

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

30 April 2019

## Removing constrained on payments for generation ramping down

Thank you for the opportunity to provide feedback on the consultation paper on removing constrained on payments for generation ramping down. No part of our submission is confidential.

We agree with the Authority's assessment that the current arrangements promote scheduling and dispatch of, and investment in, ramp-constrained generation, even when it is higher cost than other generation. This undermines allocative efficiency, risk management efforts and market confidence because constrained on costs are not reflected in nodal prices, which makes hedging for the costs of ramp-constrained generation more difficult.

Another issue that warrants further attention is the treatment of market node constraints. These constraints are currently handled via side agreements that are only known to those party to the agreements. We believe there is merit in moving to a more transparent process. Greater transparency would enable better risk management and improve market confidence.

If you have any questions please contact James Flexman, 09 308 8286 [james.flexman@mercury.co.nz](mailto:james.flexman@mercury.co.nz).

Yours sincerely,



James Flexman  
**Wholesale Markets Manager**



## Appendix One Consultation Questions

Consultation Question	Mercury Response
1. Do you agree the issues identified by the Authority are worthy of attention?	Yes.
2. Do you agree with the objectives of the proposed amendment?	Yes.
3. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes.
4. Are there any other options the Authority should consider?	The Authority could look at the way market node constraints are dealt with. Currently side agreements are used that are not transparent to market participants not a party to the agreements. There is likely to be benefit in improving transparency.
5. Do you agree the proposed amendment is preferable to the other options?	Yes.
6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes.
7. Do you have any comments on the drafting of the proposed amendment?	No.

