



15 July 2014

Submissions
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TRUSTPOWER SUBMISSION: NORMAL FREQUENCY ASSET OWNER PERFORMANCE OBLIGATIONS

- 1.1.1 Trustpower Limited ("Trustpower") welcomes the opportunity to provide a submission to the Electricity Authority ("the Authority") on its Normal Frequency Asset Owner Performance Obligations consultation paper ("the Consultation Paper"), relating to frequency performance AOPO's and associated Code amendments.
- 1.1.2 Generally speaking, Trustpower is not supportive of the proposed changes outlined in the Consultation Paper and believes little, if any, industry consultation or analysis of costs has been undertaken to support the proposed changes. The ramifications of some of the proposed changes will have a far-reaching impact on some asset owners, while other owners may choose to hide behind dispensations and exempt themselves from the various obligations.
- 1.1.3 Indeed, we believe there is a wider issue in terms of the increasing amounts of plant that are unsuitable for providing frequency support. The paper does not address this in any way. Trustpower believes some of the frequency control measures recently introduced, along with other initiatives in the pipeline (such as those discussed at the recent EEA Conference), should be given time to develop fully and bed-in prior to implementing the changes proposed.
- 1.1.4 We wonder whether a wider holistic review of frequency keeping is necessary. Assessing the impact of the changing dynamics of the electricity grid looking forward and addressing these issues, rather than the piecemeal approach adopted in this consultation, may be more appropriate.
- 1.1.5 Our answers to the specific questions posed in the Consultation Paper are attached in Appendix A.
- 1.1.6 For any questions relating to the material in this submission, please contact Peter Litchfield, Operations Engineer, on 021 836 851.

Regards,

A handwritten signature in blue ink, appearing to read "J. Tipping". The signature is written in a cursive, slightly stylized font.

JAMES TIPPING
REGULATORY STRATEGY MANAGER

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Appendix A: Responses to consultation questions

| Question | Response |
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| <p>1. Do you have any comments relating to the drafting of the proposed Code amendment? Please provide comments and suggested drafting improvements with reference to specific parts, schedules and clauses of the draft proposed Code amendment set out in Appendix A.</p> | <p>1.1 The code is failing to address the fundamental problem that not all types of plant are capable or suited to the provision of frequency support demanded by the Code. The proposals fail to recognise that there will be some ~770MW of baseload geothermal plant unlikely to be able to provide frequency support in the manner required by the Code, and increasing quantities of solar/PV will further exacerbate the situation.</p> <p>1.2 Asset owners with certain plant types can not, and will not, provide frequency support and will apply for dispensations. Other owners may choose not to comply with requirements, saving wear and tear on their plant. This will demand a larger proportion of frequency response is placed on a smaller number of asset owners, without appropriate reward.</p> <p>1.3 Perhaps the key element should be focusing on alternative mechanisms and incentivising market participants to provide cost-effective solutions.</p> |
| <p>2. What comments do you have on the Authority's proposal for an eight-month transition period?</p> | <p>2.1 The proposed eight-month transition period is inadequate. This will not provide sufficient time to carry out necessary inspections, works and testing as required. Should the Authority decide to progress on this basis, Trustpower will not be able to comply. A minimum period of two years would be more appropriate.</p> |
| <p>3. What costs do you anticipate that affected parties, particularly generators, may face in transitioning to the new regime if the proposed Code amendment was to proceed?</p> | <p>3.1 The consultation is lacking any detailed analysis on the cost implications to the proposed Code changes.</p> <p>3.2 Where testing is required to determine or adjust settings in line with new Code requirements, significant costs (both financial and manpower) will be involved. This is not only for individual generators but contractors and System Operators.</p> <p>3.3 Should an asset owner choose not to respond to frequency in the manner required by the Code, thereby saving costs in terms of O&M on assets, how are other asset owners to be recompensed for the additional burden placed on their assets?</p> <p>3.4 Whether there is sufficient resource available is another issue not identified in the Consultation Paper. In addition, this reflects back to our response for Question 2 above, regarding an appropriate transitional</p> |

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| | period. |
| 4. What on-going costs, relative to the status quo, do you anticipate that the affected parties, particularly generators, might incur if the proposed Code amendment was to proceed? | 4.1 There will likely be a requirement to revisit many stations and retest assets should this amendment be passed, even though a significant amount of resource has been allocated to addressing the previous testing and modelling requirements. This will also impact financially. Also the timescales are insufficient – see Question 2 above. |
| 5. What comment do you have on the Authority’s evaluation of the alternatives and the cost-benefit assessment of the preferred Code amendments (the proposal) set out in Sections 5.4 and 5.5? | <p>5.1 The assessment of options is flawed. Stating Option 2 would not achieve the objective is inappropriate. If the Authority published an interpretation of generator obligations, then surely this would provide clarity as to what the exact meaning of the Code was and define what, if any, level of deadband was permissible. Presumably this would ensure no generator operated a deadband and greater equality in terms of support to frequency management would be delivered.</p> <p>5.2 The “cost benefit assessment” in Section 5.4 and 5.5 is not particularly comprehensive and does not appear to make sense. Section 5.4.4 talks about a frequency-keeping requirement reduction of 5%. What does this relate to? Section 2.1.2 indicates frequency-keeping costs of \$41M; 5% of this is \$2.05M not the \$1 to 1.5M quoted in 5.4.4.</p> |
| 6. What comment do you have on the Authority’s assessment of the proposed Code amendment against the requirements of section 32(1) of the Act? | 6.1 No comment. |
| 7. What comment do you have on the Authority’s assessment of the proposed Code amendment against the Code amendment principles? | <p>7.1 The Authority has initiated a number of changes to the frequency-keeping market, and there are still a number to come.</p> <p>7.2 Appropriate time has not been provided to determine whether efficiency gains have been delivered from earlier changes.</p> <p>7.3 Assessment of proposed changes does not seem robust and has been carried out at a high level. No assessment of the cost impact on generators is available for review or analysis.</p> |