



2 September 2013

Submissions
Electricity Authority
By email: submissions@ea.govt.nz

Removal of in-band frequency keeping constrained on and off compensation

Meridian welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Removal of in-band frequency keeping constrained on and off compensation'.

Meridian supports the Authority's proposal. We encourage the Authority to progress with the Code amendment immediately.

We would have liked to have seen the Authority produce a quantitative cost benefit analysis of this proposal. Meridian understands it would be possible to calculate (or estimate) the historical "within band" constrained on and off payments which have been paid to frequency keeping providers in the North and South Islands. This data would have been useful to demonstrate the magnitude of the cost which is being removed (and may allow interested parties to assess whether any subsequent increase in frequency keeping bids is reasonable).

Our specific responses to the consultation questions are attached as Appendix 1.

Please contact me if you have any questions regarding this submission.

Yours sincerely,

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Appendix 1: Meridian responses to consultation questions

	Question	Meridian Response
1	Are there any interdependencies between the timing of the introduction of MFK in the North and South Islands and the date when the Code amendment proposal should be brought into effect?	Meridian considers the two matters to be separate. We encourage the Authority to progress with the Code amendment immediately.
2	Do you have any comments on the Objective of this Code change proposal?	We support the objective. We note the proposal will also significantly improve the transparency of the frequency keeper selection process and of the resulting frequency keeping charges (which will also contribute towards the most efficient provider being selected).
3	Do you think there is a reduced incentive for the generators to participate in the frequency keeping market after the proposed amendment?	No. We consider that frequency keeping providers will reflect the costs of providing the service in their bids. This will ensure that selection is made on a transparent and fair basis.
4	Do you have any comments on the assessment presented?	Meridian considers the assessment is adequate. However, we would have liked to have seen the Authority produce a quantitative cost benefit analysis of this proposal. Meridian understands it would be possible to calculate (or estimate) the historical “within band” constrained on and off payments which have been paid to frequency keeping providers in the North and South Islands. This data would have been useful to demonstrate the magnitude of the cost which is being removed (and may allow interested parties to assess whether any subsequent increase in frequency keeping bids is reasonable).
5	Are there any additional costs or benefits that need to be considered?	No.
6	Are there any other alternatives the Authority should consider apart from the status quo?	No.
7	Do you have any comments on the Authority’s assessment of the proposed amendment against the requirements of section 32(1) of the Act?	No.

8	Do you have any comments on the Authority's assessment of the proposed amendment against the Code amendment principles?	As above, we would have liked to have seen the Authority produce a quantitative cost benefit analysis of this proposal.
9	Do you have any comments on the Authority's proposed code amendment?	No.