



MAJOR ELECTRICITY USERS' GROUP

3 September 2013

Dr John Rampton
General Manager Market Design
Electricity Authority

By email to submissions@ea.govt.nz

Dear John

Consultation Paper – Modified design of dispatchable demand

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper¹ "Modified design of dispatchable demand"² dated 23rd July 2013.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. MEUG appreciates the assistance of EA, system operator and NZX staff to understand how MODD will be implemented. This included staff of those organisations attending the MEUG monthly meeting on 24th July³ and subsequently publishing a memorandum⁴ "Purchaser bid/IL offer timeline to Real Time" in response to questions at that meeting.
4. There have also been numerous discussions between members and service providers and the EA on implementation details. This has allowed us to gain a detailed understanding of MODD relative to the Original DD and therefore to better respond to this high level policy paper. For example the question of under which scenarios the choice to dispatch IL or DD is required and the cases and times when that decision is made by the system operator or the end customer.
5. Responses to questions in the consultation paper follow:

¹ <http://www.ea.govt.nz/dmsdocument/15383> found at <http://www.ea.govt.nz/our-work/consultations/priority-projects/modified-design-of-dispatchable-demand/>

² Abbreviated MODD

³ The briefing to MEUG was published by the EA <http://www.ea.govt.nz/dmsdocument/15565> found at <http://www.ea.govt.nz/our-work/programmes/priority-projects/dispatchable-demand/preparing-for-dispatchable-demand/>

⁴ <http://www.ea.govt.nz/dmsdocument/15564>

Question	MEUG response
1. Do you agree with the objective of the proposed amendment? If not, why not?	Any proposed change to the Code should have the objective of increasing net long-term benefits to consumers, ie the incremental benefits of the proposal compared to the status quo Code regime exceed the incremental implementation costs. To that extent MEUG agrees with the objective of the proposed amendment in section 3.1 of the paper.
2. Do you agree with the estimated benefits of the proposed Modified DD Design?	MEUG suggests it is unlikely there will be no purchasers that will participate in MODD whereas that was a reasonable risk with the Original DD proposal. Hence the assumption for MODD low benefit scenario of zero values for static efficiency benefits (a) and (c) and dynamic efficiency benefit (e) on table 3 is overly pessimistic.
3. Do you agree the benefits of the proposed amendment outweigh its costs?	We agree with the conclusion ⁵ "The proposed Modified DD Design would produce higher NPVs than the Original DD Design for all sensitivity scenarios, which supports the development of the proposed Modified DD Design". Adjusting the cost benefit analysis for the MEUG response to Q2 above reinforces this result for the low benefit/cost scenario.
4. Do you agree co-optimisation should be re-considered after the proposed Modified DD Design has "bedded-in"?	Yes. This should be a high priority in future years.
5. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	Agree MODD is the best option on a net benefit basis compared to the alternatives if first, the current Code DD (ie Original DD) and second, the Original DD including an extension to allow DD for conforming GXP. In other words the loss of some of the benefits of the Original DD are outweighed by first implementation cost savings, second, a wider pool of end customers that will be able to participate, and third, the earlier realisation of benefits.
6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes.
7. Do you have any comments on the drafting of the proposed amendments?	No view.

⁵ Consultation paper, paragraph 3.3.11

6. We look forward to considering the submissions of other parties on this proposal and the response of the Authority to submissions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Matthes', with a long horizontal stroke extending to the right.

Ralph Matthes
Executive Director