

Amendments to the procurement plan

Consultation Paper

Submissions close: 5:00pm 23 August 2013

9 July 2013

Executive summary

On 17 June 2013, the system operator provided a draft procurement plan to the Electricity Authority (Authority) to apply from 1 December 2013.

The majority of the changes proposed by the system operator relate to the multiple frequency keeping (MFK) provisions in the existing procurement plan. The key changes to the existing procurement plan that have been proposed by the system operator are:

- (a) changes to remove technology-specific references from frequency keeping provisions
- (b) changes to the level at which MFK compliance is measured
- (c) changes to allow for the provision of back-up single frequency keeping (SFK) if MFK fails
- (d) administrative changes.

The Authority is required, under clause 8.44 of the Electricity Industry Participation Code 2010 (Code), to consult on the draft procurement plan proposed by the system operator. This consultation paper relies on supporting material provided by the system operator, particularly the system operator's view of the costs and benefits of the proposed changes to the procurement plan.

The Authority will consider all submissions received, including the system operator's cross submission, as part of its process of finalising the procurement plan. Once finalised, the procurement plan will take effect when it is adopted by the Authority by giving notice in the Gazette. The Authority expects to be able to do this by 1 December 2013.

Glossary of abbreviations and terms

Act	Electricity Industry Act 2010
Authority	Electricity Authority
Code	Electricity Industry Participation Code 2010
MFK	Multiple frequency keeping
Regulations	Electricity Industry (Enforcement) Regulations 2010
SFK	Single frequency keeping
TSG	Multiple Frequency Keepers Technical Stakeholders Group

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1. Introduction and purpose of this paper

1.1 Introduction

1.1.1 The system operator's procurement plan is incorporated by reference in the Code¹ and plays a key role in the set of rules, contracts and other arrangements that collectively deliver common quality and orderly system operation.

1.1.2 The procurement plan sets out, for each ancillary service, the principles that the system operator will apply, and the process that that the system operator will follow, in assessing the quantity required to be purchased. The procurement plan also sets out the proposed approach to procuring the ancillary services it needs and the key terms the system operator intends to include in the contracts it negotiates with ancillary service providers.

1.1.3 On 17 June 2013, the system operator provided a draft procurement plan to the Authority to apply from 1 December 2013.

1.1.4 The Authority is required under clause 8.44 of the Code to consult on the draft procurement plan proposed by the system operator.

1.2 The purpose of this paper is to consult

1.2.1 The purpose of this paper is to consult with participants and persons that the Authority thinks are representative of the interests of persons likely to be affected by the changes proposed to the procurement plan.

1.2.2 The procurement plan is a document incorporated by reference under the Electricity Industry Act 2010 (Act). The process for amending or replacing the procurement plan is governed by clauses 8.42A to 8.44 of the Code, and generally by Schedule 1 of the Act. Material incorporated by reference is amended or replaced by the Authority publishing notice in the Gazette. Although the Act does not require consultation to amend or replace the procurement plan (as it does for Code amendments), clause 8.44 of the Code requires the Authority to consult on the draft procurement plan.

1.2.3 The proposed changes to the procurement plan are set out in Appendix C.

1.2.4 The Authority invites submissions on the proposed changes to the procurement plan, including drafting comments. Please note that the

¹ Clause 8.42(1)

Authority is required to provide a copy of all of the submissions it receives to the system operator, and to publish the submissions, which it will do by making them available on the Electricity Authority website.

1.3 Submissions are due by 23 August 2013

1.3.1 The Authority's preference is to receive submissions in electronic format (Microsoft Word). It is not necessary to send hard copies of submissions to the Authority, unless it is not possible to do so electronically. Submissions in electronic form should be emailed to submissions@ea.govt.nz with Consultation Paper—Amendments to the procurement plan in the subject line.

1.3.2 If submitters do not wish to send their submission electronically, they should post one hard copy of their submission to either of the addresses provided below.

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Submissions
Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington

Tel: 0-4-460 8860

Fax: 0-4-460 8879

1.3.3 Submissions should be received by 5:00pm on 23 August 2013. Please note that late submissions are unlikely to be considered.

1.3.4 The Authority will acknowledge receipt of all submissions electronically. Please contact the Submissions' Administrator if you do not receive electronic acknowledgement of your submission within two business days.

