

Policy Statement Review 2015

Summary of Submissions

13 November 2015

TRANSPower



IMPORTANT

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1. OVERVIEW OF SUBMISSIONS

Submissions on the Policy Statement amendments proposed by System Operator on 15 October 2015 were received from two parties – Contact Energy and Meridian Energy.

These submissions were overall supportive of the proposed amendments.

Detailed comments from submitters are included.

2. SUBMISSIONS ON PROPOSED AMENDMENTS

Submitter	Submitter comment	System Operator response
1. General Comments		
Contact Energy	In summary, we support the changes the System Operator has made in this year's Policy Statement review and have identified other areas where the System Operator can further align with the Electricity Authority's statutory objectives.	Noted.
Meridian Energy	Meridian generally supports the changes to the Policy Statement proposed by the System Operator.	Noted.
2. Market Constraints - 30.1, 30.1A		
Contact Energy	The comment we have on this is that currently the input into this process can be initiated by a participant in agreement with the System Operator, and this could be clarified further in 30.1.	The Policy Statement creates obligation on the system operator. The proposed clause is intended to ensure that the system operator involves participants in a timely manner. This is reflected in the timeframes.
Meridian Energy	In particular, we endorse the proposals.....to extend the notice period for market constraints from 2 weeks to 4 weeks. These changes will result in better, more timely information for participants to make decisions.	The intent is to provide more information where , 4 weeks the system operator identifies a potentially significant outage, earlier with which participants can make decisions.
3. Market Constraints – SFT publication threshold		
Contact Energy	We also support the reduction in the SFT publication threshold as this will give market participants more visibility and a greater lead time to manage market constraints which again gives efficiency gains.	Noted.
Meridian Energy	In particular, we endorse the proposals to reduce the publication threshold for SFT constraints from 85% to 80%, ...	Noted.
4. Market Constraints – market node constraints		
Contact Energy	Our feedback that we have on market node constraints is that in most cases these are not competitive as they are applied to manage security in a region that has no other generation available. ... In this case we don't view this as being a competitive or efficient means of managing the outage when a generation availability agreement would have been sufficient. It is suggested that the System Operator use a market node constraint as a last resort if there are no other options are available.	Market node constraints are just one of many tools used (transmission constraints, generation agreements etc) by the planning team to plan an outage and meet the security requirement of the system to enable the outage to occur. They are used as a last option (where a reliable generation agreement is unavailable) and only to achieve reliability.
5. Security Policy		
Contact Energy	Contact supports the System Operators view on the treatment of changes to the Security Policy based on the market impacts the changes may have. The presentation at the recent System Operator workshop raised some concerns on the present process where extended contingent events are being reclassified as contingent events under outage conditions. This reclassification is due to the risk of cascade failure on the grid which understandably needs to be managed, but we believe the probabilities of occurrence should be looked at as part of the process.	System Operator has instigated a further project to examine the Security Policy as a result of this review. The industry will be involved in this project to ensure that outcomes are clearly understood and industry input is considered.
6. Reserve Management Tool		

Contact Energy	Clause 32 refers to asset capability information as an input into accurate modelling of reserves procurement. Our view is that this clause should be extended to allow the use of persistence offers, rather than the nameplate rating, of non-compliant wind generation as an input into calculating the reserves procured to manage a DC extended contingent event. This process change (and the required tool change) would have a significant positive impact on the market by allowing more efficient utilisation of the DC under lightly loaded system conditions.	The system operator is considering methods to reduce the impact of intermittent generation with dispensations on the reserve requirements.
7. Load Forecast		
Contact Energy	We are of the view that significant gains can be made with respect market efficiencies with an improved demand forecast as participants are given a higher level of confidence around market outcomes as we move closer to real time.	The system operator notes your feedback and agrees the performance of the load forecast is an important input to market performance. However, the system operator's current load forecast arrangements meet its security requirements and it cannot, for its own purposes, justify the cost of adopting an improved forecast tool. Forecasting improvements will require industry and regulator support and financial contributions.
8. Tiwai Reduction Line Process		
Meridian Energy	Meridian supports the proposed change to managing Tiwai potline changes provided the System Operator can adequately explain how this process will work with regard to the obligation in the Electricity Industry Participation Code for generators to comply with dispatch instructions (clause 13.82).	The amendment provides for a more efficient process reducing potential impact on other participants. Undertaking this procedure does not, the system operator maintains, contravene 13.82.

