

Submitter	Comments
Q1: Do you have any comment on the Authority's overall design of the proposed extended reserves arrangements?	
Electricity Networks Association	There are a number of impracticalities associated with implementing the proposed regime, in particular in relation to the cost recovery and pricing aspects. For example, the proposed regime "would appear to require the construction of a new data base that distinguished for billing purposes individual ICPs connected to AUFLS or other extended reserve facilities from those that were not". Also, as retailers are interposed between distributors and most ICPs for billing purposes, use of system agreements would need to be amended "to provide for the proposed compensation from distributors to be built into AUFLS-connected parties' bills". This would be "totally impractical" in the case of distributors billing on a GXP basis.
	The inadequacies of the current AUFLS arrangements do not pose significant risks to system security. These inadequacies would be best addressed by a consultative process with the system operator and distributors, and it would be timely for the system operator to identify any technical changes that could improve the current AUFLS regime but the proposed Code changes should be abandoned.
Meridian Energy	Supports the changes to the procurement approach that give the system operator greater visibility of the load armed for AUFLS at any given time.
Major Electricity Users Group	Agrees with the overall design of the proposed arrangements, except for the proposal that costs be recovered from distributors and direct consumers in proportion to their demand. An "exacerbators-pay" approach would be preferable. MEUG has obtained advice from the New Zealand Institute of Economic Research which supports this view (see "other comments" below).
New Zealand Steel	The cost allocation approach should be on the basis of exacerbators rather than beneficiaries-pay (see "other comments" below). Apart from that, NZ Steel states that it seems to be acceptable at this stage.
Northpower	The overall design arrangements are reasonable. However, some of the implications of the selection criteria and compensation schemes have not yet been discussed fully.

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Orion	Disagrees with the proposal to implement a payment and charging procurement process, and believes that the bulk of the potential benefits could be achieved by gathering information to assist with the development of the technical standards and selection methodology. The charge and payment procurement process will be "administratively intensive and costly to implement", and is not necessary to achieve the VoLL saving benefits, which can be "largely achieved over time by moving to dynamic arming in real time of a number of 'flexible ER demand units' to fine tune the load at risk of an AUFLS trip".
	The Code amendments should not be made until there has been further development and full consultation on the technical requirements schedule and selection methodology. It is not possible to comment fully on the proposed Code changes until those documents are fully developed.
	It is clear from the example documents provided that significant detail and compliance issues are yet to be addressed. As an example, the example technical requirements schedule sets maximum and minimum levels around the target block size and for each of the four blocks, but it is not clear how compliance with these tolerances will be dealt with.
Pacific Aluminium	Does not support the draft Code amendment on the basis that costs are proposed to be recovered "from load and not from Transpower and generators whose asset failures cause the need for extended reserves." Under an exacerbators-pay approach, exacerbators are clearly identifiable and the exacerbators-pay approach is ranked more highly than a beneficiaries-pay approach in the Authority's own criteria. The approach "arguably does not comply with the Authorities own decision-making framework". Supports MEUG's submission on this issue. (See "other comments" below for more detail.)
Powerco Limited	Agrees with the proposals for the overall design of the ER arrangements. The Authority has correctly identified efficient improvements that could be made to the procurement and implementation of automatic under-frequency load shedding. Powerco agrees in principle with the Authority's preferred option and commends the Authority on the refinements it has made to the preferred option based on submission to the previous consultation. Considerable detailed design work will be required before the proposed arrangements will be able to be implemented, particularly in relation to addressing the provision of information, the estimation of VoLL and the implementation of the cost allocation model. However, further liaison on the development of these issues should be able to address those concerns.

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Transpower (grid owner)	In several places in the North Island the current AUFLS obligation on distributors is being met from relays that are owned by Transpower and reside on grid assets. The move to a new technical requirement for smaller blocks will necessitate these existing configurations being revisited, but this could be time consuming.
	It is not clear how consumers providing AUFLS load would be compensated, or whether this is the intent of the proposals.
Transpower (system operator)	The technical requirements schedule and selection methodology are complex, and an "iterative process" should be adopted, at least for the development of the initial versions of these documents. The development of the technical requirements schedule has and will continue to be based on the assumption that the load selected will have the same characteristics as that accessed through the current two-block scheme. The selection methodology should be tested with information to be provided by electricity distribution businesses and grid connected load to either confirm the validity of the load characteristic assumed in the technical requirements schedule or allow the technical requirements schedule to be refined.
	It may be possible to compensate for shortcomings in the initial technical requirements schedule, if small, by using flexible AUFLS, but this is not identified in the consultation paper.
	The framework creates the opportunity for the Authority to set principles and 'participate' in the role of the ERM, and this creates a regulatory uncertainty. The Authority should be required to consult with participants prior to exercising these options. (See "other comments" below for more detail).
TrustPower	Is generally supportive of the proposed changes and believes the more tailored approach would deliver better results in response to a major system event.

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Vector	Disagrees with the order in which the Authority is choosing to consult and implement its proposed changes. Specifically, the selection methodology should be developed and consulted on in conjunction with the proposed amendments, or at least before they are made.
	Any transfer of control should be accompanied by a similar transfer in liabilities where appropriate.
	In relation to the compensation design, Vector is still not convinced that the compensation payments will provide sufficient incentives for participants to invest in new technologies and engage with the proposed regime.
	Vector seeks clarity in relation to whether or not VOLL would be used to calculate compensation payment, and notes that this is an important aspect of the regime's design.
	Vector is concerned that details have not been developed in relation to requirements, timeframes, and payments for new investments, and recommends the Authority fully develop and consult on expectations for investments in new relays so that AUFLS providers can better understand the business impacts and incentives under the proposed regime. Vector reiterates that such consultation should be undertaken before amendments are made.
Q2: What comments do you have on the indicative timeline the Authority has developed for transitioning to the proposed arrangements for extended reserves?	
Major Electricity	There is a risk of inconsistent interpretation by participants leading to inconsistent inputs being submitted for the selection process (which will likely result in a less than optimal procurement schedule). The Authority should undertake a trial run and/or a two stage selection process to