1.3.5 If possible, submissions should be provided in the format shown in Appendix A. Your submission is likely to be made available to the general public on the Authority's website. Submitters should indicate any documents attached, in support of the submission, in a covering letter and clearly indicate any information that is provided to the Authority on a confidential basis. However, all information provided to the Authority is subject to the Official Information Act 1982.

- 1.3.6 Please note that the Authority is required to provide a copy of all of the submissions it receives to the system operator.

2. Background

2.1 Introduction

Procurement plan Code provisions have changed recently

2.1.1 The current procurement plan came into effect on 1 December 2012. Since then, amendments have been made to the clauses of the Code that cover the review of the procurement plan, the consultation process, and the required content of the procurement plan.²

2.1.2 Following a Code amendment that came into force on 10 January 2013,³ an annual review of the procurement plan is no longer required. Instead, the procurement plan must be reviewed at least once every two years and changes to the procurement plan can be made between reviews. More specifically:

- (a) Clause 8.42A(1) now requires the system operator to review the procurement plan at least once every two years and to then advise the Authority whether or not the system operator proposes a change to the procurement plan. If the system operator decides to propose a change to the procurement plan, then clause 8.42A(2) requires that the system operator submit a draft procurement plan to the Authority, with prescribed supporting information.
- (b) Clause 8.43A(1) now provides that the system operator may at any time propose a change to the procurement plan by submitting a draft procurement plan to the Authority. In doing so it is not required to undertake a full review of the procurement plan (unless the time since the last full review would exceed two years), but need only propose its specific changes and provide supporting material relating to those proposed changes.

System operator has submitted a draft procurement plan between full reviews

2.1.3 The system operator provided a draft procurement plan on 17 June 2013 with the intent that the new procurement plan would take effect from 1 December 2013. The system operator advised the Authority that it was proposing specific changes to the procurement plan pursuant to clause 8.43A(1), noting that a full review of the procurement plan had been

² Clauses 8.42A to 8.44 of the Code

³ <http://www.ea.govt.nz/dmsdocument/14094>

undertaken in late 2012 and that therefore a full review was not required at this time.

2.1.4 When submitting a draft procurement plan to the Authority, the system operator is also required to provide information on the proposed changes to the procurement plan. Under clause 8.43A(1) the system operator must provide:

- (a) an explanation of the proposed change and a statement of the objectives of the proposed change
- (b) an evaluation of alternative means of achieving the objectives of the proposed change
- (c) an evaluation of the costs and benefits of the proposed change.

2.1.5 The system operator provided a table with its draft procurement plan that included the required information. This is attached as Appendix B of this consultation paper.

2.1.6 The majority of the changes proposed by the system operator relate to the multiple frequency keeping (MFK) provisions in the existing procurement plan. Frequency keeping has previously only been able to be provided by one generator in each half hour period in each island. Under MFK, central frequency controllers will co-ordinate frequency keeping from multiple providers. The Authority and the system operator are targeting implementation of the new arrangements from 1 July in the North Island 2013 and 4 August 2014 in the South Island.⁴

2.1.7 The key changes to the existing procurement plan that have been proposed by the system operator are:

- (a) changes to remove technology specific references from frequency keeping provisions (refer section 2.3 below)
- (b) changes to the level at which MFK compliance is measured
- (c) changes to allow for the provision of back-up single frequency keeping (SFK)⁵ if MFK fails.

2.1.8 The system operator has advised the Authority that it conducted informal consultation with the MFK Technical Stakeholders Group (TSG) on these proposed changes. The Authority understands that the draft procurement

⁴ Information on MFK is available from <http://www.ea.govt.nz/our-work/programmes/pso-cq/multiple-frequency-keepers/> and from <http://www.systemoperator.co.nz/n6026.html>

⁵ Under SFK only one generator provides frequency keeping in each half hour trading period in each island, i.e. this change to the procurement plan would allow the system to fall-back to the earlier arrangements in the event there is an issue with MFK.

plan the system operator has now submitted incorporates changes made as a result of that consultation.

- 2.1.9 The system operator notes that all the other proposed changes to the procurement plan are administrative changes.
- 2.1.10 Clauses 8.44(1) and 8.44(2) of the Code require the Authority to publish the draft procurement plan and to seek submissions on the draft. The Authority published the draft on its website on 9 July 2013 and is now inviting submissions from participants affected by the changes proposed.
- 2.1.11 An analysis of the changes proposed is set out in this paper, drawing on supporting material provided by the system operator and its consultation with stakeholders prior to submission of the draft procurement plan to the Authority.

