



# MAJOR ELECTRICITY USERS' GROUP

27 March 2013

Darryl Renner  
Electricity Authority  
By email to [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear Darryl

**Consultation Paper - Under Frequency Management - UFM Initiatives & changes to procurement plan**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper<sup>1</sup> "Under Frequency Management – UFM Initiatives & changes to procurement plan" dated 29<sup>th</sup> January 2013. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
2. Submissions on the draft procurement plan are in appendix 1. Submissions on the proposed operational changes are in appendix 2.

Yours sincerely

Ralph Matthes  
Executive Director

---

<sup>1</sup> <http://www.ea.govt.nz/our-work/consultations/psocq/under-frequency-management/>

## Appendix 1: Submissions on the draft procurement plan:

Question	MEUG response
1. Do you have any comments on the draft procurement plan changes?	<p>It's premature to make changes until the following alternatives have been considered:</p> <ul style="list-style-type: none"><li>• Using data from existing meters; or</li><li>• Fast tracking development of market mechanisms such as "area-under-the-curve" to be enabled by the new RMT due 2014/15.</li></ul> <p>Note this is the same response to Q8 in appendix 2 of this submission that asks "Do you have any comments on the changes that are shown in the draft procurement plan in Appendix D?"</p>
2. Do you have any other comments in relation to this part of the proposal?	No.

## Appendix 2: Submissions on the proposed operational changes

Question	MEUG response
<p>1. What comments do you have on the proposal to shorten RMT simulation times using higher resolution post-event data from IR providers?</p>	<p>Shortening RMT simulation times will improve optimising quantity of IL required.</p> <p>However we do not accept the proposal to require IR providers to provide higher post-event data in the short-term has been adequately considered against:</p> <ul style="list-style-type: none"> <li>• Using data from existing meters; or</li> <li>• The alternative of accelerating market mechanisms such as “area-under-the-curve”<sup>2</sup> that could be facilitated by a new model RMT due 2014/15<sup>3</sup>.</li> </ul>
<p>2. What comments do you have on the proposal to model actual IL trip times, facilitated by higher resolution post-event data from providers?</p>	<p>Agree more accurately modelling the actual IL trip times will improve optimising quantity of IL required.</p> <p>As noted in response to Q1 we have concerns on the second half of this question “facilitated by higher resolution post-event data from providers.”</p>
<p>3. What comments do you have regarding the differing requirements for smaller scale FIR IL providers?</p>	<p>The default should be one standard for all IL providers. The case for differing standards because risks with smaller providers can be offset by diversity needs to be carefully considered. Large sites may be incentivised to disaggregate offers into smaller lots to fall within lesser standards.</p>
<p>4. What are your views on the different costs of different resolution meters?</p>	<p>No comment.</p>
<p>5. What are your views on the expected costs of the proposed 100 ms testing arrangements?</p>	<p>No comment.</p>
<p>6. What comments do you have on retaining the current approach on hot water load metering?</p>	<p>No comment.</p>

<sup>2</sup> Consultation paper paragraph 4.2.15 and 8.4

<sup>3</sup> Ibid paragraph 3.2.6 and 3.6.5

Question	MEUG response
<p>7. What comments do you have on the suggested transition periods?</p>	<p>If the proposal is adopted and the amended Procurement Plan comes into effect after end of the existing Procurement Plan, ie 1<sup>st</sup> December 2013, then a one year transition as proposed ends 1<sup>st</sup> December 2014. However the new model RMT is due 2014/15, that is before that time. The new model RMT should enable market options such as "area-under-the-curve".</p> <p>Wouldn't it be better to put resources into developing new market mechanisms in parallel to the new RMT rather than costs of transitioning to the proposed mandatory administrative approach that will be temporary until market mechanisms are implemented? Resources required to implement the proposed transitional administrative fix are also likely to be the same resources required to accelerate introduction of an "area-under-the-curve" approach.</p>
<p>8. Do you have any comments on the changes that are shown in the draft procurement plan in Appendix D?</p>	<p>It's premature to make changes until the following alternatives have been considered:</p> <ul style="list-style-type: none"> <li>• Using data from existing meters; or</li> <li>• Fast tracking development of market mechanisms such as "area-under-the-curve" to be enabled by the new RMT due 2014/15.</li> </ul>
<p>9. Do you have any comments on the Authority's evaluation of the proposed changes? If not, what alternative would you propose and why?</p>	<p>See response to Q8.</p>
<p>10. What comments do you have on the medium-term proposal to enable wind generators to provide FIR, if they have the capability to do so?</p>	<p>Worth considering.</p>
<p>11. For those with wind generating capacity, would you envisage entering the FIR market, and if so, under what circumstances?</p>	<p>Not applicable.</p>
<p>12. What comments do you have on the initiative to increase the compliance of IL providers with dispatch quantity?</p>	<p>Agree investigation of possible maximum as well as minimum requirements should be considered.</p>

Question	MEUG response
13. Do you think that the Authority and System Operator should fast-track consideration of SIR metering requirements, or wait until the initiatives considering alternative reserve products have been completed?	No comment.
14. What are your views on the longer term UFM initiatives?	Everything else being equal, resources should go into development of potential market compared to administrative approaches.
15. What comments do you have on the CBA, the assumptions made, the methodology used or any comments on any parts of the CBA that could be potentially improved upon?	<p>The “area-under-the-curve” benefits and costs in table 6 do not include any implementation costs.</p> <p>Table 6 should include a scenario where “area-under-the-curve” is accelerated to align with the new RMT in 2014/15. Relative to the analysis in table 6, this alternative will save transitional implementation costs and earlier realisation of the larger annual benefits associated with an “area-under-the-curve” approach.</p>
16. Do you have any views on the relative priorities, and any information that might assist us to undertake an initial assessment of costs and benefits (to assist us with our prioritisation of these projects in the work plan).	No comment.
17. Do you have any other comments in relation to this part of the proposal?	The need to consider interdependency of alternative options has been highlighted in the consultation paper. MEUG suggests the Authority and system operator consider a conference once the plan for investigating and developing proposals for longer term UFM developments is published in March 2013 <sup>4</sup> .

---

<sup>4</sup> Ibid, paragraph 3.6.7