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Users Group	mitigate this risk.
New Zealand Steel	It looks acceptable.
Northpower	The timeframe should not be finalised until later in the process when further details have been finalised and arrangements have been more fully discussed. Without knowing the scope of the changes required and the availability of resources "it is impractical to comment." In light of the changes that will be required, the timetable appears overly optimistic.
Orion	Does not support the Authority's proposed approach of consulting and making the Code amendments before the technical requirements schedule and selection methodology have been fully developed. Orion describes the approach as a "rush to implement" and specifically notes its lack of support for the implementation of amendments relating to charges and payments at this time. The Authority should delay making the Code amendments until selection methodology has been finalised.
Powerco Limited	The proposed timeline is not achievable and does not correctly reflect the size of the changes created by the proposed amendments. Powerco will not be able to commence relay resets or replacement until after the first selection tool result in April 2015, as that is when it will have the first clear understanding of what its obligations are. The Authority should conduct further consultation to develop a more realistic and feasible implementation plan and timeline, and the "go live" date should be delayed by two years to the end of 2018.
Transpower (grid owner)	It will be necessary to revisit existing configurations in the North Island in light of the move to a new technical requirement for smaller blocks. (In several places in the North Island the current AUFLS obligation on distributors is being met from relays that are owned by Transpower and reside on grid assets). This process is likely to be time consuming and could negatively impact on implementation timing.
Transpower (system operator)	The Authority should clarify the expected timeframe for creating a new service provider role under regulations, including how long the Authority anticipates being required to undertake the functions of the role. Key steps should include specifying the extended reserve manager role in the regulations and appointing a service provider.
Vector	Does not support the Authority's approach of consulting and making proposed Code amendments before it properly develops and tests the selection methodology. The Authority should delay making Code changes until the selection methodology has been finalised.
Q3: Do you agree with the Authority's proposed allocation of roles in relation to the technical requirements schedule, selection methodology, procurement schedule, extended reserves procurement notices, implementation plans, the extended reserves schedule and statement of extended reserves obligations? If not, what alternative would you propose, and why?	

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Meridian Energy	Asks for more information on the rationale for establishing a separate extended reserve provider role and asks if alternatives have been considered.
Major Electricity Users Group	Agree.
New Zealand Steel	Agree.
Northpower	The system operator is the most suitable participant to have overall responsibility for the technical aspects described in the paper. In relation to the extended reserve manager fulfilling the relevant roles, in principle it seems logical but it seems "out of context" to seek comments on this issue so far in advance of the service provider being appointed.
Orion	Not convinced that there is a need for a separate extended reserve provider role, on the basis that it would be an extension of the system operator's role.
Powerco Limited	Agree.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	The extended reserves manager role should be established as soon as possible and, while the Authority is acting as the extended reserves manager, it would preferably be as a market operation service provider. The system operator notes its view of the risks associated with the Authority acting as the extended reserves manager before the role has been identified in regulations, which are summarised as follows: - the Authority will not have the benefit of immunity in section 55(3) of the Act against exposure to claims in tort - the Authority will not be a market participant and will therefore not be subject to complaints to the rulings panel for breach of the Code. The system operator states that this will mean that, in the event of a dispute, participants will have to apply to the courts rather than using the established compliance regime, which is likely to be complex and time consuming.
Vector	Based on the information in the paper, the Authority's proposed allocation of roles seems sensible, however it is difficult to fully understand what the roles will entail without seeing properly developed supporting documents.
Q4: Do you agree with the Authority's proposal that the Authority undertake the ERM role initially? If not, what alternative would you propose, and why?	

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Major Electricity Users Group	This is reasonable in order to achieve as early as possible implementation.
New Zealand Steel	Agree.
Northpower	A regulator is not a suitable entity to fill this role, and the timeframe for development and implementation of the regime should be determined on the basis of allowing enough time to have all roles and systems in place, rather than proceeding with interim arrangements.
Orion	Does not support the Authority undertaking this role. Orion questions whether the Authority has the ability under the Act to do so, noting that it is not clearly one of the Authority's functions under section 16, and that if the role has not been created in regulations, there is no role for the Authority to assign to itself. The Authority needs to clarify how it will appoint itself if it takes on the role. Orion is not convinced of the need for a separate extended reserve provider role at all, noting that it could be carried out by the system operator (particularly in light of the system operator's heavy involvement in the process). This would also help prevent data and technical requirements being "lost in translation" if passed between multiple parties.
Powerco Limited	Yes, if necessary. However, the Authority should take the time to implement the new system carefully and in a measured way, and the timeline should be able to allow for the independent establishment of the ERM role.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	It would be preferable for the Authority to establish the extended reserves manager and appoint a third party to fulfil the role, thereby ensuring that the requirements in implementation of the role and selection methodology are transparent. The Authority should establish the extended reserves manager role as a service provider by October 2014 and, if the Authority is to be the extended reserves manager, it should identify as soon as possible at which step in the timeline it will appoint a third party to undertake the role.
TrustPower	Any suggestion that the Authority undertake the ERM role would be unacceptable to TrustPower. As a regulator, the Authority should be one step removed from any involvement in the day to day running of the market and the selection of providers etc.
Vector	This appears to be appropriate but it is difficult to be certain without more detailed information regarding the role. The system operator is an appropriate candidate for the role given the system operator's heavy involvement, and this would help prevent any data and technical requirements being "lost in translation" if potentially passed between multiple parties.

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Q5: Do you agree with the Authority's proposed mix of Code provisions in documents that sit outside the Code? If not, what alternative would you propose, and why?	
Meridian Energy	Supports the proposed mix of Code provisions in documents that sit outside the Code and comments that the approach allows flexibility to incorporate innovations in extended reserves as they arise through a Code enforced consultation process without the need for a Code amendment.
Major Electricity Users Group	Agree.
New Zealand Steel	Agree.
Northpower	Agrees with the Authority's observation that the mandatory nature of extended reserves distinguishes it in a fundamental sense from interruptible load (which is optional), and notes that this is what makes a market approach less suitable for extended reserves.
Orion	Concerned at the Authority's approach and notes that it will allow alterations to be made to the documents outside the Code without the necessary checks and balances of a consultation process.
	It is unclear how the Authority reaches the conclusion that the technical requirements schedule, selection methodology, and procurement schedule will not place obligations on a participant.

