions* (a) to develop **broad public agreement** on the approach under [section 9](#) and the strategy reports

⁴ This draws on our experience of the Infrastructure Priorities Programme that assesses significant infrastructure projects and programmes for strategic alignment, value-for-money and deliverability.

- It is not clear what structure has been used to assess the long list of options. As they are not costed, they cannot be compared with the short list or preferred option.
- The multi-criteria analysis is in a basic form. It appears not to weight the capital costs sufficiently – this could materially change the outcome of the assessment.
- We would like to see how the options differ over different timeframes – 15, 30, 50 years.
- A full counter-factual case set out or analysed in depth would be helpful. This could include the ‘do nothing’ option, quantifying the risk and cost of security of supply, monetising the size of the problem, and assessing options and their relative costs in light of the counterfactual the proposal seeks to avoid.
- Most of the options, and the preferred option, are set out to solve a 1.5TWh firming capacity gap. In the same way as transport projects might consider demand management and incremental improvements rather than a one-off upgrade, options could be set out that address the 1.5TWh in more bite-size chunks (see below).
- It would be helpful to build out the exit strategy – if considering a 15-year investment, where does this option leave you to manage the next 15 years vs other options?

Exploring incremental options more closely (variations of Option 4 – demand management combined with short- and medium-term generation options)

We consider there are viable alternatives, and actions to take now that could mitigate some of the risks - such as use of demand management with large users, while a fuller business case and a more solution-agnostic approach to any procurement is undertaken.

Defining the option as a ‘1.5 TWh problem’ and seeking solutions that delivers to that problem forecloses fuller analysis of other more incremental options. There is inherent uncertainty in assessing the scale of the problem (e.g. Methanex exit, different gas supply scenarios). We understand that in contexts of uncertainty, assumptions are necessary, but those assumptions require sensitivity testing.

In particular lower capex and more incremental options (iterations of what is described as Option 4) merit more serious assessment. This could include, for example:

- Greater use of demand management in the event of a dry year (e.g. with Methanex, Tiwai, and other major gas and electricity users)
- Assess the merits of financially supporting large users to transition from gas to electricity for large users. Having LNG as a back up is likely to deter switching to alternative fuel sources, impacting demand for electrification and corresponding investment.
- Supply side support (as BCG and others suggest) seeking to extend the lives of existing gas production.
- Stronger energy efficiency measures.

This could be matched alongside Action 2.5 ‘Developing a regulatory framework to ensure a market-based solution for dry-year risk’⁵ - with either of the following:

- a market-led approach to bringing on more generation (including firming generation, or providing options for different utilisation of firming and baseload generation), or

⁵ [At a Glance: New Zealand’s Energy Package](#) (Oct 2025)

- a market stimulation approach (such as contracts for difference) which could be considered under Action 2.5. Such approaches could provide New Zealand with additional domestic generation capacity, rather than reliance on an LNG insurance product. As others are also advocating, this should be a technology and fuel-agnostic procurement approach.

While the BCG report (along with a number of commentators) agrees this option merits exploration given short term risks, there are also a number of related comments the report (noting it was commissioned by commercial organisations) notes that burning less gas for power is the single greatest lever for reducing wholesale prices. As the system evolves, there are options to use our hydro resources differently.⁶

Further analysis of the investment incentives.

In New Zealand's energy-only market, an LNG proposal will affect incentives to invest in other electricity generation options, as well as incentives to provide demand-response services. If the proposal is effective in capping dry year prices, it will reduce revenues earned by wind, solar, and geothermal generation plant, which continue producing output during these periods. All else equal, reduced revenues will reduce incentives to invest in these generation options.

It is therefore possible that the outcome of the proposal will reduce overall electricity generation investment and inadvertently increase prices in non-dry-year periods. This would in turn dilute the expected benefits of the proposal.

Against this, there is also the possibility that the proposal will make it easier for wind and solar generation to sell long-term power purchase agreements that are backed by thermal firming options. This could in theory increase wind and solar generators' ability to finance new projects. However, these benefits need to be weighed up against the costs above, and this argument does not appear to apply for geothermal generation or demand-response services.

We recommend a closer examination of 'crowding-out' impacts on investment as part of the next phase of assessment. This could consider the impact on the gentailers and independent retailers and any market share implications, and also the impact of incentives for different forms of generation and demand-response services.

Further assessment of the management and commercial case

The next stage will also need to explore some key operational and contractual components, i.e. who will be overseeing and running this contract operationally and their role in setting up the project, the interplay with sector monitoring (MBIE, Tsy), the role of regulators (GIC, MBIE, EA, ComCom) and other participants).

⁶ "As the system evolves, hydro can shift from a predominantly baseload role, to providing renewable firming, replacing the function traditionally performed by thermal fuels."

Comments from the Commission on draft of MBIE paper titled: Exploring the case for LNG.