2.2 Consultation on proposed changes to the procurement plan

- 2.2.1 The consultation process is different from the process for making a Code amendment because:
 - (a) the procurement plan consultation process is specifically provided for in the Code, rather than the Act
 - (b) the proposal is, in essence, the system operator's
 - (c) the procurement plan is incorporated by reference into the Code under Section 32 (3) and Schedule 1 of the Act.
- 2.2.2 In preparing this consultation paper, the Authority has drawn on the material provided by the system operator in support of the draft procurement plan, including, in particular, the summary of key changes, the costs and benefits of those changes (attached as Appendix B), and interested parties' views expressed to the system operator prior to submitting the draft procurement plan to the Authority.

2.3 Authority's Code amendment proposal for technology-neutral frequency keeping provisions

- 2.3.1 The Authority has proposed making amendments to the Code to remove technology-specific language from the frequency keeping provisions. The Authority considers the current language in the Code is one of several barriers that prevent non-generators from participating in the frequency keeping market.

- 2.3.2 In the Authority's consultation paper *Removal of technology-specific references from frequency keeping provisions* (14 May 2013) the Authority noted that changes to the procurement plan were also necessary to remove restrictions that limit participation in the frequency keeping market to generators.⁶ The system operator has included the relevant changes in the draft procurement plan submitted.
- 2.3.3 The Authority considers that amending the Code, and the system operator's proposed changes to the procurement plan, are preliminary steps towards enabling non-generators to provide frequency keeping, but considers that other initiatives will also be required to remove all restrictions.
- 2.3.4 The Code amendment consultation closed on 21 June 2013 and was supported by submitters.

⁶ Consultation paper is available here: <http://www.ea.govt.nz/our-work/consultations/pso-cq/removal-of-technology-specific-references-from-frequency-keeping-provisions/> . The possible procurement plan changes set out in Appendix C2 of that paper were indicative only, and have been superseded by the changes proposed in this paper.

3. Explanation and evaluation of proposed procurement plan changes

3.1 Authority's proposal

3.1.1 The Authority's proposal is to replace the existing procurement plan, in its entirety, with the procurement plan provided in draft form by the system operator on 17 June 2013. The Authority acknowledges that the system operator has submitted a draft procurement plan between full reviews and that it is proposing a set of specific changes to address identified issues with the existing procurement plan.

3.1.2 The system operator has grouped the proposed changes to the procurement plan into two categories.

(a) Updating the MFK provisions. These include the following changes to reflect matters that have arisen during the lead-in to MFK implementation:

- (i) changes to definitions - a number of definitions have been changed to remove technology-specific references from frequency keeping provisions
- (ii) changes to the level at which MFK compliance is measured - the current procurement plan provides for measurement of performance at the level of block dispatch group. The proposed changes allow for measuring at the frequency keeping unit level. For example, this will allow Mighty River Power to implement frequency keeping within the Waikato Block at Maraetai
- (iii) provision of back-up SFK - provision has been made for the purchase of back-up SFK to ensure there is back-up in the event MFK fails.

(b) Administrative changes:

- (i) updating the plan for the period starting 1 December 2013
- (ii) ensuring accurate Code references
- (iii) ensuring accurate cross referencing.

3.1.3 The proposed changes are described more fully in section 3.3 (Evaluation of the costs and benefits).

3.1.4 The Authority would like participants to be aware that changes that appear to be small may have implications that are not immediately apparent. The

Authority therefore invites stakeholders to comment on the assessments of costs and benefits of the proposed changes outlined in this consultation paper, as well as the assessment provided by the system operator and included in Appendix B.

3.1.5 The proposed changes to the procurement plan are set out in Appendix C.

3.2 Statement of the objectives of the proposed changes to the procurement plan

3.2.1 Drawing from the supporting material provided by the system operator, the objectives of the proposed changes are to:

- (a) enhance efficiency and reliability by enabling the procurement of back-up SFK to ensure there is a contingency in the event MFK fails
- (b) enhance competition by removing technology-specific language in provisions relating to the procurement of frequency keeping services
- (c) improve the effectiveness of MFK compliance measurement by allowing for compliance of a block dispatch group, station dispatch group or group of load sources to be measured at the frequency keeping unit level
- (d) enhance competition by ensuring the system operator considers the desirability of maintaining capability and competition in the provision of ancillary services
- (e) reduce administrative and compliance costs for the system operator and frequency keeping providers
- (f) improve clarity, consistency and accuracy of certain provisions in the procurement plan.

