



16 December 2022

Submission to the Options to reduce operational coordination risk — consultation paper

Electra Limited (Electra) owns and operates the electricity lines and assets in the Kapiti and Horowhenua districts. We welcome the opportunity to submit on the Electricity Authority's *Driving efficient solutions to promote consumer interests through winter 2023*, Consultation paper, 25 November 2022 (the Consultation Paper). Nothing in this submission is confidential.

We share the Authority's concerns that some generation may not be available at peak times this winter, which could see the need to curtail supply to manage a winter peak. Consumers have a reasonable expectation of supply, and with many shifting from carbon-based fuels to electricity to warm their homes, the reliance on the supply of electricity is increasing.

On 9 August, in response to Transpower's nationwide emergency response, we shed load to approximately 4,876 consumers for two hours. We do not want to repeat this course of action this coming winter. Consumer's expectations were not met, and perhaps worse, their confidence in the electricity industry to deliver Aotearoa New Zealand's decarbonised future was shaken.

Our submission focuses on the five questions shown in **Table 1** below.

Table 1: Electra's responses to five of the Authority's questions from the Consultation Paper

Question	Synopsis of Electra's intended response
Q10. Do you agree that the availability and use of 'discretionary' demand control (such as ripple control not used for instantaneous reserves) should be clarified? If not, what is your view and why?	Electra agrees that the role of ripple control in managing non-network purposes should be clarified. Through that clarification, it must be unambiguous that EDBs reserve the right to use ripple control for its intended purpose, i.e., network security without constraint or interference from other participants in the electricity market. We discuss our view on this issue in greater detail on page 3.

Question	Synopsis of Electra's intended response
Q18. Do you agree that options A, B, D, and E appear attractive and should be progressed further? If not, why not?	Yes, given the time left for the Authority to act before Winter 2023, these options appear to be the most practical. However, they are the 'low-hanging fruit' and are not where the Authority should stop if it wants to address energy prices in the longer term.
Q19. Do you agree that options F and G should be assessed further to determine if they are likely to have net benefits? If not, why not?	Yes, ancillary services will play a vital role in a long-term solution. We agree that further analysis is required to form a clear view of the role of ancillary services in the electricity market.
Q20. Do you agree that options C, H, I, J, and K should not be progressed further for winter 2023? If not, why not?	Yes, these five long-term solutions need more time and consideration before implementation. Implementation may be possible by winter 2024 but given their complexity are more viable solutions for 2025.
Q21. What if any, other matters should be considered when assessing options to better manage residual supply risk for Winter 2023?	<p>No, we cannot think of any other short-term actions that can be taken with only five months left. While the focus of the Consultation Paper is winter 2023, it is not just this coming winter that the Authority should be focused on. We believe that long-term solutions include the further curtailment of the gentailers' disproportionate market power within the wholesale electricity market. We are of the view that there are two further enhancements that the Authority can make:</p> <ul style="list-style-type: none"> (i) apply a price cap to spot prices—currently, the spot market is uncapped, except for scarcity events (ii) introduce a capacity market—New Zealand does not have a capacity market or capacity payments; instead, a half-hour instantaneous reserve market operates alongside the energy market. Energy and instantaneous reserve prices and volumes are determined at the exit points and nodal pricing. <p>We comprehensively discuss both enhancements in our Submission to the <i>Wholesale Market Competition Review</i>, 14 December 2022. Accordingly, we have not repeated those views in this submission for brevity.</p>

Our views on the other questions raised by the Authority are represented by the submission of the Electricity Networks Aotearoa (ENA) to the Consultation Paper.

We agree with clarifying the availability and use of ‘discretionary’ demand control

We participate in the reserves market through the aggregator [Enel X](#) by offering our load, not required for network purposes, into the market. Clarifying the availability and use of discretionary demand control is welcomed and advantageous to aggregators and other electricity market participants.

We support introducing a ‘Dispatch Notification’ product, or a similar product, by April 2023. No matter the solution, we must retain the right to control load at any time to ensure the security of our network. The Dispatch Notification product should not directly or indirectly negate a network from using load control for its original purpose, network security.

Despite Electra not participating in the spot market, we can see the benefits of such a product and look forward to being party to the solution. However, in saying that, we do not agree that the Authority should “require distributors to utilise the Dispatch Notification product when forward schedules indicate the system is becoming tight.”¹

Given that we are already in December and the product is intended to be in place by April 2023, we are of the view that the Authority has not left enough time for the implementation and execution of the product. It is more likely that the Authority will need to make the product a trial with participants voluntarily contributing under a ‘fast start, fast fail’ framework. Mandating participation will stifle innovation as distributors must shift their focus from contribution to compliance.

We recommend that the Authority make participation in the Dispatch Notification product voluntary. The Authority can engage with distributors and secure commitment without spending limited time and resources on coercion and compliance.

Code amendments must be consulted on

At the Next Steps of the Consultation Paper, the Authority make the statement—

“If the Authority decides to progress any option that would require a Code amendment, **it will endeavour to consult further with stakeholders if it is practical to do so. However, it is possible that the timelines may make that impractical.** If there is insufficient time to allow for consultation on a specific Code amendment and the relevant statutory requirements were satisfied, the Authority may need to consider making an urgent Code amendment under section 40 of the Electricity Industry Act.”² [Emphasis added]

The Authority’s reference to section 40 concerns us. We understand that any Code amendments made under this section are only valid for nine months, presumably to provide time to develop a more permanent solution. In our view, should consultation on the necessary Code amendments be ‘impractical’ due to the timelines of this consultation, it questions the veracity of the Authority’s proposed solution.

We encourage the Authority to consider the potential consequences of implementing a solution under section 40 to address the potential energy shortfall in the winter of 2023.

¹ The Consultation Paper, paragraph 5.25.

² The Consultation Paper, paragraph 6.4

Further, Electra urges the Authority to consult on all amendments to the Code that might arise from this consultation.

Closing comments

We agree with the Authority's aspirations to mitigate a supply risk next winter and believe that the Dispatch Notification product has a role to play. However, we are concerned by the Authority's willingness to skip consultation on Code amendments because the timelines may prove impracticable. It is integral that regulation is set by following due process and statutory purpose no matter the timeliness of defining the problem or proposing solutions.

Yours sincerely



Dylan Andrews
Chief Operating Officer — Lines Business
dylan.andrews@electra.co.nz