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	The documents should be incorporated into the Code, or in the alternative, incorporated by reference, and the technical requirements schedule should be included in Part 8 as a technical code.
Powerco Limited	Agree.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	This is a good working assumption.
Vector	Supports this in principle on the proviso that the Code amendments and supporting documents are developed at the same time.
Q6: Do you agree with the Authority's proposal that publishing more details about the extended reserves specification procurement would bring a greater degree of transparency to extended reserves arrangements? If not, what changes would you propose, and why?	
Major Electricity Users Group	Agree. It is important that there is transparency in relation to the financial aspects as well, and the published extended reserves schedule should include details of payments to be made to individual providers of extended reserves, and on a monthly basis, the system operator should report details of actual payments.
New Zealand Steel	Agree.
Northpower	It is important that the proposed publication of information does not expose commercially sensitive consumer information to the public, and does not expose communities to security risks.
Orion	The "separate" requirement to publish the relevant documents (in the Code drafting) is based on the assumption that they are not included in the Code or incorporated by reference. They should be included in the Code or incorporated by reference. This will ensure transparency of

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	information.
Powerco Limited	Agree.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	Both regimes are or will be documented in the Code, and the details reflect the complexity of the respective regimes.
Vector	In principle, information should be available to consumers in a manner they can understand and use. However, the information is likely to be particularly valuable to commercial users who may be able to plan for such events. The Authority should consider publishing a "public version" of the extended reserves schedule, in which sensitive information can be omitted. The Authority should engage with stakeholders to determine what information should be included in such a public version. Vector cannot guarantee that in any selection process it will be able to identify all "sensitive" customers on each feeder, as this information is not always available.
Q7: What comments do you have on the Authority's proposed approach to co-ordinating AUFLS with IL and other forms of demand response?	
Major Electricity Users Group	This is a critical issue, and there are two work streams addressing this. In developing a holistic view for best use of demand response, it will be important to align incentives and this will require an analysis of who receives revenues and who pays. Extended reserves should be considered in that holistic review of demand response.
New Zealand Steel	Notes that this does not affect it but that it looks acceptable.
Northpower	It would be highly desirable for information about interruptible load to be made available to distributors even under the current AUFLS arrangements. Apart from hotwater load, interruptible load is often "invisible" to distributors.
Orion	The proposed approach does not address the potential long-term need for AUFLS and IL to be managed in real time. The approach assumes that the effect of IL on the level of AUFLS arming can be assessed on an annual basis, and that this will lead to over arming of AUFLS (to achieve certainty of outcome) and higher than necessary VoLL.
Powerco Limited	Agrees with the Authority's approach and supports any measures which would assist lines companies to gain better visibility of dispatchable demand or IL within their networks.

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Vector	Supports the proposed approach put forward in the paper.
Q8: What comments do you have on the Authority's initial view on how to achieve consistency of outcomes between AUFLS and rolling outages?	
Major Electricity Users Group	The proposed approach of setting AUFLS requirements first and then amending participant rolling outage plans seems reasonable.
New Zealand Steel	Notes that this does not affect it but that it looks acceptable.
Northpower	Agrees that a holistic approach must be taken to coordinate the two requirements.
Orion	The rolling outage assumptions seem to mix up energy saving requirements with instantaneous (% of MW) AUFLS requirements. Orion notes that "taking account of the energy bounce back effect after rolling outages and the avoidance of outages at certain times of the day for traffic safety reasons etc, we assume that to achieve a 10% rolling outage saving over 24 hours the actual % of load interrupted is a factor of 3 or 4 higher." The rolling outage effects are complex and best managed by using real time AUFLS information and the flexible extended reserve units to fine tune AUFLS in real time. Further work is needed in relation to the possibility that providers could agree with the system operator to substitute extended reserve units during a rolling outage, and distributors will need significant flexibility to manage their obligations in such a situation. In the absence of a "real time fine tuning mechanism", distributors will be forced to exclude rolling outage feeders from the AUFLS offer to the extended reserve manager, which will lead to higher VoLL customers being included in rolling outages and/or AUFLS.
Powerco Limited	Generally agrees with the Authority's approach, however notes that generally the circumstances leading to the implementation of rolling outages and the triggering of AUFLS are quite different.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	Considerable work is still required on the integration of AUFLS and rolling outage obligations, and there are two potentially fundamental issues to be resolved, which are set out below. <i>"Under the current common obligation, provided EDBs ensure 32% of their load is armed for AUFLS, they can implement rolling outages how they wish to minimise the impact on load within their network. Under the proposed regime, it would appear that the provision of AUFLS will need to be co-ordinated between EDBs – adding to the complexity of an already stressed power system. To illustrate, assume there are only two EDBs, both with 50MW loads. 50% of EDB A load is selected to provide AUFLS. EDB B is selected to provide the balance of the AUFLS. If EDB A chose to interrupt 20% of its load for a period as part of its rolling cut obligations, and EDB B didn't cut load at the same</i>

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	<i>time, and EDB A reduced its AUFLS obligation proportionately, only 30% of the remaining load would be armed for AUFLS."</i> <i>"It is not clear how the proposed regime appears to deal with the need to balance the certainty of an interruption of load to achieve a rolling outage and the possible interruption of load due to an AUFLS event. The AUFLS selection regime is designed to identify that load which has the least cost of interruption. By definition, the interruption of this load to achieve rolling cuts would achieve the least cost outcome, ie interrupt the load that imposes the least cost and move the possible interruption due to an AUFLS event to load with a higher cost of interruption. The selection and specification of feeders to provide AUFLS appears to remove the possibility of selection of other feeders to provide AUFLS when rolling cuts are required."</i>
Vector	Supports the Authority's view set out in the paper.
Q9: Do you have any comments in relation to the consistency of the proposed AUFLS regime and the Commerce Commission's price control regime?	
Electricity Networks Association	As most distributors are subject to price control administered by the Commerce Commission, the Authority's proposed approach creates a great deal of uncertainty, as it is unclear how any costs associated with providing compensation for AUFLS-connected ICPs would be recoverable. Creation of uncertainties of this type inevitably leads to reduced efficiencies.
Major Electricity Users Group	Notes that the proposed payments to distributors will include compensation for expected customer interruption costs, and submits that there should be an equivalent payment to end customers that provide the interruptible demand. There is no mechanism in the draft Code amendment and the Authority should provide further detail about how this will be addressed. There is a lack of clarity in relation to the Authority's analysis of the input methodologies in Part 4 of the Commerce Act 1986, and further analysis is required. MEUG notes four points that highlight this, which are summarised as follows: • It is unclear how the selection methodology will ensure distributors are only paid incremental costs for new extended reserves procurement capital and operating costs. How will consumers be able to ensure that the cost allocation process in the selection methodology fully aligns with the cost allocation and regulated asset base input methodologies? • It is unclear how it will be ensured that the capital recovery formula used in the selection methodology will be consistent with the way capital cost recovery is calculated using various input methodologies in Part 4. • It is unclear how capital cost will be treated in subsequent reviews of the procurement schedule in the case of a distributor that is fully compensated for the incremental capital cost for equipment selected for AUFLS in an earlier extended reserve period. • The paper notes that "payments for enhanced AUFLS services would be excluded from determination of price caps – ie it would be effectively 'unregulated'". MEUG is not convinced that there would be sufficient competition or protection for consumers that own demand for this to be workable and submits that it should be reconsidered.
Northpower	It would be inappropriate to comment, given that Northpower is currently an exempt ELB.

