

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

Submission on the paper titled “Consultation paper – removal of the in-band frequency keeping constrained on and off compensation”

This is a submission by Norske Skog Tasman on the paper titled “Consultation paper – removal of the in-band frequency keeping constrained on and off compensation”.

We agree with the proposal. Our answers to the questions are:

Question 1: No

Question 2: No

Question 3: No

Question 4: No

Question 5: No

Question 6: No

Question 7: No

Question 8: No

Question 9: No

Now, we wish to provide a bit more background than the Authority’s fleeting comment in para 2.2.3.

Back in the mid 2000’s some generators were making money hand over fist by bidding low to win the FK auction and offering high in the energy market and extracting colossal constrained on and off payments. This was electricity’s version of shooting fish in a barrel – which the much vaunted code of conduct did nothing to prevent. Consumers banged gongs very loudly in response (which at the time was a useful strategy). Whether due to embarrassment or some other reason the generators’ CEO’s club decided that a review was required and established a Frequency Issues Group to have a look at the FK market. The FIG came up with a proposal that suited their masters, but nobody else. MEUG weighed in with an alternative proposal¹, that suited consumers, but was not too flash for generators. So a meeting of the FIG and MEUG was held and

¹ Modelling of Frequency Keeping in the New Zealand Electricity Industry, G. R. Everett, ORSNZ 2005 Conference Proceedings.

a compromise was agreed. A paper was published² and sent to the Electricity Commission on 5 July 2006, recommending that the “Hybrid Proposal” be adopted.

We would have thought that a regulator would fall over backwards to adopt such a sensible proposal – after all the consultation was already done. But that did not occur.

Here we are more than seven years later with a proposal from the Authority that will finally see the hybrid proposal adopted in full.

We are not sure if we should be cheering, or crying.

Regards

Graeme Everett

Energy Manager

P.S. For the sake of posterity the two documents referenced in this submission are attached. The arguments in these papers apply to the current consultation.

² Letter from FIG and MEUG to Electricity Commission dated 5 July 2006