



MAJOR ELECTRICITY USERS' GROUP

17 April 2007

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

Dear Jenny

Submission on Peak demand information consultation paper

1. This is a submission by the Major Electricity Users' Group (MEUG) on the *Peak demand information consultation paper* published by the Electricity Commission (the "Commission") on 16 March 2007.
2. In the context that the Commission is no longer considering broad policy design options with respect to the draft Benchmark Agreement, then MEUG agrees with the proposed barebones provision of actual Regional Coincident Peak Demand information by Transpower to transmission counterparties as part of the suite of information-only service measures in the draft Benchmark Agreement. MEUG note that this service will have no defined service level and will be unenforceable. Parties can negotiate with Transpower to purchase higher quality service levels. MEUG's responses to the questions in the discussion paper are set out in the appendix to this submission.
3. In addition MEUG request the Commission to
 - a) Note that MEUG believes the broad policy decision by the Commission not to make such services measurable and enforceable in the draft Benchmark Agreement is a lost opportunity to improve the commercial balance between Transpower and transmission customers.

This generic concern is set out in more detail in the MEUG submission to the Commission, *Drafting comments on the proposed Benchmark Agreement, Interconnection rules, Outage Protocol rules and various changes to the Rules* plus a report by the New Zealand Institute of Economic Research (NZIER) attached to that submission titled, *Benchmark agreement and interconnection rules*. That MEUG submission and NZIER report have been separately lodged with the Commission today.

There is a high degree of frustration by MEUG members with the lack of balance in the draft Benchmark Agreement. The issue of peak demand information is illustrative of this, ie the Commission intends providing a financial incentive for consumers to manage for Regional Coincident Peaks and yet there is no financial incentive on the one party that can provide real time information on those peaks to do so.

- b) Note the concern by MEUG that no attempt was made to quantify the relative costs and benefits of the preferred option and alternatives. In our view best regulatory practice requires proposals to be subject to quantitative cost-benefit-analysis. This isn't always easy but there are techniques, such as using plausible ranges of costs and benefits, to assess the relative net benefit spread of options.
 - c) Note that the System Operator already publishes real time MW demand for fourteen regions plus a log of demand over the last half hour in 5 minute increments sourced from SCADA (refer <http://www.transpower.co.nz/?id=5970>). Provided these regions can be aligned with the Regional Coincident Peak Demand regions in the Benchmark Agreement, then there is already a public source for this information on the web. To be useful, it is likely that the information would need to be available in a downloadable format such as CSV or excel files.
 - d) Request Transpower to confirm in writing that the channel(s) used for supplying transmission contract counterparties with this information, will also be made available to any other party at a price to recover incremental costs only.
4. The latter point is to ensure end consumers and retailers, not just distributors, can directly access this information if they wish to rely on more than just the publicly available web information.

Yours sincerely



Ralph Matthes
Executive Director

Appendix: MEUG response to questions

Question	MEUG response
<p>1. Do submitters:</p> <p>a. Agree that the objectives identified by the Commission are relevant to the proposal? If not, which objective is not relevant to the proposal and does this change the outcome of the analysis?</p> <p>b. Consider that the objective identified by the Commission do not cover all relevant objectives? If not, what objective(s) has been excluded and would its consideration change the outcome of the analysis?</p>	<p>Agree</p> <p>Refer answer to 1 b. above</p>
<p>2. Do submitters agree with the reasonably practicable alternatives identified? If not, what additional alternatives should be considered?</p>	<p>Agree all reasonably practicable alternatives have been considered given the overall Commission policy decision not to make such services measurable and enforceable.</p> <p>If that policy were changed, the feasible options would change.</p>
<p>3. Do submitters agree with the cost benefit analysis undertaken by the Commission? If not, why is the analysis incorrect?</p>	<p>Intuitively the analysis appears acceptable.</p> <p>However from a best practice regulatory approach some attempt at quantifying the range of possible costs and benefits should have been made.</p>
<p>4. Do submitters agree with the Commission's assessment of the proposal and alternatives against the objectives? If not, why is the assessment incorrect?</p>	<p>Agreed</p>
<p>5. Do submitters consider that the draft service measure accurately conveys the proposal? If not, how would submitters change the draft service measure?</p>	<p>The proposed draft contractual obligation appears reasonable.</p>