



TRANSPOWER

Keeping the energy flowing

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Electricity Authority
Wellington

By email: submissions@ea.govt.nz

Removing constrained on payments for generation ramping down

Thank you for the opportunity to submit to the Electricity Authority's consultation *Removing constrained on payments for generation ramping down* published 26 March 2019.

We consider the problem described by the Authority does merit attention.

We agree with the Authority's view that its existing approach of highlighting the issue to moderate behaviour means the inefficiencies arising from constrained on payments for ramp-constrained plant would remain.

Transpower as grid owner and system operator supports the Code change proposal to remove constrained on payments for generation that is ramping down, and note the Authority's analysis (at section 4.6) of the implications of the proposal.¹ We also agree with the evaluation that removing constrained-on payments entirely could reduce reliability and any further consideration would require wider review.

Yours sincerely

Rebecca Osborne
Manager, Regulatory Affairs and Pricing

¹ [Section 4.6] *The proposal would mean that generators that have relied in part on constrained on payments when ramping down to recover their costs would need to recover these costs through their offers. Under the proposal, this implies that when these generators are dispatched: (a) if they are within merit and the marginal generator, nodal prices for the nodes at which they operate would be higher (b) if they are out of merit, constrained on payments would be higher for the period for which their generation is required to meet demand (c) where they are out of merit and dispatched down at their maximum ramp-down rate, they would be paid the nodal price and receive no constrained on payments.*