

17th September 2013

John Rampton
General Manager
Market Design
Electricity Authority
86 Customhouse Quay
Wellington

By email: submissions@ea.govt.nz

Dear John

Removal of In Band Frequency Keeping for Constrained On and Off Compensation

Thank you for the opportunity to submit to the consultation paper *Removal of in band frequency keeping for constrained on and off compensation* published by the Electricity Authority (The Authority) on 6th August 2013. Our interest in this matter is as system operator.

We support the Authority's proposal

We support the Authority's proposal to recognise in band frequency keeping cost through the availability pricing of the provider. The system operator will then be able to select a frequency keeper based on known costs instead of relying on the current, conservative estimation of the in-band cost to make the selection.

We consider that providers will still be willing to provide such services and that competition between providers will reveal the efficient cost. Consequently the benefits of the proposal should be that overall costs of frequency keeping are reduced.

If you have any questions about our submission please contact Micky Cave on 04 590 7309 or micky.cave@transpower.co.nz or me (on 04 590 7544 or jeremy.cain@transpower.co.nz).

Yours sincerely



Jeremy Cain
Chief Regulatory Advisor

Appendix A – Responses to Consultation Questions

Table 1 - Responses to Questions

Question No.	Question	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?	No.
2	Do you have any comments on the Objective of this Code change proposal?	No.
3	Do you think there is a reduced incentive for the generators to participate in the frequency keeping market after the proposed amendment?	No.
4	Do you have any comments on the assessment presented?	Nothing to add.
5	Are there any additional costs or benefits that need to be considered?	No. We note that the information at footnote 9 is no longer accurate. It is likely that the system operator's costs will be lower than indicated, and NZX's higher.
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?	We agree with the assessment.
8	Do you have any comments on the Authority's assessment of the proposed amendment against the Code amendment principles?	There has been no attempt to clearly identify the efficiency gain or to quantify the costs and benefits, consistent with the Code Amendment Principles. We consider quantification would have been possible.
9	Do you have any comments on the Authority's proposed code amendment?	No.