



TRANSPOWER

Keeping the energy flowing

Waikoukou
22 Boulcott Street
PO Box 1021
Wellington 6140
New Zealand
P 64 4 495 7000
F 64 4 495 6968
www.transpower.co.nz

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Submissions
Electricity Authority
PO Box 10041
Wellington 6143

By email: FTRConsultation@ea.govt.nz

Revocation of Schedule 14.3: Calculating LCE for the FTR market

We appreciate the opportunity to respond to the Authority's consultation "*Removing requirement for FTR manager to calculate the amount of LCE to be applied to FTRs*" published 18 August 2020.

We are pleased that the Authority has responded to the issue we had raised as the FTR manager. The calculation of Loss and Constraint Excess (LCE) under Schedule 14.3 requires specialist software for the calculation, and as the number of Hubs in the FTR grid increases the software is costly to upgrade and maintain. We strongly support the proposal to have all LCE made available to the FTR manager (instead of the FTR manager performing a complex calculation for the amount) and to revoke Schedule 14.3 from the Code. We consider the proposal will promote the *efficient operation* limb of the statutory objective¹ and agree that the proposal complies with section 32 of the Electricity Industry Act.

We note the Authority's conclusions that the impact on transmission customers of the proposed change is potentially a slight reduction in the average LCE available to transmission customers. While Transpower currently administers the disbursement of the remaining market surplus (the LCE) to transmission customers, we consider our continuing to do so is unnecessary and inefficient. We reiterate our previously submitted view² that:

With 3 new hubs added in June 2018 the FTR grid now more closely approximates the whole grid and LCE across the FTR grid is close to 90% of all LCE. We consider an efficient consequential change would be for the clearing manager to allocate LCE for FTR settlements to the FTR manager, and residual LCE directly to purchasers alongside other market reconciliation and clearing processes. In our view the growth of the FTR market means Transpower's involvement in allocating residual LCE is unnecessary and inefficient.

Yours sincerely

¹ Electricity Industry Act 2010 Clause 15: *The objective of the Authority is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.*

² Transpower [submission](#): Remaining Elements of Real-Time Pricing, 30 April 2019

A handwritten signature in black ink, appearing to read 'Rebecca Osborne', written in a cursive style.

Rebecca Osborne
Regulatory Affairs and Pricing Manger (Acting)