



# MAJOR ELECTRICITY USERS' GROUP

26 April 2010

Lisa DuFall  
Electricity Commission  
By email to [submissions@electricitycommission.govt.nz](mailto:submissions@electricitycommission.govt.nz)

Dear Lisa

## Submission on Wind forecasting and market integration

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission (EC) consultation paper "Wind forecasting and market integration: options", dated 17<sup>th</sup> March 2010<sup>1</sup>.
2. MEUG supports, subject to two caveats, the EC proposal<sup>2</sup> "that the current decentralised wind generation process be retained", the system operator could develop its own informal wind generation forecast, the "look ahead" schedules include forecasts of wind generation and the accuracy of wind generation forecasts be examined and reported on quarterly.
3. The two caveats are first; if the System Operator identifies a systematic and material problem with the current decentralised approach then MEUG would reconsider its support of the EC proposal. Second, disaggregation of wind generation forecasts to Island level is reasonable but further disaggregation should only proceed provided commercial confidentiality is protected.
4. The consultation paper considers minimum cost as the key difference in choosing between decentralised and centralised forecasting. One benefit of a de-centralised approach not mentioned in the paper is the incentive to innovate forecasting techniques. We think the consultation paper understates the commercial incentives. Vertically integrated suppliers with a diverse generation portfolio that develop better forecasting will be able to lower their overall cost of meeting retail sales and hence improve profit margins compared to competitors. MEUG is wary of any regulatory intervention to obtain intellectual property or commercially sensitive forecasting data that would be made public and hence undermine incentives to innovate.
5. The consultation paper notes<sup>3</sup> that in Australia wind farms are incentivised to improve forecasting to reduce their share of Frequency Keeping costs. MEUG looks forward to considering the EC paper being prepared reviewing Frequency Keeping cost allocations<sup>4</sup> because we believe the need to have an incentive on improved forecasting is one more reason why wind generators should become liable for a share of those costs.

Yours sincerely

Ralph Matthes  
Executive Director

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<sup>1</sup> Refer <http://www.electricitycommission.govt.nz/consultation/wind-forecast-mi/view>

<sup>2</sup> Each key proposal is discussed paragraphs 3.6.1, 3.6.2 and sections 4.2 and 4.3 respectively.

<sup>3</sup> Note paragraph 3.5.42 notes overseas wind farms have such an incentive because they share in FK charges.

<sup>4</sup> WGIP task #7 listed in table 3, page 11 of the consultation paper.