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Orion	Has significant concerns. Compensatory payments and the concept of regulated/non-regulated revenues are not a "critical success factor" in achieving economic provision of AUFLS, and the Authority should not implement its compensation payments for expected customer interruptions. If the Authority proceeds with its proposals, Orion will need to consider how costs are allocated and whether they will be regulated revenue. Orion goes on to make a number of further points, which are summarised as follows:
	When pass-through costs are unknown and/or required to be forecast, inevitable variance between actuals and forecasts increase the risk that distributors will breach their price paths under the Part 4 regime. Accordingly, the Authority should work with the Commission to ensure AUFLS payments do not pose price-path compliance risks for non-exempt distributors.
	- In relation to the provision of relays (including enhanced service relays), there are significant difficulties associated with allocating shared costs of relays that are providing a core service to the network and an AUFLS service. In relation to enhanced AUFLS services, even if it were possible to effectively ring fence these, the administrative burden of separating regulated vs non-regulated costs and revenues would overwhelm any perceived enhanced services competition benefits. The Authority should move forward on the technical changes before drafting procurement rules. - Disagrees with the Authority's view that "interruption cost compensation should be treated as regulated revenue, as this approach will allow the costs to be passed to customers as it is the customers incurring such costs, not the lines company shareholders." This approach is flawed because "it will also pass through the costs to customers of the lines company that do not face any interruption costs as they are not included in ER units".
Powerco Limited	Agrees in principle that compensation payments for expected interruption costs and standard AUFLS services could be treated as regulated revenue, while payments for enhanced AUFLS services could be excluded from the default price-quality path or customised price-path and effectively treated as unregulated revenue. However the actual treatment of any payments will be subject to the Commerce Commission's own consultation process which Powerco looks forward to participating in. Agrees that the Code should be amended to enable compensation and cost allocation approaches to be implemented.

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Transpower (grid owner)	Is encouraged that the Authority is in communication with the Commerce Commission on potential changes to economic regulation. To reduce uncertainty to regulated firms, it is important that any implications for economic regulation under Part 4 of the Commerce Act are understood and addressed before a decision is taken.
Vector	Supports the Authority's proposal to treat assets that provide AUFLS as assets that provide "standard AULFS" (regulated under the Part 4 regime) or "enhanced AUFLS" (unregulated). This approach will encourage the incentives sought under the proposals for improving procurement of AUFLS. Disagrees with the Authority's statement that it will be "very difficult to construct compensation payments" where assets are part regulated and part unregulated. The Authority should consider using the existing cost allocation mechanisms under the Commission's input methodology regulation, which would help address this issue. When price through costs are unknown and/or required to be forecast, unforeseen payments or pass through costs can increase the risk that distributors will breach their price-paths under the Part 4 regime. Accordingly, the Authority should work with the Commission to ensure that AUFLS payments do not pose price-path compliance risks for non-exempt distributors. Vector gives examples of suggestions for how this could be achieved.
Q10: What comments do you have on the Authority's proposal to amend the Code to change the trigger setting for the second AUFLS block in the South Island from 45.5 Hz to 46.5 Hz?	
Meridian Energy	Supports this change. The consultation paper does not mention any change to the South Island minimum frequency level of 45 Hz that forms part of the principal performance obligations in clause 7.2 of the Code, and Meridian wishes to make clear that their support for the AUFLS trigger setting change does not constitute support for a change in the South Island minimum frequency level.
Orion	No issues with this change.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	The system operator supports the change in the trigger setting for the South Island.

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Q11: Are there any arrangements or agreements between parties pursuant to the AUFLS provisions currently in the Code that the Authority ought to be made aware of? If so, please give details.	
Major Electricity Users Group	None that MEUG is aware of.
New Zealand Steel	None that NZ Steel is aware of.
Northpower	Previously, participants were able to agree with the system operator to group the provision of AUFLS across more than one GXP. This is an important consideration because distributors often have the capability to alter configurations within their networks.
	Exemptions might be an option of "last resort", as detailed in section 5.12 of the paper.
Powerco Limited	No.
Transpower (grid owner)	In several places in the North Island the current AUFLS obligation on distributors is being met from relays that are owned by Transpower and reside on grid assets. The move to a new technical requirement for smaller blocks will necessitate these existing configurations being revisited, but this could be time consuming.
Transpower (system operator)	Not all arrangements that give effect to the current AUFLS provisions are documented (in particular, not all interruption capability provided to distribution businesses by Transpower, as grid owner, at grid exit points, is documented). This lack of information exchange has the potential to protract the collection of information for the initial selection and implementation phases of the Code amendments.
Q12: Do you agree with the Authority's proposal that the equivalence regime remain applicable to extended reserves, but that extended reserves be excluded from the dispensation regime? If not, what alternative would you propose, and why?	
Major Electricity Users Group	Agree.
New Zealand Steel	Agree.
Northpower	This seems logical, but it remains to be seen whether the "flexibility" referred to eventuates in practice.

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Orion	Disagrees with this proposal. Depending on the final drafting, it is perhaps too early to remove the ability to offer a dispensation. It may still be appropriate to do this in relation to the South Island in the meantime.
Powerco Limited	Agree.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	Agree.
TrustPower	Both equivalence and dispensation options should be open to asset owners who may not wish particular feeders to be offered into the market for genuine reasons. However, there should be rigour around the process to ensure that this is not just an easy opt-out.
Vector	Agree.
Q13: Do you have any comments relating to the proposed extended reserves Code amendments? Please provide comments and suggested drafting improvements with reference to specific parts, schedules and clauses of the draft Code amendments set out in Appendix B.	
Major Electricity Users Group	The cost allocation should be on an exacerbators-pay basis instead of a beneficiaries-pay basis (see "other comments" below). The drafting should be changed to reflect this.
New Zealand Steel	The cost allocation should be on an exacerbators-pay basis instead of a beneficiaries-pay basis (see "other comments" below). The drafting should be changed to reflect this.
Northpower	Northpower makes a number of detailed Code drafting suggestions. The comments on which the suggestions are based or general concerns are summarised according to clause below.
	<i>Schedule 8.3, Technical Code B, clause 7</i> The requirement for distributors to notify the system operator as soon as practicable after an AUFLS event is impractical because the system operator will be busy in that situation.

