

**14 August 2024**

Consultation paper: IR cost allocation  
 Electricity Authority  
 By e-mail: OperationsConsult@ea.govt.nz

Dear Electricity Authority,

**Instantaneous reserve cost allocation to groups of generating units**

Lodestone Energy welcomes the opportunity to provide feedback on the Electricity Authority’s consultation about the instantaneous reserve cost allocation to groups of generating units. This letter forms the entirety of our submission and includes some brief background on Lodestone.

Lodestone Energy was founded in 2019 with the mission to “harness the sun’s energy to power Aotearoa’s zero carbon future”. We were the first company in NZ to deliver large scale solar to the grid and currently have two operating solar farms in Kaitaia and Edgumbe. We have a third under construction in Waiotaha, with a planned pipeline to deliver another 11 sites over the next few years.

Our specific feedback to your questions is as follows:

<p>Q1. Do you agree with the description of the issues identified by the Authority? If not, why not?</p>	<p>Yes, we agree. Our view is that IR allocated costs should be shared equally amongst market participants based on their real technical contingent event (CE) risk, which is related to their connection CE risk, typically a large transformer. At present, some generation types, such as wind farms are getting a “free ride” through a wording technicality in the Code.</p>
<p>Q2. Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>Yes, we agree with the objectives of the proposed amendment. We support that reviewing the 60 MW subtractor is currently out of scope. The subtractor, although imperfect, does provide an incentive for generators to size plant appropriately for CE risk.</p>
<p>Q3. Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<p>We do not have a view on costs vs benefits of the proposal as these seem to be based mostly on supposition at this time. However, as discussed above we support the principle of fairness for all market participants and the proposed changes make sense from this point of view.</p>
<p>Q4. Do you think there are any other costs or benefits for the proposed amendment that have not been identified?</p>	<p>Possibly. It is difficult to determine the behaviour of market participants a-priori. However, in our view the risks of unintended consequences of this change appear to be low.</p>
<p>Q5. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority’s statutory objective</p>	<p>Yes.</p>

in section 15 of the Electricity Industry Act 2010.	
Q6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?.	Yes.

Kind regards,



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**CFO**

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