3.3 Evaluation of the costs and benefits of the proposed changes to the procurement plan

3.3.1 The analysis of the costs and benefits of each proposed change is based on the information available to the Authority, in particular the system operator's commentary of the costs and benefits it provided as supporting material.

3.3.2 The Authority has considered the costs and benefits under the two categories that the system operator grouped the changes under:

- (a) updating the MFK provisions
- (b) administrative changes.

Updating the MFK provisions

- 3.3.3 The system operator has proposed three key changes to the MFK provisions:
- (a) changes to definitions to remove technology-specific references from frequency keeping provisions
 - (b) changes to the level at which MFK compliance is measured
 - (c) provision of back-up SFK.

Changes to definitions to remove technology-specific references from frequency keeping provisions

- 3.3.4 The system operator has proposed changing a number of definitions to remove technology-specific references from frequency keeping provisions. The proposed changes are part of a package of changes, including proposed Code amendments (separately consulted on by the Authority in May 2013), that would remove one of several barriers to non-generators providing frequency keeping services (refer section 2.3 earlier in this paper).
- 3.3.5 The system operator’s proposal is predicated on the introduction of the defined term “frequency keeping unit” proposed in the Authority’s Code amendment. The proposed changes to the procurement plan are dependent on the proposed Code amendments, but not vice versa.
- 3.3.6 The system operator has proposed removing technology-specific references from the procurement plan to ensure frequency keeping options are not limited to generators. The proposed changes to the procurement plan are:

Reference	Description
B2	Substitution of term “generating units” with “frequency keeping units”.
B11, B12, B14, B15	Substitution of term “generation” with “FK output”.
Appendix D – Glossary of Terms	Amending various definitions to remove technology specific references.

- 3.3.7 The system operator expects these changes to enhance competition by allowing for potential alternative non-generator technologies to provide frequency keeping services. The system operator has not identified any

significant costs associated with the proposed changes to the procurement plan, although it notes that enabling alternative technologies in MFK may require some system changes.

3.3.8 The Authority has reviewed the changes and agrees with the system operator that the proposed changes would remove one of several barriers for non-generators to participate in frequency keeping.

3.3.9 The Authority does not consider the proposed changes to the procurement plan would have any material costs. However, the proposed changes are only an initial step, and further development of the procurement plan and market systems would be required to accommodate alternative technologies. The costs and benefits of undertaking such development work would need to be assessed at the time a proposal was put forward by an alternative technology provider.

Question 1 Do you agree with the Authority’s assessment of the proposed changes to definitions to remove technology-specific references from frequency keeping provisions? If not, what alternative assessment would you make and why?

Changes to the level at which MFK compliance is measured

3.3.10 The ancillary services procurement contract allows MFK providers that are dispatched at a block or station level to allocate frequency keeping to any plant in the block or station. Compliance is currently measured at the block or station level, and this can be a problem if the overall block or station is large relative to the MFK regulation signal. Any variation in the total block output significantly distorts the error ratio in the regulating instruction that is measured to monitor MFK compliance.

3.3.11 The system operator has proposed changes that would allow for measurement of performance at the frequency keeping unit level and to improve the effectiveness of the regulating instruction error ratio as a compliance measure.

3.3.12 The system operator’s proposed changes to the procurement plan are:

Reference	Description
B7	Introduction of a new paragraph that provides for MFK performance requirements to be modified for a block dispatch group, station dispatch group or group of load sources to match the allocated frequency keeping units.

Reference	Description
B17	Introduction of a new paragraph that provides for MFK monitoring requirements to be modified for a block dispatch group, station dispatch group or group of load sources to match the allocated frequency keeping units.
Appendix D – Glossary of Terms	Introduction of new definition “Allocated frequency keeping units” to give effect to the above clauses.

- 3.3.13 The system operator expects these changes to improve clarity and compliance, and does not expect any costs to arise.
- 3.3.14 The Authority has reviewed the changes and agrees with the system operator’s analysis that the changes improve the clarity and effectiveness of MFK compliance measures in the procurement plan. The Authority does not expect any costs to arise as a result of these proposed changes.

Question 2 Do you agree with the Authority’s assessment of the proposed changes to the level at which MFK compliance is measured? If not, what alternative assessment would you make and why?