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	- In an AUFLS event, there should be a requirement on the system operator to act reasonably and respond promptly. <i>Clause 8.54B</i> - This clause lacks detail. Ancillary service agents should be required to specify the location of the interruptible load. - The methodology for notifying and updating information should be as agreed between the ancillary service agent and distributor. - The distributor should be able to advise the ancillary service agent that the interruptible load conflicts with AUFLS requirements for a consumer. <i>Clause 8.54G(4)(c)</i> - This clause should be modified so that the ERM is required to consult with asset owners as to the information to be required and the practicality of providing it.
	<i>Clause 8.54H</i> - The selection criteria in subclause (2)(b)(ii) are too narrow and should be amended to include criteria relevant to public safety, risk to equipment and costs to the New Zealand economy. <i>Clauses 8.55 and 8.67A</i> - In this context, it should be stressed that the definition of "distributor" in Part 1 of the Code includes direct consumers. "Offtake" is defined in Part 1 of the Code as "the flow of electricity from the grid at a grid exit point". A parameter for this flow should be added to the formula, for example, MWh. <i>Schedule 14A.1, clause 10</i> - Extended reserves should be excluded from this clause as there is no methodology specified for determining the amount of security that would be required.

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Orion	The proposed Code amendment needs significant modification. The Code should not include charge and payment options, and there is no need to "rush" the implementation of the Code.
	The Code should make it compulsory for retailers to provide information to distributors for the purposes of extended reserve VoLL calculations. The rest of Orion's Code drafting comments are summarised below according to clause.
	<i>Definition of automatic under-frequency load shedding</i> This should include a df/dt component.
	<i>Definition of extended reserves manager</i> Orion refers to its response to question 4, which included a statement that Orion is not convinced of the need for a separate extended reserve provider role at all, noting that it could be carried out by the system operator.
	<i>Definition of extended reserves provider</i> This does not clearly preclude South Island distributors, regardless of clause 17.48A.
	<i>Clause 8.19</i> This does not appear to address the "no change" status of the South Island.
	<i>Clause 8.29</i> Depending on final drafting it may still be appropriate to offer a dispensation in the South Island in the meantime.

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	<i>Clause 8.54B</i> The system operator should use real time IL dispatch quantities to adjust AUFLS arming accordingly. Alternatively, distributors would need that information to adjust their own AUFLS arming accordingly. The Code should propose a solution or be drafted to allow flexibility. The Code should also require ancillary service agents to submit IL against an ER unit.
	<i>Clause 8.54J</i> In relation to subclause (6)(d), this is problematic and it should be deleted or drafted in a way that can facilitate zero payment in the interim.
	<i>Clause 8.54K</i> In relation to subclause (4), a timeframe should be included, which should be consulted on.
	<i>Clause 8.54L</i> In relation to subclause (2)(b)(ii), this is problematic and it should be deleted or drafted in a way that can facilitate zero payment in the interim.
	<i>Clause 8.54M</i> - In relation to subclauses (3) and (4), the system operator or extended reserve manager is in the best position to draft a transition plan. The procurement notice should therefore specify the transition arrangements. To aid this process, the selection methodology should require deliverability information on each potential ER unit from asset owners. - In relation to subclauses (5) and (6), this is problematic and it should be deleted or drafted in a way that can facilitate zero payment in the interim.
	<i>Clause 8.54S</i> The purpose of this clause is unclear. The Authority should explain the problem that this clause is solving.

Submitter	Comments
	<i>Clause 8.54T</i> Depending on the final drafting, Orion may require an assignment where the purchase of spur assets includes the historic Transpower AUFLS relays.
	<i>Clauses 8.55 to 8.69</i> - The cost provisions are problematic and the changes set out in subpart 6 should be deleted or drafted in a way that can facilitate zero costs in the interim. - In relation to clause 8.67A, costs may become pass through costs for distributors and therefore would need to be confirmed by the end of November each year to avoid any breach of price paths in the following year. Any costs (and perhaps more importantly, payments) for part year refinements to the level of arming should be carried over to the following year.
	<i>Schedule 8.3, Technical Code A, Appendix B, clause 7</i> This clause should be retained.
	<i>Schedule 8.3, Technical Code B, clause 7</i> This clause should be retained, with the exception of subclause (1), which should be deleted. Subclause (6) should be modified to include only the South Island and to incorporate the new frequency limits. The references to the North Island should be deleted in the remaining subclauses.
	<i>Schedule 8.5, clause 11</i> This clause should be amended so that there are certain circumstances under which the extended reserve manager must re-run the selection process (for example, where incorrect data was used or in light of new or changed information).

Submitter	Comments
	<i>Clause 17.48A</i> Orion considers that the proposed changes for ensuring the existing Code obligations in clause 7 of Technical Code B, Schedule 8.3 are inadequate, and that due to the general way in which the clause is drafted the overall Code changes may "inadvertently apply to South Island distributors".
	- Orion is very concerned that this clause means that the obligations in relation to the South Island are covered by a reference to a clause in the Code that has been replaced. Orion notes that the Code is extremely complex at the best of times and that to add this additional complexity is unacceptable. There should not be any reference to applying Code that has been replaced as if it had not been replaced. - The Code changes in the first instance should be drafted to apply to each island separately. - Despite the intention for largely status quo in the South Island, Orion would support the gathering of load profile and VoLL information in the South Island to inform future Code changes.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	The system operator makes a number of detailed drafting suggestions, which are summarised below according to clause.
	<i>Definition of extended reserves</i> This should be "extended reserve" (singular), to be consistent with the definition of "instantaneous reserve".

Submitter	Comments
	<i>Definition of extended reserves manager</i> While the Authority is performing the ERM role, it should be doing so as a service provider. The system operator refers to its submissions in relation to the risks associated with the Authority performing this role (see above under Q2). Some of the wording of the proposed definition should be deleted.
	<i>Clause 8.54T</i> The system operator should be given an opportunity to comment on possible assignment of extended reserves obligations, because such assignments could have a security impact.
	<i>Schedule 8.3, Technical Code B, clause 7B</i> A new draft subclause should be included stating that an extended reserves provider must not include in a reserve offer for interruptible load any electrical load that might be required for automatic under-frequency load shedding. A form of this provision is currently included in clause 7(7) of Technical Code B, and it should be carried over to new clause 7B.
	<i>Schedule 8.5, clause 6</i> In relation to subclause (3), wording should be added to the drafting so that the system operator is notified of the Authority's decision in relation to the development of the selection methodology.
	<i>Schedule 8.5, clause 7</i> In relation to subclause (8), the system operator states that wording should be added to the drafting so that the system operator is notified of the Authority's decision in relation to the development of the selection methodology.

