

Consultation Paper - Wind offer arrangements

Submitter - NZ Windfarms Ltd – OPEN SUBMISSION

<p>Q1. Do you agree the issues identified by the Authority warrant changes to the offer arrangements for wind generation?</p>	<p>YES. Te Rere Hau windfarm is situated on the Tararua ranges East of Palmerston North. This area of the Tararua range is particularly steep and complex, more so than that on neighboring windfarms farms. This terrain contributes to the exceptional wind resource and is the reason the farm is situated where it is.</p> <p>Conditions can change quickly and we need to be able to respond to these changes in a timely manner to reduce wear that can outweigh the revenue generated. We can forecast this to some degree, but the combination of changing conditions and power price means we cannot do this hour by hour accurately – meaning that under the current rules, we do not have sufficient operating flexibility to protect our plant from wear as conditions change. We note that the conditions we are talking about are where high levels of wear occurs, and as such we don't believe we can genuinely utilize the bona-fides section of the code to permit curtailment.</p> <p>We also note that providing explicit flexibility in dispatch volume reflects the sorts of resources where wind farming is undertaken in New Zealand; typically on windy sites where conditions can change rapidly.</p>
<p>Q2. Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>YES. The proposed amendment will allow us to react to changing power price and windfarm conditions in a timely manner and reduce the incidence of loss making periods – that is, where conditions have become worse than forecast and we are obliged to offer in generation in accordance with our persistence-based offer and when the market clears below our short run marginal cost. The proposed regime will permit us both to impact the market with our offers, and to undertake modest curtailment in these conditions where the clearing price is unattractive.</p>
<p>Q3. Do you agree that an unsignalled generation</p>	<p>YES. Conditions can vary significantly across the wind</p>

withdrawal limit of 30 MW allows sufficient wind farm operational flexibility and does not cause unintended consequences for wind farm owners?

farm and thus, so does the SRMC of each turbine. 30MW will allow enough scope to deal with condition changes, and to reduce generation to minimise loss making situations. A lesser figure than 30MW would give insufficient scope to reflect weather variability within a period, and would be ineffective at reducing loss making situations, and could cause unintentional breach when the wind regime changes beyond what we anticipate in persistence based forecasting. We do not believe there are any unintended consequences, particularly in aggregated effect – that is, given that different wind farms will use this provision at different times, it is very unlikely that the provision will be utilized by all at the same time thus there are unlikely to be significant aggregation effects.

Q4. Do you agree the benefits of the proposed amendment outweigh its costs?

YES. The benefits far outweigh the cost required to upgrade our systems and procedures and any cost incurred by the System Operator, NZX or Electricity Authority. While we comprise just 7% of New Zealand's wind installed capacity, we believe these changes are essential. We are concerned that many have not understood the potentially beneficial impacts of this change (or chosen not to engage in consultation) and we believe the effects will be significant and beneficial across the wind industry. We believe these changes are critical to the ongoing survival of wind in NZ – and particularly to us as a merchant generator.

Q5. Do you agree the proposed amendment is preferable to the other option? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

YES. Being forced to offer at \$0.01/MWh and accepting whatever the market clears at does not reflect the true costs of wind and does not allow bidding in at true cost. We see the 30MW allowance as the most critical component of this proposal as it avoids penalty in the event of resource change, and allows us to curtail in wear causing situations, Allowing wind to offer in in five bands allows wind to trade competitively in the market alongside other fuels.

Q6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?

YES. These amendments will lead to a more competitive market. It is not clear that wind withdrawing from the market creates any issues. This proposal improves the viability and SRMC of wind generation and as such promotes investment. It is worth noting that much of the consented new generation capacity in New Zealand is wind, so these proposed changes are timely as the supply-demand balance starts to resolve.

Q7. Do you have any comments on the drafting of the proposed amendment?	No.
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Ends.