



T R A N S P O W E R

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7 November 2017
John Rampton
General Manager Market Design
Electricity Authority
By email: submissions@ea.govt.nz

Dear John

Wind Offer Arrangements

We appreciate the opportunity to submit to the Authority's consultation on wind offer arrangements, published 26 September 2017. This submission discusses our level of support for the proposal and the role of commissioned analysis by the system operator in the Authority's decision-making. We respond to the Authority's questions in the Appendix.

System operator has not examined block dispatch of wind

We support the general concept that wind generation should be able to offer to the market like other generation and acknowledge that the TAS report from the system operator provides analytical support to the proposal.¹

However, we are unable to support the proposal for block dispatch of wind because the proposal is yet to be investigated by the system operator. We consider further analysis is needed to assess the system security risks of block dispatch and withdrawal, consider who is best placed to approve any block wind dispatch, and understand the likely implementation cost.² Specifically, the proposal³ to make the Authority responsible for approval of block dispatch of wind generating plant is not explained and is contrary to the existing practice of system operator approval for (hydro) block and station dispatch. We suggest the system operator is better placed to make the decision to approve block wind dispatch, to be able to account for system security impacts.

We note the system operator's TAS report has not been provided along with the Authority's proposal as is usually the case. We consider the information contained in the reports assist participants' understanding of policy development and rationale for the Authority's decisions. The TAS reports are a significant input to decision-making and we support routine publication unless there are justifiable reasons for not publishing (in whole or in part).

Please contact me in about any points made in this submission,

Yours sincerely

Catherine Jones
Regulatory Affairs and Pricing Manager

¹ The technical advisory analysis (TAS) used for the Authority's consultation is report number 62

² For example, changes to EMS metering systems

³ Proposed Code 13.87B

Appendix A Response to questions

Question	Response
<p>1. Do you agree the issues identified by the Authority warrant changes to the offer arrangements for wind generation?</p>	<p>Yes, we consider change is desirable. We understand that the issues with the status quo includes withdrawal of wind offers without notice. However, the consultation paper was not clear on the mechanism or rationale for ‘central co-ordinated economic withdrawal’.</p> <p>In general, we consider problems need to be explained in terms of detriment to efficiency, reliability, or competition in the market. Attention to such explanation enables proposed options to be compared for how each improves the efficiency, reliability or competition aspects (and promote any or all the statutory objectives).</p>
<p>2. Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>The proposal to have wind generation owners make offers in a similar manner to other generation owners appears reasonable. However, we consider the responses of wind generation owners will address the practicalities of this offer mechanism.</p>
<p>3. Do you agree that an unsignalled generation withdrawal limit of 30 MW allows sufficient wind farm operational flexibility and does not cause unintended consequences for wind farm owners?</p>	<p>We defer to the responses of the wind generation owners.</p>
<p>4. Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<p>We consider that some costs of the proposal for block dispatch have not yet been identified, for example system change requirements.</p>

Question	Response
<p>5. 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.</p>	<p>Unsure. The Authority describes that the alternative proposal would satisfy its objectives. The Authority also states that the alternative would cost \$1.1 m, which is less than 50% of the costs of the preferred option (stated at \$2.7m).</p> <p>We consider that the same attention to estimating benefits for the EA's option (\$5.6m) should be applied to the Wholesale Advisory Group's (WAG) option to ensure even-handed consideration of the options. The paper is not clear on whether the costs and benefits assessment of the WAG has been considered (the WAG analysis stated costs of around \$0.5m and benefits of \$3.65 million).⁴ From WAG's numbers, their alternative would appear to be more net beneficial than the \$2.9m benefit for the EA's option. It would appear a more expensive option has been chosen without a clear cost - benefit rationale.</p>
<p>6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?</p>	<p>Yes, we consider that the amendment should promote efficient operation of the market.</p>
<p>7. Do you have any comments on the drafting of the proposed amendment?</p>	<p>The new approach to include explanatory notes alongside the code amendments is a welcome development and should help participants better understand, and respond to, policy rationales.</p> <p>With respect to content, we note the following points:</p> <ul style="list-style-type: none"> • The definition of bona fide physical reason has been updated to include consideration of "un-modelled transmission assets". The paper does not make clear how a generator is to know if transmission assets are "un-modelled" • New code 13.87B proposes to make the Authority responsible for approval of block dispatch of wind generating plant, contrary to the existing practice of system operator approval for (hydro) block and station dispatch. We consider the decision for approving block wind dispatch would have to account for system security, and suggest the system operator is better placed to make that decision.

⁴ Wholesale Advisory Group [Wind generation offers Recommendations Paper](#) June 2016