Pioneer energy

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Submissions
WAG Chair
c/- Electricity Authority
P O Box 10041
Wellington 6143

By email: wag@ea.govt.nz

Dear John,

RE: Review of IR Event Charge and Cost Allocation

Pioneer Energy (Pioneer) agrees it is timely to review the current arrangements for charging for under-frequency events and allocating the costs of procuring instantaneous reserves. We also recommend a cautious approach to any change at this time noting that:

- the new National Market for Instantaneous Reserves has only been operational for one month,
- the Transmission Pricing Methodology is unresolved and may or may not represent an efficient mechanism to pass-through IR costs, and
- the estimate of costs and benefits of making any changes must be robust and the benefits realisable / not uncertain.

Availability charge

Pioneer agrees with the WAG conclusion – that system stability is a common god and therefore it is not considered practicable to develop market-based mechanisms for cost allocation.

We agree that continuing with island-based cost allocation after the introduction of the NMIR is unlikely to create perverse incentives on parties to inefficiently withhold energy or IR capacity (question 3).

We also agree that it is not appropriate to move to a runway approach for general cost allocation. We particularly support the WAG's focus on the impact of change on investor certainty and the use of the Principle 4 of the Code Amendment Charter – *Preference for Small-Scale 'Trial and Error' Options* (question 4).

Pioneer supports the continued use of a de-minimus of 60MW. Figure 8 shows there are 30 generating units above this de-minimus, plus the HVDC. If a unit is of a size when it is not going to create the need for IR – that is, it is not going to create the risk of an under-frequency event or be the largest contingent risk – then the exacerbator pays approach would imply these units should not be required to provide / pay for IR.

Also the lowest share of potential IR costs is modelled at 3% in Figure 9 under the status quo – it is not clear from the paper if the benefits of allocating IR costs to units below 60MW exceed the costs.

The paper analyses the potential impact of assets excluded from complying with AOPOs (pg 59-60). Pioneer agrees that efforts should be made to reduce the system cost of having to procure extra IR to cover a contingent event. However, the Code includes a well-established process for the system operator to work with any generator to resolve any non-compliance with the AOPOs. By making enquiries, the system operator was able to establish that Pioneer's two wind farms (of less than 10MW each) do have acceptable protection systems in place to ride through a fault and maintain output. The current ride through requirements on small generators are sufficient to minimise the impact of these generating plant on the overall system.

Pioneer submits that no new measures need to be implemented to address small generation plant that is currently excluded from the need to comply with frequency-related AOPOs (question 16). The Code already enables the system operator to gather the information it needs to determine what steps it or the plant owner should make to manage non-compliance with frequency-related AOPOs.

Event charge

Pioneer agrees with the conclusion to discontinue with the event charge. The number of under-frequency events is low and the proportion of costs recovered by this charge has been less than 15% for the last four years (excluding 2013 when one-off commissioning of the HVDC caused an increase in under-frequency events).

I would welcome the opportunity to discuss this submission with you.

Yours sincerely

Fraser Jonker
Chief Executive