19 July 2022

Wholesale Consultation
Electricity Authority

By email: WholesaleConsultation@ea.govt.nz

Final elements of real-time pricing – Code amendments and consultation paper

Meridian appreciates the opportunity to provide feedback to the Electricity Authority on the final elements of the proposal to implement a system of real-time pricing. Meridian is supportive of this change, and agrees that it will make market signals more accurate and actionable for anyone who uses pricing information.

Meridian's submission contains three main points:

- Support for the new surplus generation price and reserve scarcity quantities and prices for contingent event reserve shortfalls.
- That the definition of pricing error should be clarified to include situations where the wrong inputs have been used in calculations.
- Scarcity pricing in the real-time dispatch process could benefit from doing a side-by-side model run using 9 August data.

There are also a number of technical points that Meridian provides in feedback on the drafting.

Surplus generation price and reserve scarcity quantities and prices for contingent event reserve shortfalls

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Meridian is supportive of new prices for reserve risks. The prices set out in table 2 would likely function well as new contingent risk violation values. However, we question how, at current price levels, the new models will treat generation priced above these levels by market participants.

We appreciate that the values selected would work as high prices designed to elicit market responses in an energy scarcity event. Meridian supports the prices proposed, in that they achieve a balance in getting the market to respond in an energy scarcity event with reasonableness.

The definition of pricing error should also include situations where the wrong inputs have been used

Meridian submits that the definition of "pricing error" should be clarified to include situations where an incorrect input has been used in calculating interim price or interim reserve price.

The current definition of "pricing error" makes this clear in paragraph (a), stating that "pricing error means an interim price or interim reserve price is incorrect…as the result of an incorrect input being used in calculating the interim price or interim reserve price." The proposed new drafting of the definition includes situations where the dispatch price was not made available on WITS being used to calculate the price, or the clearing manager having followed an incorrect process. It is not clear that the new definition, as drafted, includes situations where the wrong inputs have been used.

Scarcity pricing in the real-time dispatch process could benefit from doing a side-by-side model run using 9 August data

Meridian notes the proposals for Code amendments relating to the process for Real Time Dispatch Price (RTDP) and the use of scarcity pricing in an energy scarcity process, and also notes that there could be value in running a side-by-side model run using the 9 August 2021 pricing data. This would demonstrate to participants how the model might run, ahead of a real-time situation.

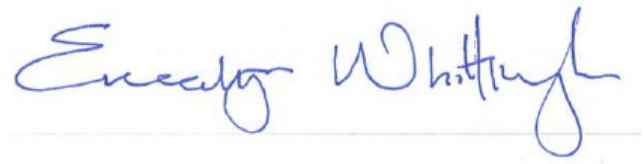
Other technical comments on the drafting

Meridian has several other smaller points to make on the proposed Code amendments:

- The proposed drafting for clause 13.69AA does not have a cross-reference to clause 13.58A, despite the consultation explaining that this clause is being updated to cross-reference clause 13.58A.
- Regarding metering data, the consultation states in paragraph 11.1 that proposed new clause 13.137A (along with proposed new clause 13.140A) detail the requirements for generators to give the grid owner half-hour metering data. Meridian notes that clause 13.137A already exists in the Code.

Nothing in this submission is confidential. This submission can be released in full. Please contact me if you have any queries.

Nāku noa, nā



Evealyn Whittington
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Meridian's answers to the questions raised in the consultation

	Question	Meridian comment
1.	Do you agree with the proposed revised FIR and SIR risk-violation values for CE reserve deficit? If not, why?	On balance, Meridian considers the proposed values will provide a suitable signal to the market in scarcity situations. However, as per the body of our submission, we note that the values are lower than some that are offered to the market.
3.	Do you agree with the proposed change to how purchasers communicate with the system operator for significant changes to demand bids? If not, why?	Yes.
4.	Do you agree with the proposal to allow generators, other than an intermittent generator to revise offers within a trading period for certain circumstances? If not, why?	Yes.
5.	Do you agree with the proposal to update the definition for "pricing error"? If not, why?	Per the body of our submission, Meridian is concerned that the draft Code amendment will exclude situations where a pricing error arises due to the incorrect use of an input when making the calculation.
7.	Do you agree with the proposal that the price error claimant no longer requires to be materially affected? If not, why?	Yes.
8.	Do you agree with the proposal to align clauses 13.170 and 13.170A with the proposed pricing error claim process? If not, why?	Yes.
9.	Do you agree with the proposal to amend clauses 13.177 and	Yes.

	13.178 to reflect the proposed pricing error claim process? If not, why?	
10.	Do you agree with the proposal that trading periods not associated with a pricing error claim should have final prices published without delays? If not, why?	Yes. Publishing trading periods without delay is a key benefit of the move to real-time pricing.
20.	Do you agree with the proposed provision for handling pricing publications during stand-alone dispatch? If not, why?	Meridian notes that the consultation contemplates a situation where the primary modelling system is down, without any reference to the secondary system. We would expect that the proposed process would apply when both the primary and secondary systems are down.