NOTES TO THE TABLE

* Final version of paper is publicly available from page 25 at <https://www.mbie.govt.nz/dmsdocument/31754-government-investment-in-dry-year-risk-cover-consideration-of-an-lng-import-facility>

**The page numbers are for the draft paper commented on and may not match the final version.

*** Report referred to is the Memo by the Infrastructure Commission provided as Item 4

Infrastructure Commission comments on Draft paper titled “Exploring the case for LNG”*			
Section	Page**	Paragraph (where applicable)	Infrastructure Commission Comments
Summary	5	MBIE has assessed LNG importation against four other illustrative options that involve building new generation infrastructure capable of running on non-gas fuel or converting existing gas generation infrastructure to a similar purpose.	This options analysis raises concerns (see body of report*** for comments)
Strategic Case	12	N/A	The Strategic Case should also discuss how the problem and proposal aligns to national policies and strategies - this is missing from this section.
Strategic Case	15	N/A	This information could be used to monetise the cost of the problem. As set out currently, it is not clear what the size or value of the problem is. Because it is not clear what the size of the problem is in monetary terms, it is not possible to understand whether potential options to solve the problem offer value for money and are proportionate. Because the problem is based on risk, it should be possible to look to other sectors - for example natural hazards such as flooding - to develop a risk based estimate of the size of the problem. The size of the problem is not the monetary cost of the event occurring in a single year, as this event is not certain to occur in any given year. The size of the problem could be estimated by calculating the estimated annual average cost or the net present value (NPV) of future dry years. Either of these figures can enable an understanding of the size of the problem, by considering both the probability of the problem occurring and the impact when and if it does occur.
Strategic Case	16	<i>Scale of cover: 1.5 TWh over 3 months</i> 51. The Government’s investment objective, therefore, is to deliver, at as low a cost as possible, a solution that provides firming cover of up to 1.5 TWh. This is in line with the estimates of the gap that remains once the Huntly Heads of Agreement is accounted for. It is likely to provide cover in most dry winters (including an event like 2024). The total 3TWh of cover is expected to cover a wide range and volume of events. In the most extreme dry-year events there could be up to 2 TWh over the course of a year that would need to be made up.	Given the uncertainties in sizing the problem set out above, options that deliver more or less cover and with varied timeframes should also be tested. Setting hard parameters when there is significant uncertainty risks prematurely excluding options that could provide value for money.

		<p>However, these are rare, and the cost of purchase for that level of cover is unlikely to meet a cost-benefit test. <i>Delivery of cover by 2030</i> 52. As with the scale of cover, there is no 'right' timeframe that the cover needs to be in place by, e.g. we do not know when the next dry-year will occur. Given the likely benefits on forward prices that certainty of cover will provide, the introduction of cover as early as possible would be beneficial, subject to the cost and implications for the broader electricity and gas markets being acceptable.</p>	
Economic Case	18	N/A	<p>MCA is appropriate for narrowing from a longlist to a shortlist but is not suitable to identify a preferred option. Further - this MCA is not weighted and there is no explanation as to what the scoring system means. See notes on weighting capital cost below. We consider MCA as a complementary tool alongside more robust methodologies that outline the monetised costs and benefits (i.e., CBA). But the key weakness of MCA are the criteria used for evaluation. There is no assurance that the criteria and their weights are appropriate. So, any project that scores highest on MCA may not provide value for money and may not have benefits that exceed costs. MCA can be a useful tool for identifying and narrowing options on a longlist but we do not consider it an effective tool for assessing overall value for money.</p> <p>Instead of MCA, a strong value for money case to identify a preferred option should include:</p> <p>Cost-Benefit Analysis (CBA): by systematically measuring the effects of a project over its lifetime, including the project's social, economic, and environmental impacts, this will indicate if a project is net beneficial to society. This should compare the options over a longer time period (30-50 years) to understand how the costs and benefits will compare over the lifetime of the investment.</p> <p>Scenario testing: Assesses project outcomes under a range of possible futures to better understand and manage uncertainty. Scenarios can be modelled in detail or assessed qualitatively. In this case, options that deliver less or more than the 1.5TWh target should be developed and tested.</p> <p>Sensitivity testing:</p>

			Determines the potential impacts of risks on project outcomes by varying key inputs and modelling assumptions. Sensitivity analysis is used to test how the costs and benefits of each option change if there is a change in a particular input or assumption, set of inputs and assumptions, or set of assumed changes in the outcomes. This proposal has a number of key assumptions and uncertainties which should be tested in a robust way, for example through Monte Carlo Analysis.
Economic Case	19	N/A	The shortlist of options should include the counterfactual or base case so the net benefits and costs of all options relative to the counterfactual can be understood. All options on the shortlist should be developed to the same level of maturity, including cost estimates, to enable comparison between shortlisted options.
Economic Case	20	N/A	MCA can be a useful tool for identifying and narrowing options on a longlist but we do not consider it an effective tool for assessing overall value for money. Criteria within an MCA may directly lead to significant drivers of cost to a project but given significant weight in the overall score. Project cost should be given an appropriate weight, ideally 50% of the score. If project cost is given a lower weighting, then it may lead to poor value for money choices when choosing between alternative options. In this case, the criteria are not weighted. This implies that they are equally important, and therefore capital cost is only valued at 20%, while various benefit categories are assigned a total weighting of 80%. This implies that we are willing to accept a 100% increase in project cost in exchange for a 25% increase in project benefits.
Annex One	52	N/A	A robust longlist of options should include 8-12 options with detailed descriptions of scope, and preliminary estimates of cost for each option. A do-minimum or non-built solution should be included, for example demand management.