



MAJOR ELECTRICITY USERS' GROUP

28 June 2010

Gareth Wilson
Ministry of Economic Development
By email to electricity@med.govt.nz

Dear Gareth

Feedback on exposure draft of Initial Industry Participation Code

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Initial Industry Participation Code – Exposure Draft published by the Ministry on 28th May 2010¹. MEUG appreciates the industry briefing the Ministry held on 11th June. Several initial questions were answered at that briefing. Remaining items MEUG has comments on follow:

Clause	Feedback
<u>Part 7 System Operator</u> cl. 7.3(3)(b)	This clause requires the System Operator to include gas emergencies in the emergency management policy before 31 st September 2012. This is not a feature of any existing Regulations or Rules and was not a recommendation or decision from the Ministerial Review. While MEUG agrees this is a sensible thing to do, we suggest it should be part of the contract outputs negotiated by the Electricity Authority with the System Operator. As part of that contract the Electricity Authority will also be able to prioritise the need for this work against other needed improvements.
cl. 7.5	The System Operator must submit to the Electricity Authority before 30 th September each year a self-assessment report for the year ended 31 st August. In August and September there is a risk the System Operator might be managing a security event and therefore will not wish to divert resources to make a self-assessment. Why not shift this to say a calendar year basis when there is less likelihood the System Operator will be managing a security event?
<u>Part 9 Security of Supply</u> Subpart 2	There appears to be a presumption managed rolling outages are better than unplanned outages in all cases. Is that correct? In some cases the expected frequency, duration, limited number of

¹ Refer http://www.med.govt.nz/templates/ContentTopicSummary_43353.aspx

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	<p>GXP affected and value of lost load of managing unplanned outages using the real time provisions of Part C may be very low and it would be less costly to use that process compared to planned outages.</p> <p>This may be a problem arising from the original Electricity Governance (Security of Supply) Regulations 2008; in which case it is a policy issue that needs to be revisited.</p>
cl.9.13(2)(a)	<p>Only mentions wholesale market adjustments to overcome risk that supply will be less than demand. What about retail market initiatives? As retail market initiatives are not mentioned, then the System Operator might not consider options such as a planned retailer led demand reduction programme or temporary embedded generation sets being installed. Shouldn't the System Operator be required to look at the whole market, both wholesale and retail?</p>
cl.9.13(1) and cl.9.14(2)(b)	<p>These require the System Operator to consult with the Electricity Authority prior to making a Supply Shortage Declaration and a Direction. At first glance this appears to be an exact translation, subject to the roles of the parties switching, of the existing Electricity Governance (Security of Supply) Regulations 2008 whereby the Electricity Commission must consult with the System Operator. However we don't think an exact mirror image translation is appropriate because the incentives and constraints on the behaviour of the parties are not identical.</p> <p>Under the status quo the Electricity Commission has comprehensive statutory objectives that it must consider as well as the view of the System Operator when making a Supply Shortage Declaration and issuing Directions. On the other hand the objectives of the System Operator are focussed solely on physically keeping as many "lights on" without requiring consideration of any economic or other factors. In light of the different drivers on the parties, MEUG suggests the requirement for consultation by the System Operator needs to be more prescriptive with minimum timeframes.</p>
cl.9.13(4) and cl.9.14(2)(a)	<p>What is the difference between the System Operator "having regard to" the System Operator Rolling Outage Plan when making a supply shortage declaration and "being consistent" with that Plan when giving direction to specified participants? The market needs certainty that the System Operator will abide by the process specified in the System Operator Rolling Outage Plan.</p> <p>Therefore as long as both "having regard to" and "being consistent" can be considered equivalent and require the System Operator to comply with the Plan then MEUG has no comment. If not, then the text needs to be changed.</p>
cl.9.16(1)	<p>MEUG suggests revocation of a declaration by the System Operator should be subject to consultation with the Electricity Authority because of the different incentives on the parties. Refer the comments on cl. 9.13(1) and cl. 9.14(2) (b) above.</p>
Part 12 Transport	
cl.12.6 (3)	<p>Requires the Electricity Authority to notify registered participants of the date submissions are due on proposed changes to</p>

Clause	Feedback
	structure for transmission agreements. While cl.12.6 (2) notes the Electricity Authority must publish a proposed structure, it is not absolutely clear non-registered participants will be notified of a submission deadline. MEUG suggest cl. 12.6 (3) be amended to ensure when proposed changes are proposed that the Authority must also publish a submission deadline.

2. MEUG suggest the Ministry keep a log of areas where the existing rules and regulations are contradictory or unclear and table those with the Electricity Authority.

Yours sincerely



Ralph Matthes
Executive Director