

4 February 2019

Dr Rory Blundell
General Manager Market Performance
Electricity Authority
By email to submissions@ea.govt.nz

Dear Rory

Consultation paper – Review of Official Conservation Campaigns (OCCs)

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority consultation paper Review of regulatory settings for OCCs published 11 December 2018.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG has today separately made a submission to the system operator on proposed changes to the Security of Supply Forecasting and Information Policy (SOSFIP). A copy of that submission is attached. Relevantly we support inclusion of contingent reserves in calculating HRCs. Accordingly, we support the Electricity Authority implementing changes to include contingent storage in calculating the 10% HRC and using that to trigger an OCC.²
4. As with the system operator implementation of changes to HRCs where we acknowledge there are complexities to be worked through with appropriate interested parties (including resource consenting authorities), we have no immediate views on use of a buffer for any HRC floor and possible changes to the reserves supply determination though we expect the EA to consult with interested parties including MEUG as needed.³
5. Similarly, we have no immediate views on the non-HRC related proposed changes to the trigger of when an OCC may end.⁴ Other more directly affected parties, that is retailers, have an incentive and more expertise to comment on that detail.
6. MEUG agrees that since the introduction of the regime allowing a New Zealand wide OCC and a South-Island only OCC there have been changes to the market structure and HDVC capability to justify a discussion on whether those 2-options for OCC are still relevant.⁵ The paper sets out good reasons for removing the South-Island only OCC option. There may be value in considering OCC to be set for geographic regions determined by the EA on

¹ URL <https://www.ea.govt.nz/dmsdocument/24437-review-of-regulatory-settings-for-official-conservation-campaigns> at <https://www.ea.govt.nz/development/work-programme/risk-management/review-of-regulatory-settings-for-official-conservation-campaigns-occs/consultations/#c17907>

² Consultation paper Q1, p4.

³ Ibidr Q2, 3 and 4, p8 and p10.

⁴ Ibid, Q5 and 6, p14.

⁵ Ibid, Q7, p18.

advice from the system operator. There is a cost of further exploring these options in terms of EA, system operator and market participant resources. At this stage MEUG does not see clear evidence the costs of furthering this discussion are warranted given uncertain benefits. We would characterise this as a case of it-not-being-broken so why consider change, or at least why use resources considering change when those resources could be better deployed on higher value work? An example of the latter, in relation to both improving security of supply and improving risk management in the sector, is the development by the system operator of a monthly reporting comparing changes month by month in HRCs set out in paragraph 4 of the attached submission to the system operator.

Yours sincerely



Ralph Matthes
Executive Director

Attachment: MEUG to system operator, SOSFIP Review 2018, 4 February 2019.