



# MAJOR ELECTRICITY USERS' GROUP

13 June 2008

Maree McGregor  
Electricity Commission  
By email to [info@electricitycommission.govt.nz](mailto:info@electricitycommission.govt.nz)

Dear Maree

## **Submission on development of a Capacity Adequacy Standard**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission consultation paper "Development of a Capacity Adequacy Standard" published 20 May 2008.
2. MEUG agrees with the principle of using an economic approach for establishing security standards. At a more detailed level, we agree with the specific approach for developing a capacity adequacy standard to trade off the cost of capacity shortfalls (ie economic loss to consumers and the nation as a whole) against the costs of adding reserve capacity (which also comes at a cost to the nation).
3. The analysis assumes 20% of installed capacity of wind generation<sup>1</sup> will be available. That assumption is derived from relatively limited data. MEUG suggest actual autumn and winter 2008 data be used to validate that assumption.
4. The recommended use of a MW margin between expected capacity and the average of the highest 10 hours of winter demand in the North Island for the next 3 to 4 years and a range of values to cover sensitivity analysis seems reasonable. Such a margin is easier to understand than other measures such as un-served energy and, based on the analysis in the consultation paper, we accept this measure is more stable than alternative measures of MW margin.
5. The proposed capacity adequacy standard is a useful starting point. Flexibility to make changes as experience is gained in using the standard would be useful. Strict application of this new and yet to be tested standard to justify intervention should be avoided.

Yours sincerely

Ralph Matthes  
Executive Director

---

<sup>1</sup> Refer table 9 of the consultation paper, p46