



30 April 2019

Electricity Authority
By email: submissions@ea.govt.nz

Genesis Energy Limited
The Genesis Energy
Building
660 Great South Road
PO Box 17-188
Greenlane
Auckland 1051
New Zealand
T. 09 580 2094

Remaining elements of real-time pricing

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide a submission to the Electricity Authority (the **Authority**) on the consultation paper *Remaining elements of real-time pricing (consultation paper)* dated 19 March 2019.

We look forward to continuing to engage on this important work programme and its core design elements so that ultimately, real-time pricing (**RTP**) can deliver more certain and actionable prices for generators and purchasers to the net benefit of consumers. We also support the Authority to progress its project to make hours-ahead price forecasts more accurate, which will promote efficient demand response and generation scheduling.

Our responses to the consultation questions are attached as Appendix A. If you would like to discuss any of these matters further, please contact me by email: margie.mccrone@genesisenergy.co.nz or by phone: 09 951 9272.

Yours sincerely

A handwritten signature in black ink that reads "McCrone".

Margie McCrone
Senior Advisor, Government Relations and Regulation

Appendix A: Responses to consultation questions

QUESTION	COMMENT
<p>Q1: Do you agree with our proposed criteria for distributed generation to be eligible for dispatch-lite? If not, please explain your reasoning.</p>	<p>We consider the dispatch-lite provisions in the consultation paper are improved compared with the earlier draft RTP proposal, particularly noting the inclusion of distributed generation (DG). This will promote innovation by enabling emerging technologies (i.e. some DG) to participate.</p> <p>In our view, the System Operator (SO) should ultimately determine eligibility for any DG. We believe costs of assessing eligibility should be borne by the dispatch-lite participants.</p>
<p>Q2: Do you agree with our proposed criteria for purchasers to be eligible for dispatch-lite? If not, please explain your reasoning.</p>	<p>Yes.</p>
<p>Q3: Do you agree participants providing SCADA telemetry should be eligible for dispatch-lite? If not, please explain your reasoning.</p>	<p>Yes. Additionally, in our view, the SO should have the best information available to ensure accuracy. The transition to RTP provides an opportunity to accommodate a ‘SCADA-lite’ solution with lower refresh and reliability requirements, which should be feasible and relatively inexpensive (at a threshold of e.g. greater than one megawatt). We believe the SO should consider whether SCADA-lite would be useful.</p>
<p>Q4: Do you agree combining an acknowledgement response via the dispatch system with an obligation to immediately rebid or reoffer is the best design option? If not, please explain your reasoning.</p>	<p>We are concerned this is twice as complicated as is required and wonder if it would be simpler to just rebid or reoffer, and still provide the SO and market with enough information. The two-step process could be perceived to be a participation barrier, although this is likely to be mitigated if the process is automated.</p>
<p>Q5: Do you agree gate closure for all dispatch-lite participants should be set at 30 minutes (one trading period), the same as for current embedded generators?</p>	<p>Yes. We consider the same rules should apply to all market participants, not just dispatch-lite participants, unless there is clear justification for differential treatment.</p>
<p>Q6: Do you agree with the proposed compliance arrangements for dispatch-lite? If not, please explain your reasoning.</p>	<p>We note that the reduced compliance burden for dispatch-lite participants will require the SO to administer different rules for different participants, which adds complexity. The SO should consider whether it has the appropriate resources and capability to account for this.</p>
<p>Q7: Do you agree with the proposed method to allow dispatch-lite participants to withdraw</p>	<p>No comment.</p>

from dispatch? If not, please explain your reasoning.	
Q8: Do you agree we should implement dispatch-lite as part of RTP, should we decide to proceed? If not, please explain your reasoning.	Yes, the proposal outlined in the consultation paper is much improved compared with the initial proposal. Ultimately though, we believe the SO should determine whether to implement it subject to the availability of resources and internal capability.
Q9: Do you agree reserve pricing under RTP should place a higher cost on scarcity of FIR than scarcity of SIR? If not, please explain your reasoning.	Yes.
Q10: Do you consider the risk violation curve approach would increase incentives or opportunities for gaming? Please explain your reasoning.	We expect that trader conduct standards should be enforced regardless of participant type or status. This should reduce any incentive or opportunity for gaming.
Q11: Do you agree we should implement the risk-violation curve we have described to handle reserve shortfalls under RTP? If not, please explain your reasoning.	Yes, as compared with the alternative option tested.
Q12: Which configuration of the risk-violation curve do you consider we should adopt? Please explain your reasoning.	We support the configuration proposed in Table 7. The Authority's related analysis and conclusions appear sound.
Q13: Should we set a total reserve shortfall quantity limit if we implement the risk-violation curve under RTP? Please explain your reasoning.	Yes, as a quantity limit draws an arbitrary line to signal that there is a point where load shedding ought to occur. That said, we believe the SO should ultimately determine whether this is appropriate having regard for Principal Performance Obligations (PPOs).
Q14: Do you agree a new type of formal notice to cover periods of reserve shortfall under RTP is not warranted? If not, please explain your reasoning.	Yes. We consider that Grid Emergency Notices (GENs) are generally appropriate to cover periods of reserve shortfall. We note however that the SO at times only communicates GENs to participants it sees are relevant, which excludes other participants being able to manage risk. However, we also acknowledge that some GEN situations are necessarily managed verbally based on an assessment of information available at the time.
Q15: Do you agree with the proposed methodology to calculate the scarcity pricing values? If not, please explain your reasoning.	Yes, the proposed process appears reasonable. We accept that the proposed methodology only informs the reliability parameters and that an element of judgement will be employed.

Q16: Do you agree the Authority should have an obligation to review the scarcity pricing values at least once every five years? If not, please explain your reasoning.	Yes.
Q17: Do you agree with the objectives of the proposed amendment? If not, why not?	Yes.
Q18: Do you agree with the objective of the proposed Code amendment? If not, please explain your reasoning.	Yes.
Q19: Do you agree with the cost benefit assessment? In particular: – what (if any) other sources of benefit should be included in the assessment? – what is your view on key assumptions, such as the level of improved demand response enabled by RTP? – what (if any) other sources of costs should be included in the assessment? Please explain your reasoning.	Yes. We agree that a net benefit is likely, although we believe the SO should consider any adverse impacts on PPOs.
Q20: Do you agree with our assessment of alternatives? If not, why not?	Yes.
Q21: Do you have any comments on the drafting of the proposed Code amendment?	Not at this time.