



MAJOR ELECTRICITY USERS' GROUP

28 May 2010

Lisa DuFall
Electricity Commission
By email to submissions@electricitycommission.govt.nz

Dear Lisa

Submission on review of urgent rule amendments relating to Instantaneous Reserves

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Commission consultation paper "*Review of urgent rule amendments relating to instantaneous reserve dispatch improvements*", published 1st April 2010¹.
2. MEUG agrees with the Commission that the rules introduced under urgency in February 2010 should remain in place along with some minor corrections. The rule changes are an improvement on the pre-rule change market treatment of IR when that market becomes short. In fact members of MEUG have been seeking a change to the way IR is treated for six years. However MEUG has concerns on why the rules changes were undertaken under urgency. These concerns are discussed in paragraph 4.
3. Responses and comments to the consultation paper questions follow:

Question	Response
1. Should constrained on payments be made for IR?	Yes.
2. Should the Commission recommend that the Minister not revoke, replace, or amend the amendments to parts A and G of the Rules relating to constrained on payments to IR providers that were gazetted on 18 February 2010, except that the Minister should agree to make the further minor amendments set out in Appendix 3?	Yes.
3. Should the Commission recommend that the Minister not revoke, replace, or amend the amendments to schedule G2 of part G gazetted on 18 February 2010?	Yes.
4. Should the Commission recommend that the Minister not revoke, replace, or amend the amendment to schedule C6 gazetted on 18 February 2010?	Yes.

4. It is not clear that the rule changes needed to be made under urgency. There were a suite of other lower cost changes being implemented to mitigate a repeat of the situation in 2009 when in six trading periods the North Island did not have n-1 security. These included changing

¹ Refer <http://www.electricitycommission.govt.nz/consultation/urgent-rule-ir-dispatch/view>

Whirinaki reserve plant standing offer (paragraph 2.4.1 (b) of the consultation paper) and improving information to the market (paragraph 2.4.2).

5. A two month delay to consult on the proposed rule change would have allowed detailed consideration of alternative mathematical solutions such as those proposed by Graeme Everett of Norske Skog Tasman. A delay would also have allowed a more robust cost-benefit-analysis to be undertaken. In our view the consultation paper cost-benefit-analysis is incomplete because it does not consider two other factors that reduced the risk of a repeat of the 2009 events:
 - a) The change in generator behaviour following Meridian Energy and Genesis Energy agreeing in October 2009 a four year option contract with a volume of 4,365 GWh commencing 1st April 2010; and
 - b) The commissioning of 2X100 MW peaking stations by Contact Energy in June 2010.
6. A delay might have allowed the System Operator to find a suitable window to implement the changes, take advantage of economies of scope with other changes to software and hence lower implementation costs. An important lesson to be learned from this urgent rule change is that even in such cases it's important to know the likely implementation timing. The fact that implementation of the software change will not occur until 1st July even though the rule change came into effect 1st May suggests the haste to make the rule change was at the expense of proper planning on implementation timing. The 1st July operational timing reinforces our view that urgency was not needed and the Commission should have known that.

Yours sincerely



Ralph Matthes
Executive Director