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John Rampton
General Manager
Level 7, ASB Tower
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Wellington

By email: submissions@ea.govt.nz

Dear John

Shortened gate closure and revised bid and offer provisions

We are pleased to respond to the Electricity Authority's (the Authority) consultation paper *Shortened gate closure and revised bid and offer provisions* published 26 June 2015.

We support the majority of the proposals which we consider will significantly:

- reduce inefficiencies by removing ineffective reporting and monitoring processes
- unlock efficiencies in energy trading through more dynamic offer and bid provisions.

We provide further comment below on three aspects of the proposals in relation to promoting reliability.

Promoting reliability

Intermittent generation

The drafting proposed at 13.18A is helpful in clarifying what a persistence offer must take into account to manage situations when plant is unavailable. However, we note the policy does not address the reliability situation that arises when the generation itself is unexpectedly withdrawn from the market at late notice. The Authority has identified this concern (at 3.5.2) and indicates that this could be addressed under its pending project on bid and offers for wind generation.

We support prioritisation of this work by the Authority to address this specific issue, before the start of summer when it becomes most pertinent. We also support the Authority's proposal to monitor offer revisions made in the last two hours before real time (to mitigate risk of strategic re-offering) and consider this monitoring may help in the development of future policy for wind generation.

Grid Emergencies

We agree with the Authority's explanation that the purpose of the grid emergency provision under clause 13.99 is to discourage (or prevent) it from increasing and we are not persuaded

by the reasoning that the clause is ineffective during grid emergencies. We do not support the removal of 13.99 from the Code.

We understand that, where purchasers have no actual control on demand, that disallowing upward bid revisions will not prevent demand from increasing. However, where purchasers have a level of control then the disallowance of upward bid revision is a codified security requirement to not increase demand during the grid emergency (and if they do, to have a *bona fide* reason). We agree that to manage the grid emergency we need the best information but we consider the expectation for that information content is to retain (as is currently the case) the premise that demand should not be increased.

Grid Emergencies involve a high level of direction from the system operator and removing this clause will increase the scope and complexity of demand information that the SO has to take into account before issuing any directions to manage the emergency. Removing the intent that in a grid emergency demand should not be increased creates grounds for increased risk in system operator decisions and actions to rebalance the system and potential longevity of the emergency situation.

Non-dispatch bids exempt from gate closure

We support the proposal to remove the restriction on bid revisions for non-dispatch load having concluded that if a non-dispatch load is going to the effort of revising its bid it will attempt to be as accurate as possible. This aim for accuracy is important as any revision close to real time can influence a dispatch solution and invalidate the security assessment made for that dispatch.

Implementation

While we support the one-hour gate closure this creates an operational issue noted in the TASC 42 report that was not raised in the consultation paper. That is, under reduced gate closure it is more likely that an outage of the market system will last longer than the gate closure period. This is a situation that has not recently occurred under the two hour closure so for clarity we briefly outline below what happens under a system outage.

Bids and offers made during a system outage are 'stacked up' and applied when the market system returns. If the trading period for which the bid or offer is made falls within the outage, the bid or offer is still used for Final Pricing even if not used in dispatch. During the market system outage, dispatch utilises the last forward-looking schedule. We will work with industry to resolve any issues arising from this situation.

If you have any questions about this submission please contact Micky Cave (04 590 7309) in the first instance,

Yours sincerely

A handwritten signature in black ink, appearing to be 'JC' followed by a long horizontal stroke.

Jeremy Cain

Regulatory Affairs & Pricing Manager