Provision of back-up Single Frequency Keeping

- 3.3.15 MFK will maintained to the same level of security as other market systems but the market systems but is not expected to have a 100% availability rate. A backup arrangement is needed to maintain frequency regulation in the event of a complete failure of MFK.
- 3.3.16 The system operator has proposed changes to the procurement plan that allow for the purchase of a back-up service that would be made available in the event of MFK failure. Generating companies have indicated that for an SFK backup service to be viable, an availability portion in the SFK payment is required.
- 3.3.17 The system operator’s proposed changes to the procurement plan to procure back-up SFK and pay an availability price for the service are:

Reference	Description
27	New paragraph inserted allowing the system operator to procure back-up SFK. Also clarifies that there is no obligation for the system operator to procure back-up SFK from every potential provider.
A7	New paragraph inserted providing the system operator with the ability to procure back-up SFK at the same time as it procures multiple provider frequency keeping. This will ensure that there is back-up available in the event MFK fails.
A9	New paragraph that provides that the system operator may pay an availability price for back-up SFK, but must otherwise not pay an availability price for frequency keeping.
B28	Amendments to make it clear that SFK offers cannot be submitted for an MFK period, and vice versa.
B32 (B30)	New paragraph inserted and a paragraph removed. New paragraph introduces the requirement for a baseline test of equipment and/or training operators that may be used for providing or monitoring back-up SFK. This will ensure back-up SFK is fully operational ⁷ .
Appendix D – Glossary of Terms	Introduction of new definition “Back-up SFK” to give effect to the above clauses.

3.3.18 The system operator considers that back-up SFK is the least cost way of ensuring the system operator is able to meet its policy statement requirements to always have a frequency keeper available. The system operator believes the proposed changes will enhance security and the system operator’s ability to meet its policy statement requirements. The system operator notes that the cost of the proposed changes will be the cost of procuring back-up SFK and notes that the system operator will run an open and competitive process to procure back-up SFK.

3.3.19 The Authority has reviewed the changes and agrees with the system operator that the changes are required to maintain security and allow the system operator to continue to meet its policy statement requirements. The Authority considers that any additional cost of securing a back-up SFK service through the payment of an availability fee to providers is likely

⁷ The Authority notes that the system operator proposes minor consequential changes to paragraphs B33 and B34 to give effect to the newly inserted paragraph B32 it proposes.

to be less than \$10,000 per site and to be significantly outweighed by the benefits of introducing an MFK market.

Question 3 Do you agree with the Authority’s assessment of the proposed provision of back-up SFK? If not, what alternative assessment would you make and why?

Administrative changes

3.3.20 The system operator has also proposed a number of changes it considers are administrative. These changes are:

Reference	Description
1	Updated version and effective date for 2013.
Various	Updated Code references to reflect Code amendments that came into force on 10 January 2013.
6	Expanding purpose of frequency keeping to include managing frequency time error (reflecting existing practice) and removing the definition of frequency keeping (because frequency keeping is already defined in the Code).
Reworded headings	Headings for paragraphs 15-25 and paragraphs 26-38 reworded.
Re-ordering	Paragraphs 12-25 re-ordered to improve clarity.
New heading	New heading ‘Cost effectiveness’ has been included for clarity.
25.2	Definition of ‘half-hour clearing market procurement’ extended. It may now include an availability price in addition to the offer price. This allows costs of the availability payment to back-up SFK to be recovered.
25.4.6	New paragraph introduced to ensure that when the system operator is considering ‘achieving the appropriate balance between cost and quality for each ancillary service purchased’ that it considers ‘the desirability of maintaining capability and competition in the provision of ancillary services’. System operator notes that this reflects current practice.
43	Introduction of newly defined term ‘half-hour clearing market procurement’ to ensure internal consistency in the procurement plan.

Reference	Description
Removal of table at paragraphs 68 and 69	Table is deleted as no longer required under the Code. This is a result of the Code amendment regarding required content of a procurement plan.
Appendix D – Glossary of Terms	New definition for ‘FK output’ and amended definition for ‘FK site’ to enable increased specificity in the body of the procurement plan.
Appendix D – Glossary of Terms	New definitions for ‘MFK period’ and ‘SFK period’ to make amended B28 work.

3.3.21 The system operator considers that these administrative changes will improve clarity, consistency and accuracy of the procurement plan and that no costs will arise from these administrative changes.

