



# MAJOR ELECTRICITY USERS' GROUP

19 February 2009

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

Dear Maree

## **Submission on options to improve the spot pricing process and UTS provisions**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission paper *Issues and Indicative Options for the Spot Market Pricing Process and UTS Provisions* (the "paper") published 18<sup>th</sup> November 2008<sup>1</sup>.
2. The paper covers two groups of proposed changes. First, proposals which are continuous improvement changes to the spot pricing process. We agree the Commission should continue work on these including a more detailed cost-benefit-analysis. Based on the initial analysis in the paper, we agree with the relative ranking of options in table 4 of the paper, ie
  - Top priority for clarifying UTS provisions;
  - Second equal priority for clarifying the pricing process, having an interim pricing period and improving accuracy of metering information; and
  - Fifth priority for aligning pricing and dispatch processes.
3. The second group of options considers various 5 minute related prices for settlement prices. These options are designed to overcome "consumption errors" where real time actual demand is either higher or lower than the economically efficient level. However as the report notes there are technical challenges and greater risk of inefficient dispatch of generation and transmission. The settlement on ex ante 5 minute prices option in particular does not appear to warrant more detailed analysis. The ex post options may have some merit but more detailed analysis is needed. The Commission noted in the paper that<sup>2</sup> "*it would be more appropriate to consider this initiative (ie any type of 5 minute based settlement) alongside other potential changes to the design of the pricing process (such as a compulsory day-ahead market or zonal pricing, etc).*" MEUG suggest that before proceeding to that step, an analysis of how 5 minute related prices for settlement may have improved the pricing outcomes for the events on 13<sup>th</sup> February 2009 should be undertaken. If 5 minute prices could have improved certainty and accuracy compared to the current outcome, then further work on those options would be warranted.

Yours sincerely

Ralph Matthes  
Executive Director

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<sup>1</sup> Refer <http://www.electricitycommission.govt.nz/pdfs/opdev/wholesale/pdfsconsultation/Issues-IndicativeOptions-SpotMarket.pdf>

<sup>2</sup> Refer paragraph 4.1 of the paper.