



MAJOR ELECTRICITY USERS' GROUP

24 June 2014

Mike Collis
Electricity Authority

By email to submissions@ea.govt.nz

Dear Mike

Multiple Frequency Keeping Project

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority consultation memorandum¹ "Multiple frequency keeping project - South Island cutover" dated 11th June 2014. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
2. MEUG agrees with the rationale for as early implementation of MFK in the South Island as possible and welcomes the initiative by Contact Energy to find a solution for the 3 month cut-over from 4th August until Meridian Energy can fully participate.
3. MEUG notes that Frequency Keepers are paid their frequency keeping offer and in addition constrained on for control min and constrained off for control max at their offer prices. With no competitor, Contact could gouge constrained on and off payments by structuring their energy offers to suit. That behaviour occurred in the North Island prior to MFK and hence we are sensitive to the issue. The check by the Authority of actual costs the same time last year compared to the maximum frequency price offer matrix did not estimate potential constrained on and off costs as noted in footnote 2 of the consultation memorandum.
4. MEUG representatives had a frank, open and helpful discussion with Contact representatives on 20th June on this issue. We discussed possible solutions on the common ground that both Contact and MEUG wish for timely implementation of MFK.
5. To mitigate any unbounded exposure to consumers from South Island frequency costs between 4th August (when South Island MFK starts) and Meridian Energy participating fully in MFK, MEUG suggests the Authority publish the day after each trading day all the components of frequency charges for that day including constrained on and constrained off payments. Any untoward behaviour can then be promptly identified and options to mitigate the behaviour can be considered rather than consumers being uninformed until the second week of the following month when invoices for the month are received.

¹ Document url <https://www.ea.govt.nz/dmsdocument/18154> found at <https://www.ea.govt.nz/development/work-programme/wholesale/multiple-frequency-keepers/development/pricing-proposal-south-island-cutover>

6. Given the experience of prior years in the North Island when consumers were subjected to gouging by a frequency keeping provider, we believe the potential materiality of the risk for the 3 month MFK cut-over for the South Island is sufficient to warrant the likely modest cost to the Authority of this additional monitoring and publication of information after each day.

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