3.3.22 The Authority has reviewed the proposed changes and agrees with the system operator’s analysis that the changes are administrative in nature, that they improve clarity and that no costs will arise as a result of these proposed changes.

Question 4 Do you agree with the Authority’s assessment of the administrative changes? If not, what alternative assessment would you make and why?

Summary of overall costs and benefits

3.3.23 The Authority has considered the costs and benefits of the individual changes proposed by the system operator, drawing on the material provided by the system operator (included in Appendix B). With this in mind, the Authority considers that the proposal to replace the existing procurement plan with the draft procurement plan has the following benefits:

- (a) taking the preliminary steps towards enabling non-generators to provide frequency keeping, which will improve competition in the market for ancillary services, and will align the procurement plan with the Authority’s proposed amendments to the Code
- (b) improving security in the electricity industry by allowing for the provision of back-up SFK to ensure there is back-up in the event that MFK fails
- (c) improving clarity, consistency and accuracy of the procurement plan.

- 3.3.24 There are potential costs associated with the proposal, in particular:
- (a) some costs associated with procuring back-up SFK⁸
 - (b) the system operator has indicated that there may be increased costs in back-up SFK equipment testing associated with providing the option of a baseline test instead of an on-demand test.
- 3.3.25 Some administrative costs may arise from implementing the proposal, although these are likely to be negligible. While the overall magnitude of the costs and benefits is difficult to assess, the Authority’s preliminary view is that the benefits of the proposal would outweigh the otherwise relatively minor costs.
- 3.3.26 The system operator and the Authority also note that the proposed changes to the procurement plan to remove technology-specific references from frequency keeping provisions (together with related Code amendments that are the subject of a separate consultation) is a preliminary step towards enabling participation of technologies other than generation in MFK. Other initiatives, including system changes, would also be required, with consequential costs, but any future decision to incur such costs would need to consider whether the corresponding benefits of introducing new technologies would outweigh those costs.

Question 5 Do you agree with the Authority’s overall assessment of the proposal? If not, what alternative assessment would you make and why?

3.4 Evaluation of alternative means of achieving the objectives of the proposed changes

- 3.4.1 The system operator has set out its views on possible alternatives to the changes it has proposed to the procurement plan. In most instances the system operator identifies the status quo as the only alternative (refer Appendix B).
- 3.4.2 The Authority acknowledges the system operator views, but considers that participants may hold different views, and therefore invites participant comment. The Authority also invites participant comment on the actual drafting proposed by the system operator to give effect to the changes.

⁸ The nature of these costs is unknown as they would emerge from a competitive process (eg tendering). This is a consequence of replacing SFK with a more competitive MFK market which is expected to have substantial benefits.

Question 6 Is there an alternative to any of the individual changes proposed by the system operator that you consider better meets the objectives of the proposal? If so, please describe the alternative and why you prefer it.

Question 7 What comments do you have on the proposed drafting of the changes, as set out in Appendix C? If you disagree with what is proposed, please provide alternative drafting.

Appendix A Format for submissions

Questions for submitters

	Question	Response
1	Do you agree with the Authority's assessment of the proposed changes to definitions to remove technology-specific references from frequency keeping provisions? If not, what alternative assessment would you make and why?	
2	Do you agree with the Authority's assessment of the proposed changes to the level at which MFK compliance is measured? If not, what alternative assessment would you make and why?	
3	Do you agree with the Authority's assessment of the proposed provision of back-up SFK? If not, what alternative assessment would you make and why?	
4	Do you agree with the Authority's assessment of the administrative changes? If not, what alternative assessment would you make and why?	
5	Do you agree with the Authority's overall assessment of the proposal? If not, what alternative assessment would you make and why?	
6	Is there an alternative to any of the individual changes proposed by the system operator that you consider better meets the objectives of the proposal? If so, please describe the alternative and why you prefer it.	
7	What comments do you have on the proposed drafting of the changes, as set out in Appendix C? If you disagree with what is proposed, please provide alternative drafting (a suggested format for drafting comments is set out in the table below).	