Submitter	Comments
	<i>Schedule 8.5, clauses 8 and 9</i> As above, new wording should be included so that the system operator will be notified as to the Authority's decision in relation to the development of the selection methodology.
	- In relation to clause 9, extensive redrafting should occur to allow the system operator an opportunity to view and discuss a methodology in the event that it does not achieve the technical requirements for extended reserves. This is necessary because the system operator is responsible for protecting the system from power quality variations and cascade failure, not the Authority, and, when the Authority is acting as the ERM, there will be no effective check and balance in the approval process. - Even if the changes to clause 9 are not accepted, the system operator should be given an opportunity to comment on changes in relation to clause 8 that are thought by the extended reserves manager and the Authority to be technical and uncontroversial. - The Authority should clarify what is meant by the term "technical and uncontroversial".
	<i>Schedule 8.5, clause 12</i> As above, additional wording should be included so that the system operator will be notified of the Authority's decision in relation to the development of the draft procurement schedule.
	<i>Schedule 8.5, clause 13</i> As above, additional wording should be included so that the system operator will be notified of the Authority's decision in relation to the development of the draft procurement schedule.

Submitter	Comments
	<i>Schedule 8.5, clause 14</i> In relation to clause 14, extensive redrafting should occur to allow the system operator an opportunity to view and discuss a schedule in the event that it does not achieve the technical requirements for extended reserves. This is necessary because the system operator is responsible for protecting the system from power quality variations and cascade failure, not the Authority, and, when the Authority is acting as the ERM, there will be no effective check and balance in the approval process.
	<i>Clause 17.48A</i> Additional wording should be included to ensure that clauses 6 and 7 of Schedule 8.3, Technical Code A, Appendix B will apply during the transitional period. During the transitional period, it is essential that information currently provided to the system operator with regards to AUFLS is retained, including the requirement on distributors to provide AUFLS load profile information on an annual basis.
TrustPower	Questions why the procurement schedule would not be run every year. This should not be difficult to do, and would ensure a greater degree of confidence that AUFLS are correctly tuned.
Vector	Vector makes a number of comments on the Code drafting, which are summarised below according to clause.
	<i>Schedule 8.5, clause 11</i> This clause should be amended to include certain circumstances under which the extend reserve manager must rerun its selection, for example where wrong information or data was used in the selection process, or if new information has come to light.

Submitter	Comments
	<i>Clause 8.54M and 8.54P</i> - Under clause 8.54M(3), asset owners are expected to draft and implementation plan that specifies how the asset owner will transition from complying with its obligations before the regime came into force to complying with its obligations under its statement of extended reserves obligation. This does not make sense because asset owners will not have been issued with their statement of extended reserves obligation (issued under clause 8.54P) until after the implementation plan has been approved by the system operator. - The Authority should reconsider the timing dependencies under those clauses, and redraft clause 8.54M to address this issue.
	<i>Clause 8.67A</i> Clause 8.67A refers only to distributors, and that there appear to be no equivalent clauses for direct connects. Either clause 8.67A should be amended, or an equivalent clause should be drafted for direct connects.
	<i>Clause 8.54B</i> - The current drafting only requires ancillary service agents to notify distributors of the "existence of the contract". Distributors may face difficulty in obtaining the relevant information in a timely manner. - Clause 8.54B should be amended so that ancillary service agents are required to provide information that is sufficient to allow distributors to determine the impact of contracts on feeder load, and a timeframe of 10 business days before load is used should be added (subject to a mutually agreed upon alternative timeframe). - The drafting currently only refers to interruptible load. It should also include demand response.
Q14: What comment do you have on the Authority's cost-benefit assessment summarised here and detailed in Appendix C?	
Electricity Networks Association	The cost-benefit analysis is unclear. For example, if the net benefits identified are to be attained, parties not connected to AUFLS should be required to pay proportionately more in order to fund the proposed compensation. The proposal that distributors and direct connects pay for the compensation "does not make it clear how such a zero sum outcome would be achieved." ENA makes the following additional comments:

Submitter	Comments
	• If it is envisaged that the proposed compensation from distributors will be a "cost-plus" add-on to distribution charges then the paper does not build the resultant extra burden on consumers into its analysis. • If it is envisaged that distributors will receive compensatory benefits either from resultant efficiency gains or in the form of payments from parties other than retailers (such as generators) who benefit from the provision of AUFLS then this is not apparent. • The suggested cost/benefit identified seems to be based on as assumption that Loss of Load arising from the triggering of AUFLS is a stand-alone dis-benefit to consumers. Arguably the avoidance of much more serious load loss if AUFLS were not available should be taken into account, meaning that all consumers achieve a significant net benefit from the provision of AUFLS (and allocative "fairness" is of little consequence by comparison).
Major Electricity Users Group	Assuming a beneficiaries-pay approach is applied in relation to cost allocation, the analysis supporting option 2.b) seems reasonable. However, consideration of exacerbators-pay as an approach to cost allocation is missing from the analysis (see "other comments" below).
New Zealand Steel	It looks acceptable.
Northpower	Strongly disagrees with "the Authority's stance that costs to end-use consumers can be dismissed as 'wealth transfers'". This is over-simplistic and ignores that many New Zealand firms compete internationally, that there can be knock-on effects which affect other parts of the economy, and that consequential adverse environmental effects do not constitute "wealth transfers".
Orion	The CBA understates the costs of compliance, including the systems that distributors will have to set up to comply. The VoLL benefits are based on unproven assumptions. It is not clear how and where the extra costs associated with having a maximum and minimum tolerance around the target level will be applied.
Powerco Limited	The numbers seem overly precise, but agrees with the ranking of the options.
Transpower (grid owner)	Supports system operator submission.
Transpower (system operator)	The costs included in the cost-benefit assessment seem to be a reasonable working assumption. An estimate of expected system operator costs will only be possible when detailed design has been completed – in particular, the design of the selection methodology.
Vector	The cost benefit analysis includes discussion of relays, but it is unclear whether this includes consideration of new relays. Vector gives examples of this, as follows: • In table 6 (page 134 of the consultation paper), it is unclear what "extra relays reset from optimisation" means. Reading the table along would

