

8 May 2018

Dr John Rampton  
General Manager Market Design  
Electricity Authority  
By email to [submissions.mailbox@ea.govt.nz](mailto:submissions.mailbox@ea.govt.nz)

Dear John

**Proposed EA 2018-19 work programme**

1. This is feedback by the Major Electricity Users' Group (MEUG) on the material discussed at the Authority workshop on 1 May 2018 on the 2018-19 work programme and potential projects.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. We note that projects currently being implemented were not part of the workshop discussion. For your information the most important project being implemented for MEUG members is operationalising the policy decisions made on extended reserves.
4. For market design projects we welcome inclusion of the following:

In Programme B: Consumer choice and competition:

- a) Default Distributor Agreement (DDA).

The text of the workshop materials refers only to retailers benefiting from using a DDA. It would be useful for the Authority to clarify that retailers also includes customers that wish to be cleared by the Clearing Manager and in effect bypass retailers or aggregators. Those customers should be able to access distribution services at the same default terms that retailers will have access to under a DDA.

We note the proposed project "Single reporting methodology for distributor billing and efficiencies of outage notifications" under Programme E: Operational efficiencies, may address the long-standing high priority issue of outage notifications that MEUG members have. We see such notifications as a core service a line service provider should deliver. Improving notifications using EIEPs as proposed under this Programme E project may meet our needs. If not, then supplementary notification requirements and penalties for non-performance should be included in the DDA.

In Programme C: Pricing and cost allocation:

- b) Distribution Pricing.
- c) Transmission pricing review (TPM).
- d) Spot market settlement on real-time pricing.

- e) Improving accuracy of spot price forecasts.

MEUG views this project as supplementary to the above project on Spot market settlement on real-time pricing. Both are part of a broader objective to improve real-time price discovery. Therefore, this project could be folded into the above project.

Other work that could be considered under the broader heading of improving real-time price discovery is the suggestion by Meridian Energy on the draft appropriations that now the one-hour gate closure has been implemented successfully, work should commence on reducing gate closure to 30 minutes.<sup>1</sup>

5. The above projects of RTP, DDA and Distribution pricing and TPM were in the MEUG memo listing our top-priority work for the next 18-months tabled with the Authority Board when we meet on 12 March 2018.<sup>2</sup>
6. We have no objections to any of the other projects proposed. Many of the projects we view as business-as-usual search for incremental improvements to current market designs. In the case of the projects in Programme A: Evolving technologies and business models, we support this as valuable work to future-proof the regulatory regime for potentially new technologies and business models that will improve the long-term of consumers. We are still considering how MEUG can best engage on those projects given Commercial & Industrial (C&I) consumers connected to EDB networks are more likely to be earlier economic providers of some new technologies than households due to scale.<sup>3</sup> This reinforces the comment in paragraph 4 a) above that C&I consumers should have the option of using a DDA if it facilitates early investment in new technologies.
7. There are 2 other projects we have comments on:

In Programme A: Evolving technologies and business models:

- Integration of hosting capacity.

MEUG agrees this work has urgency. This project also raises the question of whether the non-uniformity of line service quality, both instantaneous and over time, should be better reflected in differentiated pricing for different quality specifications subject to minimum specifications set either in the DDA or regulations.

In Programme D: Risk and risk management:

- Review Regulatory Settings for official conservation campaigns (OCCs).

The system operator is currently considering a change to how hydro risk curves are estimated taking into account thermal fuel constraints.<sup>4</sup> MEUG and other market participants have concerns about this proposal. We suggest that work be deferred and included in the OCCs project by the EA.

Yours sincerely



Ralph Matthes  
Executive Director

<sup>1</sup> Refer MEL submission 29 December 2017, <https://www.ea.govt.nz/dmsdocument/23034>

<sup>2</sup> Refer <http://www.meug.co.nz/node/919>

<sup>3</sup> Refer <https://www.transpower.co.nz/about-us/transmission-tomorrow/battery-storage-new-zealand>

<sup>4</sup> Refer <https://www.transpower.co.nz/system-operator/security-supply/hydro-risk-curves>