Drafting comments

Clause	Comment	Proposed alternative drafting

Appendix B System operator assessment of the proposed changes

Summary Information for Draft Procurement Plan Change Proposal - 2013

Change	Description	Objective	Alternatives	Benefits	Costs
<i>Name of change (or collection of changes), for ease of reference</i>	<i>Brief description of the proposed change(s), including nature and effect, and the clauses/rules affected</i>	<i>Statement of the purpose of the proposed change(s) including the objective pursued and/or the rationale for change</i>	<i>Brief description of the status quo and of the key alternative change(s) considered instead of the proposal</i>	<i>A list of the benefits expected to accrue, including:</i> <ul style="list-style-type: none"> – qualitative benefits – quantitative benefits (where possible) – parties receiving benefits – commentary on benefits relative to status quo and alternatives 	<i>A list of the expected costs, including:</i> <ul style="list-style-type: none"> – qualitative costs – quantitative costs (where possible) – parties incurring costs – implementation costs – commentary on costs relative to status quo and alternatives
1	Updated version and effective date for 2013.	Accuracy.	Not considered.	Accuracy.	No costs arise as administrative change only.
Various	Update Code references to reflect December 2012 Code amendment.	Accuracy	Status quo – but the procurement plan would not reflect the current regulatory regime.	Procurement plan is up-to-date.	No costs arise as administrative change only.
6	Expanding purpose of frequency keeping to include managing frequency time error. Removing the definition of frequency keeping	Clarity Clarity – frequency keeping is a defined term in the Code.	Status quo Status quo	Clarity.	No costs arise as administrative change only.

Change	Description	Objective	Alternatives	Benefits	Costs
Reworded heading	Title change for paragraphs 12-25. Now refers to ' <i>Principles</i> applied in making net purchase quantity assessments' rather than ' <i>Process</i> '	Accuracy	Status quo – but current title somewhat misleading.	Clarity	No costs arise as administrative change only.
Re-ordering/re-numbering	Paras 13-25 have been placed before para 12. (Para 12 is now para 25)	Clarity	Status quo	Clarity	No costs arise as administrative change only.
New heading	New heading 'Cost effectiveness' has been included before para 25.	Clarity	Status quo	Clarity	No costs arise as administrative change only.
25.2	Definition of half-hour clearing market procurement extended - may now include an availability price in addition to the offer price.	To allow costs of availability payment to back-up SFK to be recovered.	No viable alternatives.	Supports provision of back-up SFK and thus ensures frequency keeping always available as per policy statement.	No costs arise as administrative change only.

Change	Description	Objective	Alternatives	Benefits	Costs
25.4.6	New 25.4.6. New matter for system operator to consider 'in achieving the appropriate balance between cost and quality for each ancillary service purchased'.	To ensure system operator considers 'the desirability of maintaining capability and competition in the provision of ancillary services .'	Status quo – would be no specific requirement on system operator to consider on-going capability and competition.	Ensures system operator must consider the on-going impacts of decisions on capability and competition in the ancillary services market.	No costs arise as administrative change only. Reflects current practice.
Reworded heading	New title for paras 26-38	Accuracy	Status quo – but current title somewhat misleading	Clarity	No costs arise as administrative change only.
27	New para - Enables the system operator to procure back-up SFK . Also clarifies that there is no obligation to procure back-up SFK from every potential provider.	To enable the procurement of back-up SFK .	Status quo – but would mean that in the event of MFK failing System Operator may not be able to meet its policy statement requirement to always have a frequency keeper available.	Enhanced security and ability to meet policy statement requirement.	Cost of procuring back-up SFK . System Operator will run and open and competitive process to procure back-up SFK .
43	Introduction of newly defined term half-hour clearing market procurement .	Internal consistency in the Procurement Plan.	Status quo – but create confusion in the Procurement Plan.	Clarity and internal consistency.	No costs arise as administrative change only.

Change	Description	Objective	Alternatives	Benefits	Costs
Removal of table at para 68 and para 69	Deleted in its entirety	No longer required under the Code.	Status quo – would be inconsistent with Code obligations.	Code compliance.	No costs arise as administrative change only.
A7	New para – provides the system operator with the ability to procure back-up SFK at the same time as it procures multiple provider frequency keeping	To ensure there is a back-up available in the event multiple frequency keeping fails.	Status quo – but there would be no fall-back position in the event that multiple frequency keeping fails.	Better security than would be available without back-up SFK	Cost of procuring back-up SFK . System Operator will run an open and competitive process for the procurement of back-up SFK .
A9	New para – provides that the system operator may pay an availability price for back-up SFK but must not otherwise pay an availability price for frequency keeping .	Clarifies that back-up SFK is the only service for which the system operator may pay an availability price.	Status quo – but may be a question as to whether system operator is able to pay an availability price for services other than SFK .	Clarity	No costs arise.

