



MAJOR ELECTRICITY USERS' GROUP

19 May 2006

Jenny Walton
Electricity Commission
By email info@electricitycommission.govt.nz

Dear Jenny

Submission on draft System Operator Policy Statement

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission (EC) consultation paper, *Transmission Grid System Operator Policy Statement*, released 21 April 2006. The System Operator provided MEUG an opportunity to comment on initial drafts of the Plan but for various reasons we were unable to do so.
2. Bullet point 5 in clause 12.2 should make it clear that "estimated costs and benefits" refers to standard definitions of economic costs and benefits.
3. The proposed revisions to clause 24 cement in the current FK procurement arrangements. As we all know those arrangements are not achieving competitive FK supply and may inhibit new entrant retailers because of the unmanageable risk of FK charges. Either the proposed changes should be removed or a supplementary sentence should be added emphasising that finding and implementing near term solutions to this problem, provided those near term solutions do not undermine longer term solutions, has a very high priority. That may result in interim solutions that have more than one FK provider per trading period. As this issue is the most important policy issue for all ancillary services it's truly amazing it isn't even mentioned in the draft policy statement. On the other hand for the issue of "rate of occurrence of momentary fluctuations" clause 28 explicitly states the system operator can recommend changes etc – why not a similar paragraph for FK?
4. As well as inviting participants to work on regional contingency planning (new clauses 40 and 41) MEUG suggest the option of including other interested parties such as end consumers or their representatives should be included in the Policy Statement. The Policy Statement should state that the cost of System Operator resources required for any such regional contingency planning will be recovered directly from the market participants affected in that region.
5. Grid connected direct consumers should also be allowed to have an alternative demand reduction allocation methodology, ie the paragraph currently only refers to directly affected distributors (clause 62).
6. MEUG note that the Outage Co-ordination process (clause 126) is under review and may need revising later this year.

Yours sincerely

Ralph Matthes
Executive Director