

19 August 2015

Electricity Authority  
[submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

### **Shortened gate closure and revised bid and offer provisions**

Thank you for the opportunity to comment on the Electricity Authority's consultation paper on shortened gate closure and revised bid and offer provisions.

We strongly support the proposed amendment to shorten gate closure, which is a positive change we have supported for several years. In our view, the benefits of moving to a one hour gate closure will definitely outweigh the costs identified by the system operator, NZX and the Authority. For example, we expect the improvement in Mighty River Power's productive efficiency from a one hour gate closure to be at least the range conservatively estimated by the Authority in its paper.

While moving to a one hour gate closure is a clear improvement that should be implemented as soon as possible, we consider the industry should continue to work towards shortening gate closure to a half hour or less. We note the NEM has been able to achieve a zero gate closure and a similar arrangement should be practical here. We encourage the Authority to work with the System Operator and the NZX to develop and consult on a roadmap to achieving a half hour or less gate closure.

Yours sincerely,



Nick Wilson  
**Manger Regulatory and Government Relations**

Question	Comment
Q1. Do you have any comments on the existing provisions in Chapter 2 of this paper?	We don't have any comments.
Q2. Do you have any comments on the problem definition relating to gate closure?	We agree with the problem definition and have supported shorter gate closure for several years.
Q3. Do you have any comments on the problem definition relating to the way gate closure and grid emergency provisions apply to bids?	We agree that participants should not be able to revise bids in a grid emergency.
Q4. Do you have any comments on the problem definition relating to requirements on intermittent generators to submit persistence-based forecasts in the last two hours?	We support measures that will ensure more accurate forecasting.
Q5. Do you have any comments on the problem definition relating to the drafting issues with re-offer provisions?	We agree with the problem definition.
Q6. Do you have any comments on the problem definition relating to grid owner reporting of late updates?	We are comfortable with these changes as long as there are no market impacts.
Q8. Do you have any comments on the problem definition relating to the cancellation of bids?	This is an appropriate amendment that will update the Code to reflect the practical effect of the existing provisions. Although the Authority should ensure that there are no unintended impacts from the potentially different legal interpretations of a zero bid and a cancellation.
Q8. Do you consider that the proposed Code amendments would carry a risk of unintended consequences? If so, what are they?	No.

<p>Q9. If you are a generator or a dispatchable load purchaser, can you quantify the extent to which one-hour gate closure would allow you to reduce your cost of production? Please provide supporting evidence.</p>	<p>Being closer to real time with a one hour gate closure will allow us to make better decisions as we will be closer to actual demand conditions. It also means we will have better forecasts, especially once we move to using real time demand data. While we cannot quantify the extent to which it would allow us to reduce our cost of production, we think that each efficient decision displacing thermal generation would create significant productive efficiencies.</p>
<p>Q10. Do you have any other comments on the costs and benefits of the proposed Code amendment?</p>	<p>We consider the benefit to Mighty River Power of moving to a one hour gate closure would be at least the conservative estimated by the Authority in the paper.</p>
<p>Q11. Do you agree that the proposed Code amendment will better meet the objectives than the status quo? If not, why not?</p>	<p>Yes.</p>
<p>Q12. Do you prefer the proposed Code amendment or Option B which would use a subjective structure for revising offers? Please explain.</p>	<p>We always offer our total volume and encourage others to do so as well. We would not support a subjective structure for revising bids because:</p> <ul style="list-style-type: none"> <li>• It may be difficult to enforce, increasing compliance costs, and</li> <li>• We have sometimes seen a lack of good faith and genuine intentions in the market.</li> </ul> <p>As an industry, we should be moving away from subjective structures which are too complex, difficult to prove and difficult to enforce.</p>
<p>Q13. Do you prefer the proposed Code amendment or Option C which would use the structure for revising offers proposed by AEMC? Please explain.</p>	<p>We believe the current requirements in Part 13.2 of the Code are sufficient.</p>

<p>Q14. Do you prefer the proposed Code amendment or Option D which would reduce gate closure restrictions in an alternative way such as providing more exceptions, moving to half-hour gate closure, or removing gate closure completely? Please explain.</p>	<p>We prefer moving to a half hour gate closure, or removing gate closure completely, and agree with Greg Thorpe's assessment, based on his experience in the NEM, that it would not be a threat to security of supply. We appreciate that this will require the System Operator to develop new tools and processes. Therefore, we encourage the Authority to work with the System Operator and NZX to develop and consult on a roadmap to achieving a half hour or less gate closure.</p> <p>As we have previously submitted, any concerns about strategic reoffering or market power can be dealt with by conduct provisions consistent with the approach in the NEM.</p>
<p>Q15. Do you consider that the proposed Code amendment in Section 4 is preferable to the status quo and other options? If not, please explain your preferred option(s) in terms consistent with the Authority's statutory objective.</p>	<p>Yes, except for the half or zero hour gate closures in Option D. However, we think the proposed Code amendment is an appropriate stepping stone on the way to half hour or less gate closure.</p>
<p>Q16. Do you consider that the proposed Code amendment in Section 4 complies with section 32(1) of the Act, and with the Code amendment principles, and should therefore proceed?</p>	<p>Yes.</p>
<p>Q17. Do you have any comments on the drafting of the proposed Code amendment in Section 4, which is included in Appendix A?</p>	<p>The drafting of the proposed Code amendment achieves the intended changes.</p>