3. APPENDIX – SUBMISSIONS



4 November 2015

Scott Avery
Compliance Manager
System Operator
Transpower
PO Box 1021
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By email

Dear Scott,

Re: Policy Statement Review 2015

Thank you for the opportunity to provide comment on the above. We have the following feedback on the reviewed clauses and other related clauses in the Policy Statement.

Market Constraints

Contact supports the changes in clauses 30.1 and 30.1A around **timeliness** of information. The sooner information can be published to participants the more efficient the market outcome will be. The comment we have on this is that currently the input into this process can be initiated by a participant in agreement with the System Operator, and this could be clarified further in 30.1.

We also support the reduction in the **SFT publication threshold** as this will give market participants more visibility and a greater lead time to manage market constraints which again gives efficiency gains.

Our feedback that we have on **market node constraints** is that in most cases these are not competitive as they are applied to manage security in a region that has no other generation available. An example of this is the MHO331 MHO0_Min constraint that was applied on 16 July 2015 to manage a voltage issue during a local transmission outage. In this case we don't view this as being a competitive or efficient means of managing the outage when a generation availability agreement would have been sufficient. It is suggested that the System Operator use a market node constraint as a last resort if there are no other options available.

Security Policy

Contact supports the System Operators view on the treatment of changes to the Security Policy based on the market impacts the changes may have. The presentation at the recent System Operator workshop raised some concerns on the present process where **extended contingent events** are being reclassified as contingent events under outage conditions. This reclassification is due to the risk of cascade failure on the grid which understandably needs to be managed, but we believe the probabilities of occurrence should be looked at as part of the process.

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The risk of trip of an interconnecting transformers is historically low and is further reduced under a planned outage timeframe. This reclassification would be more relevant if the plant was under an increased risk of trip based on the outcome of a condition assessment, otherwise it seems that this high impact/low probability (HILP) event may be managed unnecessarily as a contingent event. We believe this view should be considered in the present process and when reviewing the Security Policy on other extended contingent events.

Reserves Management Tool

Clause 32 refers to asset capability information as an input into accurate modelling of reserves procurement. Our view is that this clause should be extended to allow the use of persistence offers, rather than the nameplate rating, of **non-compliant wind generation** as an input into calculating the reserves procured to manage a DC extended contingent event. This process change (and the required tool change) would have a significant positive impact on the market by allowing more efficient utilisation of the DC under lightly loaded system conditions.

Load Forecast

Clause 90.1 refers to anticipating demand and load distribution factors as part of meeting the dispatch objective. As discussed at the System Operator workshop, Contact has concerns that the System Operators current **load forecast tool** has become less accurate over time and thus reducing the efficiency of the market. We are often seeing market constraints well below their limit in the short schedules but then binding in real time resulting in an inefficient market outcome.

Some good investigational work has been carried out in the past by the System Operator into a replacement tool and we would like this work to be picked up again and discussed with the Electricity Authority. We are of the view that significant gains can be made with respect market efficiencies with an improved demand forecast as participants are given a higher level of confidence around market outcomes as we move closer to real time.

In summary, we support the changes the System Operator has made in this year's Policy Statement review and have identified other areas where the System Operator can further align with the Electricity Authority's statutory objectives.

If you have any queries on the feedback above please contact me directly.

Yours sincerely,

Gerard Demler
Transmission Manager, Market Services

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5 November 2015

System Operator

By email: system.operator@transpower.co.nz

Policy Statement Review 2015

Meridian welcomes the opportunity to provide feedback on the System Operator's 2015 Policy Statement Review.

Meridian generally supports the changes to the Policy Statement proposed by the System Operator. In particular, we endorse the proposals to reduce the publication threshold for SFT constraints from 85% to 80%, and to extend the notice period for market constraints from 2 weeks to 4 weeks. These changes will result in better, more timely information for participants to make decisions.

Meridian supports the proposed change to managing Tiwai potline changes provided the System Operator can adequately explain how this process will work with regard to the obligation in the Electricity Industry Participation Code for generators to comply with dispatch instructions (clause 13.82).

Yours sincerely,



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