Submitter	Comments
	suggest it refers to new relay investments. However, paragraph C.17 of the paper refers to "reassigned" relays. It is not clear what "reassigned" refers to but the text of C.17 suggests that it means existing relays required for another 5 year selection period. The Authority should provide stakeholders with a cost benefit analysis discussion that includes the expected cost of new relay investments before it gazettes any Code amendments.
Q15: What comment do you have on the Authority's assessment of the proposed amendment against the requirements of section 32(1) of the Act?	
Major Electricity Users Group	The assessment did not consider the alternative proposed by MEUG in relation to an exacerbators-pay approach to cost allocation. Had this been considered, then option 2.b) would have better complied with and been the preferred option in terms of section 32(1) of the Act.
Northpower	A consumer that was not previously subject to load shedding under AUFLS, whose load is subsequently included in the regime, would have grounds to disagree with item (b) – the reliable supply of electricity to consumers.
Powerco Limited	The assessment seems reasonable.
Q16: What comment do you have on the Authority's assessment of the proposed amendment against the Code amendment principles?	
Major Electricity Users Group	MEUG refers to its response to question 15.
Pacific Aluminium	The proposed allocation of costs to beneficiaries arguably does not comply with the Authority's own decision-making framework and is unlikely to better achieve the section 15 statutory objective than a principles allocation to exacerbators.
Powerco Limited	The assessment seems reasonable.
Q17: Do you have comments on the indicative implementation costs used in the CBA?	
Major Electricity Users Group	MEUG refers to its response to question 14.

Submitter	Comments
Northpower	Northpower refers to its response to question 14.
Q18: Do you have comments on the indicative on-going costs assumed in the CBA?	
Major Electricity Users Group	MEUG refers to its response to question 14.
Northpower	Northpower refers to its response to question 14.
Q19: Do you have comments on the indicative base level and future benefits assumed in the CBA?	
Major Electricity Users Group	MEUG refers to its response to question 14.
Northpower	Northpower refers to its response to question 14.
Q20: Do you have any other comments on the CBA?	
Major Electricity Users Group	MEUG refers to its response to question 14.

OTHER COMMENTS (by submitter)

Submitter	Comments
Major Electricity Users Group	MEUG was not satisfied with the consideration of their prior submissions on the question of who should pay for extended reserves procurement costs, in which they submitted that an exacerbators-pay approach was likely to better achieve the requirements of the Act. Specifically, MEUG refer to their submissions in: • section 5.9 of the prior consultation paper (pages 71 to 73); and • the discussion in the companion paper "Efficient procurement of extended reserves – response paper to the second consultation", April 2014, refer section headed "Sub-Issue: Beneficiary or exacerbators-pays approach for cost allocation (paragraphs 3.6.7 to 3.6.10, pages 21 and 22. On this issue, MEUG attached advice from the New Zealand Institute of Economic Research (NZIER). The advice from NZIER supports MEUG's view that "an exacerbators approach is feasible and preferable". The concluding summary section of the NZIER advice states: <i>"The Authority appears to have gone about the process of developing and consulting on the revised ER arrangements in a well-structured manner and is keen to press on with the remainder of the work of technical and procurement arrangements. They propose to make changes to the Code, including confirming who will pay for ER and how they will be charged, ahead of developing the whole "package". They plan to manage the implementation themselves if an extended reserves manager has not been appointed within their timetable. We applaud the Authority's commitment but we urge caution with the staged approach as subsequent stages could possibly require changes to the detail in Subpart 6 – charging arrangements for IR and ER that have been drafted for inclusion in the Code.</i> <i>It is not clear to us that there are compelling arguments that all ER charges should be allocated to beneficiaries, (defined as distributors in Subpart 6) rather than those parties causing the compound failures, nor is it clear that a single charge based on energy consumption is appropriate and more efficient than a (perhaps) two part charge which has focus on ER "availability" and the party that caused the ER "event". It appears to us that the existing IR framework and implementation arrangements are pretty well set up to do just this."</i>

Submitter	Comments
NZ Steel	Submits that the cost allocation approach should be on the basis of exacerbators rather than beneficiaries-pay.

Submitter	Comments
Northpower	Northpower is the only North Island distributor holding a partial exemption from the provision of AUFLS and states that seeking to address the situation that necessitated the exemption in the context of the current reform of AUFLS has proven frustrating. Northpower invites the Authority to enter into dialogue with Northpower and the relevant consumer to resolve the issues.

Submitter	Comments
	Due to the dynamic nature of consumer load, it is difficult (currently) to apportion feeders between the AUFLS blocks so that the minimum 16% requirement is met at all times. This will be even more impractical with the proposed four blocks and that therefore "some flexibility will be required".
	Northpower would value more discussion on the issue of compliance at different times of the day. Currently, due to the requirement to provide AUFLS "at all times", it can be more or less difficult to comply with the 16% requirements depending on the time of day and the type of load. Northpower had understood that the new regime would account for flexibility for varying load requirements, and remote arming and disarming of AUFLS relays, but this is not apparent to Northpower in the paper.
	The Authority should ensure that distributors are not exposed to liability from consumers and other participants for nominating load for selection or for consumer load being shed.
	The Authority should have a plan prepared for communicating with the public in case of an actual load-shedding event.
	No feedback was sought on the proposed funding model in the paper. On the basis that the Authority has chosen the funding model described in the paper, it appears to be a reasonable way of allocating costs. However, more information should be provided about it. Northpower lists a range of specific concerns. These are summarised as: • It appears that networks with good load factors will carry more of the cost burden than networks with peaky loads. • It would be helpful to have a worked example of the likely costs and revenues so that distributors can assess the likely impact. • The Authority or extended reserves provider should provide forecasts in advance so that distributors can incorporate them into cost of supply models when setting line charges. • It appears that the cost of lodging prudential funds with the clearing manager have not been incorporated into the cost considerations.

