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Submissions
Electricity Authority
PO Box 10041
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Submitted via email: submissions@ea.govt.nz

30 April 2019

Dear Sir or Madam

RE: Remaining elements of real time pricing, consultation paper

Thank you for the opportunity to provide feedback on the Electricity Authority's consultation paper on the *Remaining elements of real time pricing*.

Enel X (formerly EnerNOC) works with commercial and industrial energy users to develop demand-side flexibility and offer it into wholesale capacity, energy and ancillary services markets worldwide, as well as to network businesses. We have over 50 demand response programs in 12 countries, which involve altering customers' consumption patterns and controlling onsite generation. Enel X has been offering customer load into the instantaneous reserve market in New Zealand since 2009. Enel X also provides forecasting for regional coincident peak demand and load bidding services for non-conforming nodes subject to the demand-side bidding and forecasting requirements.

Enel X is supportive of a move to real time pricing. By more accurately reflecting the prevailing market conditions, real time pricing will enable market participants to make more efficient decisions; promote greater transparency of price responsive load and generation; and bring about greater market efficiency. Attachment A sets out our detailed responses to the questions set out in the consultation paper.

Enel X looks forward to continued engagement with the Electricity Authority on the development and implementation of real time pricing. If you have any questions relating to this submission, please feel free to get in contact with me.

Regards

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Appendix A

	Question	Comment
Dispatch-lite		
Q1.	Do you agree with our proposed criteria for distributed generation to be eligible for dispatch-lite? If not, please explain your reasoning.	<p>Yes. However, further clarity on the following issues would be beneficial:</p> <ul style="list-style-type: none"> - When SCADA would/would not be required. The current wording affords the system operator discretion on when SCADA may or may not be required. Greater guidance on this in the final design would be valuable so that potential participants can weigh up the costs and benefits of participation upfront. - What compliance looks like, e.g. what is “too often” when it comes to the ability of a dispatch-lite generator to say no to a dispatch notification? - Other technical obligations that would apply, e.g. ramp rates. <p>These comments apply equally to the dispatch-lite demand framework.</p>
Q2.	Do you agree with our proposed criteria for purchasers to be eligible for dispatch-lite? If not, please explain your reasoning.	<p>The dispatch-lite demand framework currently proposes to allow participation by retailers and direct purchasers only. However there are already opportunities for, and benefits in, these parties undertaking the price/demand-responsiveness envisaged by the dispatch-lite framework. Given this, it is not immediately clear that there will be any significant participation in the dispatch-lite demand framework.</p> <p>In Enel X’s view, there will not be a meaningful level of wholesale demand response in NZ’s energy market until:</p> <ul style="list-style-type: none"> • load flexibility is separated from retail, and • third parties are able to access the energy market directly using the aggregated flexibility of its customers. <p>While theoretically efficient to have all energy users responding to spot prices, most cannot and do not want to manage the risks of spot price exposure. Separating load flexibility from retail means consumers can remain on the fixed price variable volume contracts that they prefer, but also access the value associated with the portion of their load that is flexible. However, retailers do not have a natural incentive to encourage demand reductions by their customers. Allowing third parties (whose incentives are aligned with the customers’) to access and aggregate this</p>

		<p>combined capability can deliver benefits for participating consumers and the energy market more broadly.</p> <p>Opening up the dispatch-lite frameworks to independent parties (or enabling their participation through other means) would see greater participation by the demand side – bringing about greater market efficiencies and more competition and choice for consumers. We propose that third party access to the dispatch-lite framework be explored further, and perhaps in conjunction with the EA’s project on multiple trading relationships.</p>
Q3.	Do you agree participants providing SCADA telemetry should be eligible for dispatch-lite? If not, please explain your reasoning.	Yes. Enel X agrees that SCADA should not be a required condition of participating in the dispatch-lite framework. A requirement to have SCADA capability would be a significant barrier to participation. While a lack of SCADA could compromise the accuracy of load forecasts, there are other telemetry arrangements that can be utilised to give the system operator a better picture of the status of loads behind a GXP. As above, the more clarity the EA can provide on when SCADA (or other telemetry arrangements) would or would not be required, the better.
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.	Yes.
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?	Yes.
Q6.	Do you agree with the proposed compliance arrangements for dispatch-lite? If not, please explain your reasoning.	Yes. However, the more guidance the EA can put in its final design on what constitutes compliance, the better. Upfront guidance, for example on what constitutes “repeatedly saying no to dispatch instructions” will give a better indication of expected participation in the framework. Strict compliance obligations that mirror those imposed on full offered generation and dispatchable demand participants will not result in any significant participation.
Q7.	Do you agree with the proposed method to allow dispatch-lite participants to withdraw from	Yes. As noted by the EA, allowing participants to withdraw from dispatch means they do not need to operate a 24/7 trading desk. In Enel X’s view, allowing this will also see greater interest in the

	dispatch? If not, please explain your reasoning.	dispatch-lite framework by enabling those loads or generators that are not available for dispatch 24/7 to participate.
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. Enel X agrees with the EA's assessment of the benefits of the dispatch-lite framework.
Risk-violation curve for reserve shortfalls		
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.	No. Enel X agrees with the Authority's assessment that times of scarcity warrant greater scrutiny, and thus it should be reasonably easy to identify instances of 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. The risk-violation curve approach seems sensible. However, in Enel X's view, the curve should be designed so that: <ul style="list-style-type: none"> • instantaneous reserve deficits occur before load shedding • instantaneous reserve deficits do not occur if there is offered generation available, even if this generation is offered above energy scarcity values.
Q12.	Which configuration of the risk-violation curve do you consider we should adopt? Please explain your reasoning.	No comment.
Q13.	Should we set a total reserve shortfall quantity limit if we implement the risk-violation curve under RTP? Please explain your reasoning.	No comment.
Q14.	Do you agree a new type of formal notice to cover periods of reserve	No comment.

	shortfall under RTP is not warranted? If not, please explain your reasoning.	
Review of scarcity price values		
Q15.	Do you agree with the proposed methodology to calculate the scarcity pricing values? If not, please explain your reasoning.	No comment.
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. However, given this is a reasonably significant change to the current arrangements, it may be prudent to review the framework one year after implementation to assess its effectiveness and identify any issues, and then conduct five-yearly reviews after that.
Regulatory statement		
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.	Some of the benefits of the real time pricing regime are attributed to more efficient levels of commercial, industrial and residential demand response. In Enel X's view, the magnitude of these benefits will greatly depend on whether the framework is designed to incentivise participation. As has been made evident in the design of the "dispatchable demand" framework, onerous or unclear registration, participation and compliance frameworks will not see significant uptake. Frameworks that accommodate and incentivise participation by a broad range of consumers and business models are likely to see the greatest uptake. As noted in response to question 2, the level of demand response will be far greater if load flexibility is separated from energy procurement and third parties were allowed to access the energy market directly.
Q20.	Do you agree with our assessment of alternatives? If not, why not?	Yes. Enel X agrees that the current proposed real time pricing design is better able to achieve the desired objectives than the alternatives presented in section 6.23.

Q21.	Do you have any comments on the drafting of the proposed Code amendment?	No.
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