



MAJOR ELECTRICITY USERS' GROUP

8 October 2014

Dr John Rampton
General Manager Market Design
Electricity Authority
By email to submissions@ea.govt.nz

Dear John

Consultation Paper – Industrial co-generator dispatch arrangements

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority consultation paper¹ "Industrial co-generator dispatch arrangements" dated 22nd August 2014. Some MEUG members are making individual company submissions.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members are making separate submissions.
3. Responses to questions in the consultation paper follow:

Question	MEUG response
1. Do you support the Authority's proposal as described here?	<p>Yes.</p> <p>MEUG opposed the current offer and dispatch rules codified in 2006 by the then Electricity Commission. At that time we suggested² a better alternative would be to treat co-generation as intermittent generation subject to case-by-case approval by the System Operator.</p> <p>The subsequent more detailed Code amendment proposal by Carter Holt Harvey in November 2012 and alternative proposal by the System Operator in August 2014 (appendix C of the consultation paper) have each improved the analysis of issues and proposed solution.</p> <p>The proposal in the consultation paper has taken a while to develop but we believe has been well tested against alternative solutions.</p>

¹ <http://www.ea.govt.nz/dmsdocument/18368> found at <http://www.ea.govt.nz/development/work-programme/wholesale/industrial-co-generation-dispatch-arrangements/consultations/#c13834>

² MEUG submission 4th August 2006, paragraph 2, <http://www.ea.govt.nz/dmsdocument/5056>,

Question	MEUG response
2. Do you have any comments or suggestions regarding the Authority's proposal?	No
3. Do you have any comments on the Code drafting in Appendix A?	<p>Yes one recommended change.</p> <p>MEUG disagrees with the 6 months allowed in schedule 13.4 clause 8 (1) for the Authority to consider applications for generation units to be approved as type A or type B. MEUG suggests the Authority and System Operator should be able to efficiently process such applications within 3 months consistent with the 3 months notice the Authority can give type A and type B generators to amend or rescind an approval in clause 14 of schedule 13.4. Just as the Authority and System Operator might want to expedite an amendment to manage an altered risk and generators will need to comply; equally the regulator should act expeditiously and not leave a generator in limbo for 6 months.</p>
4. Do you agree with the Authority's proposed changes to forms 1, 2, and 3 of Schedule 13.1?	Yes
5. Do you consider that extending 30-minute gate closure to all co-generation would be consistent with the Authority's statutory objective? Please state your reasons.	Yes although that needs to be verified in the separate concurrent work on shorter gate closure ³ . We agree with the assessment by the Authority ⁴ that making changes to gate closure for co-generation as part of the broader change to gate closure would likely be managed more easily.
6. Do you agree that the objectives for the amendment set out in Section 4.2 are appropriate and consistent with the Authority's statutory objective? If not, why not?	Agree
7. Do you agree that the proposed amendment would achieve the objectives set out in Section 4.2? If not, why not?	Agree

³ Electricity Authority work programme 1 July 2014 – 30 June 2015, project 2.18 Offer and dispatch: review of gate closure. The deliverables are a "cost benefit analysis completed by 31 December 2014" and "consultation on CBA and Code amendment by 30 June 2015."

⁴ Paragraph 4.1.7 (b)

Question	MEUG response
8. Do you consider that the proposed amendment would carry a risk of unintended consequences? If so, what are they?	MEUG is not aware of any possible unintended consequences
9. Do you agree that the proposed amendment would produce a net economic benefit? If not, why not?	Agree
10. Do you agree that the proposed amendment is preferable to other options? If not, please explain your preferred option in terms consistent with the Authority's statutory objective.	Agree
11. Do you agree that the Authority's proposed amendment complies with section 32(1) of the Act?	Agree
12. Do you agree that the Authority's proposed amendment complies with the Code amendment principles?	Agree

4. We look forward to the introduction of the proposed Code amendments.

Yours sincerely



Ralph Matthes
Executive Director