Submitter	Comments
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Submitter	Comments
Orion	Concerned that as a result of the Authority's indications that this is a North Island issue only at this stage, South Island distributors may not be fully engaged with the process and that this could result in inadequate consultation in the South Island.
	Supports the need for a planned industry approach to the co-ordination of response to those low probability high impact situations that may lead to AUFLS and rolling outages. However, while the system operator and the Authority have made progress in addressing many of the issues, significant detail is yet to be resolved.
	Although the proposed change will achieve significant VoLL saving benefits, the remaining net benefits from the proposed procurement processes are less certain.
	The Authority is attempting to progress an extended reserves procurement proposal before it fully understands the economic effectiveness of the current situation. A staged approach would be more acceptable, as (for example) "there is a lot to be learned through simply receiving and analysing load profile and VOLL information from distributors". It is unclear whether this has been ruled out by the Authority's adoption of its preferred approach.
	The business case implies VoLL benefits before the VoLL values of the feeders chosen by the extended reserves manager have been established or it is known how they will be aggregated together.
	Orion makes a number of comments in relation to Appendices D and E, which set out indicative technical requirements schedule and selection methodology examples, along with descriptions. The comments relate to the following topics: • Obligations during rolling outages • Load profile data • Alternative demand • Expected interruption cost information • Information relating to enhanced services • Notification of changes • Technical requirements.

Submitter	Comments
Pacific Aluminium	An exacerbators-pay approach would be preferable to the beneficiaries-pay approach proposed by the Authority. Pacific Aluminium refers to the Authority's reasons for rejecting an exacerbators-pay approach and makes comments in relation to each one, which are summarised below. <i>Unlikely to affect future HVDC investment decisions</i> - The Authority's argument in relation to this point is not relevant as it is not required to assess the efficiency of moving from a beneficiaries-pay to an exacerbators-pay cost allocation because there is currently no cost allocation. <i>Reduced incidence of AUFLS</i> - Again, the Authority's argument is not relevant because the Authority is not required to assess the efficiency gain in relation to frequency and duration of AUFLS when moving from a beneficiaries-pay approach to an exacerbators-pay approach because there is currently no cost allocation. - Allocating costs to exacerbators provides the right dynamic incentives for these parties to make the efficient trade-offs between improved maintenance and inspection and the cost of extended reserves and particularly any event charge. - Under frequency events are unpredictable yet the allocation of costs of providing reserves and the event charge to exacerbators is considered correct. <i>Exacerbators-pay approach would be contentious</i> - A cost allocation methodology for exacerbators of under-frequency events already exists in the Code. It is inconceivable that this could not be adapted for extended reserves. - An audit regime will be a cost to individual consumers who wish to provide audited details of their interruption costs. However, the ongoing costs are likely to be minimal and is not a reason to favour a beneficiaries-pay approach. - The concern about the risk of legal challenge in relation to determination of event causers pre-supposes that there is an event charge (which Pacific Aluminium agrees there should be). If the real concern is about the magnitude of the charge then this should be consulted on. Further, potential exacerbators would be expected to insure themselves, which may provide a dynamic efficiency benefit not otherwise possible to achieve. <i>Withdrawal of capacity</i> - Pacific Aluminium notes the Authority's assertion that an exacerbators-pay approach could have unintended costs by providing incentives to inefficiently withdraw supply capacity, and the Authority's reference to Transpower in recent years withdrawing HVDC capacity in order to reduce its exposure to the IR event charge. Pacific Aluminium disagrees with the HVDC example supports the Authority's view, and states that— <i>"it is difficult to see why generators would want to withdraw capacity if they were faced with the cost of extended reserves. Generators are in the market to maximise their returns and would be expected to be able to insure themselves against the cost of any event charge. Given their insurance costs are likely to be lower if they can demonstrate an efficient maintenance and inspection regime for their assets, they can</i>

Submitter	Comments
	<i>make the trade-off between this extra cost and the lower premium. Such a dynamically efficient outcome is not possible if beneficiaries are allocated the cost of extended reserves."</i>

Submitter	Comments
TrustPower	When collating feeder information in preparation for the selection methodology to determine suitability of feeders, it needs to be clear whether embedded generation is connected on a particular feeder and whether that feeder can contribute to overall frequency management. It would be detrimental to disconnect feeders that are providing assistance to the system. While lines companies should be aware of embedded generation, they may not be as aware of performance criteria as the SO.

Submitter	Comments
Powerco	The process undertaken by the Authority to date, using working groups, has been effective and is producing sensible options and outcomes. Supports continued close engagement with participants and views the workshops as an important tool to facilitate implementation of the proposed changes.

Submitter	Comments
Transpower (system operator)	In the analysis underpinning the conclusions reached in the four-block AUFLS scheme design, it was necessary to address the fact that the optimum quantity of AUFLS varies with system conditions. To undertake the analysis, the system operator assumed that the nature and location of the load interrupted would remain the same as that interrupted in the current two-block scheme and that, while the analysis contemplated changes to the quantity of load interrupted, it did not test the consequence of allocating interruption obligations to a different composition of load types. The optimal mix of load shed, to manage frequency and voltage following an event that triggers AUFLS needs to trade off technical requirements and cost. The regime proposed by the Authority seems to assume a closer link than may be the case between the technical requirements schedule and the selection methodology. To ensure an efficient outcome, the development of the initial technical requirements schedule and selection methodology should be iterative. Specifically, the steps in the process should be as follows: • the SO reviews and publishes the TRS • the ERM develops the SM

Submitter	Comments
	- the ERM acquires asset owner information and runs the selection process - the SO ensures the selected load facilitates management of frequency and voltage - if necessary: - the SO refines the TRS - the ERM re-runs the selection process. We need to be mindful that the characteristics of the load finally selected for AUFLS may influence the scheduling and dispatch of generation since load characteristics will be incorporated in the security analysis undertaken as part of the scheduling and dispatch processes to ensure the principal performance obligations may be attained.

Submitter	Comments
Vector	Agrees that there are issues with the current AUFLS regime – in particular, some types of load are more suitable than others. It would be desirable for the system operator to have greater visibility of how much AUFLS is armed. However, the Authority is consulting on proposed Code amendments before properly developing and consulting on its supporting documents. Not yet convinced that the compensation payments will provide sufficient incentives for participants to engage with the new regime, and therefore it is not clear that the Authority's proposal will deliver the benefits the Authority expects, or that it will be more effective than an administrative scheme without the compensation payment incentive. Without reviewing a fully developed selection methodology, stakeholders do not have sufficient information and cannot be considered adequately informed and able to make intelligent and useful comments on the proposed Code changes. Vector cannot support the Code amendments until such time as the selection methodology has been fully developed and consulted on. Accordingly, the Authority should develop and consult on the selection methodology before seeking to gazette any Code changes. The Authority should establish a working group with industry representatives to help develop and test the selection methodology, similar to the approach the system operator has taken with respect to the technical requirements.