Change	Description	Objective	Alternatives	Benefits	Costs
B2	Updated to substitute term generating units with frequency keeping units	Removal of technology specific references from frequency keeping	Status quo – frequency keeping options would be limited to generators	Enhanced competition by potential demand-side participation in frequency keeping	To implement may require system changes - System Operator in discussions with the Electricity Authority.
B7	New para – provides for performance requirements in clauses B5 and B6 to be modified for a block dispatch group, station dispatch group or group of load sources to match the allocated frequency keeping units .	To enable a block dispatch group, station dispatch group or group of load sources to measure performance at the frequency keeping unit level.	Status quo - Results in potential (and unnecessary) non-compliances.	Clarity and improved compliance.	No costs arise.
B11, B12, B14, B15	Updated to substitute term 'generation' with FK output .	Removal of technology specific references from frequency keeping	Status quo – frequency keeping options would be limited to generators	Enhanced competition by potential demand-side participation in frequency keeping	To implement may require system changes - System Operator in discussions with the Electricity Authority.

Change	Description	Objective	Alternatives	Benefits	Costs
B17	New para – provides for monitoring requirements in clauses B14-B16 to be modified for a block dispatch group, station dispatch group or group of load sources to match the allocated frequency keeping units	To enable a block dispatch group, station dispatch group or group of load sources to meet the monitoring requirements at frequency keeping unit level.	Status quo – Results in potential (and unnecessary) non-compliances.	Clarity and improved compliance.	No costs arise.
B28	Amended for clarity	Clarity	Status quo	Clarity	No costs arise.
B32 (B30)	New para and removal of old para – introduces requirement for a baseline test of equipment and/or training operators which may be used for providing or monitoring back-up SFK .	To ensure back-up SFK is fully operational.	No baseline test – risks back-up SFK not delivering as required.	Confidence that System Operator will be able to rely on back-up SFK in the event that MFK is not available.	Part of cost of provision of back-up SFK .

Change	Description	Objective	Alternatives	Benefits	Costs
B33/B34	Provides option of a baseline test or on-demand test . Currently only option is on-demand test .	To allow option of baseline test if this is adequate.	Status quo – risks higher costs if provider not able to deliver service	Increased confidence that provider can deliver service, for both provider and SO.	Possible increased costs in testing.
Appendix D – Glossary of Terms	New definition Allocated frequency keeping units	Enables providers of frequency keeping units that are, or are part of, a block dispatch group, station dispatch group or group of load sources to specify the specific frequency keeping units within the FK site that are allocated to frequency keeping	Status quo – probably there is already an ability to isolate a frequency keeping unit but this new definition clarifies and captures demand.	Clarity and removal of technology specific references.	No costs arise.
Appendix D – Glossary of Terms	New definition Back-up SFK	To ensure parties understand meaning of back-up SFK	Status quo	Enables back-up SFK to proceed.	No costs arise - administrative
Appendix D – Glossary of Terms	Amended definition Control equipment	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative

Change	Description	Objective	Alternatives	Benefits	Costs
Appendix D – Glossary of Terms	Amended definition Control min	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative
Appendix D – Glossary of Terms	Amended definition Control max	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative
Appendix D – Glossary of Terms	New definition FK output	Relates to definition of FK site . Enables increased specificity in the body of the Procurement Plan.	Status quo	Clarity and increased specificity.	No costs arise – administrative
Appendix D – Glossary of Terms	Amended definition FK site	Enables increased specificity in the body of the Procurement Plan.	Status quo	Clarity and increased specificity.	No costs arise - administrative
Appendix D – Glossary of Terms	New definition MFK period	Necessary definition to make B28 work.	Status quo	Clarity.	No costs arise - administrative
Appendix D – Glossary of Terms	Amended definition MW band	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative

Change	Description	Objective	Alternatives	Benefits	Costs
Appendix D – Glossary of Terms	Amended definition Regulating instruction	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative
Appendix D – Glossary of Terms	Amended definition regulating instruction error	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative
Appendix D – Glossary of Terms	Amended definition response rate	Amends definition to remove reference to specific technology.	Status quo	Clarity and removal of technology specific references.	No costs arise - administrative
Appendix D – Glossary of Terms	New definition SFK period	Necessary definition to make B28 work.	Status quo	Clarity.	No costs arise - administrative

Appendix C Proposed changes to the procurement plan

