

14 July 2015

Submissions
Electricity Authority
PO Box 10041
WELLINGTON

via email: submissions@ea.govt.nz

Dear Authority,

HVDC component of Transpower's proposed variation to the TPM

Thank you for the opportunity to comment on the HVDC component of Transpower's proposed variation to the TPM. Contact Energy Limited (Contact) has consistently supported changes to remove the current inefficiencies and believes the proposal put forward is sensible.

We strongly support the proposal to allocate HVDC charges on a per-MWh basis and agree that this will promote competition, reliability and efficiency for the long-term benefit of consumers, by reducing the incentive on South Island generators to withhold generation capacity. As Contact has stated previously, a change from the HAMI methodology to a per-MWh basis will provide an additional ~108MW of extra generation offered from our Clutha generation.

As noted in the 2014 Winter Grid Emergencies¹ paper moving to a per-MWh HVDC charge and having additional peaking capacity available from the Clutha and other South Island generation will also improve security risks and reduce the price volatility seen during times where low thermal capacity is committed to the market².

In order for the consumer benefits identified to be realised from the 1st of September 2015 it is important that the Electricity Authority proceeds with the proposed code change amendment in accordance with the timetable³.

¹ Electricity Authority 2014 Winter Grid Emergencies paper

² <http://www.ea.govt.nz/monitoring/enquiries-reviews-and-investigations/2014/grid-emergency-on-19-august/>

³ section 2.6.6 of the Electricity Authority's paper on the HVDC component of Transpower's proposed variation to the TPM

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We also support Transpower's proposed transition from HAMI to South Island Mean Injection (SIMI) as this is a prudent approach to allocate the HVDC charge based upon the methodology that was applicable to the measuring period.

Yours sincerely



James Collinson-Smith
Manager, Market Services

Question No.	Question	Response
1	Do you have any comments on the problem definition?	We agree with the problem definition. By moving to charging on a per-MWh basis ~108MW of extra generation from our Clutha generation will be made available.
2	Do you consider that the proposal is preferable to the status quo and other options? If not, please explain your preferred option in terms consistent with the Authority's statutory objective.	Yes, we consider that the proposal is preferable to the status quo and other options.
3	Do you consider that the proposal complies with section 32(1) of the Act, and with the Code amendment principles, and should therefore proceed?	Yes
4	Do you have any comments on the drafting of the proposal?	No.

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