



# MAJOR ELECTRICITY USERS' GROUP

17 September 2013

Dr John Rampton  
General Manager Market Design  
Electricity Authority

By email to [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear John

## **Consultation Paper – Removal of the in-band frequency keeping constrained on and off compensation**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper<sup>1</sup> "Removal of the in-band frequency keeping constrained on and off compensation" published 5<sup>th</sup> August 2013.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential. Responses to questions in the consultation paper follow:

Question	MEUG 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?	None that we are aware of.
2. Do you have any comments on the Objective of this Code change proposal?	Agree <sup>2</sup> "The objective of the proposed amendment is to enhance the efficiency of the FK market by improving the likelihood the most efficient provider is 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.

<sup>1</sup> <http://www.ea.govt.nz/dmsdocument/15496> found at <http://www.ea.govt.nz/our-work/consultations/pso-cq/removal-of-the-in-band-frequency-keeping-constrained-on-and-off-compensation/>

<sup>2</sup> Consultation paper, paragraph 3.2.1

Question	MEUG response
4. Do you have any comments on the assessment presented?	Agree with the assessment and have no further suggested benefits or costs apart from improved confidence in the FK market as discussed in response to Q7.
5. Are there any additional costs or benefits that need to be considered?	See response to Q4.
6. Are there any other alternatives the Authority should consider apart from the status quo?	None that we aware of.
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?	Agree with the assessment.  In addition MEUG believes the proposed amendment will reduce opportunities for abuse of market power in the FK market <sup>3</sup> and therefore will positively contribute to the Electricity Authority's high level competition outcome <sup>4</sup> to improve "widespread confidence among investors and consumers in the competitiveness of electricity markets."
8. Do you have any comments on the Authority's assessment of the proposed amendment against the Code amendment principles?	We agree with the assessment.
9. Do you have any comments on the Authority's proposed code amendment?	No comments.

3. We look forward to considering the submissions of other parties on this proposal and the response of the Authority to submissions.

Yours sincerely



Ralph Matthes  
Executive Director

<sup>3</sup> The paper refers to the risk of market power in the current FK market in paragraph 3.4.3 analysis of the status quo, ie "The FK market would remain somewhat vulnerable to exploitation."

<sup>4</sup> EA Statement of Intent 1 July 2013 – 30 June 2016, Table 3, p12, 20<sup>th</sup> May 2013, URL <http://www.ea.govt.nz/dmsdocument/14872> found at <http://www.ea.govt.nz/about-us/documents-publications/soi/>