



# MAJOR ELECTRICITY USERS' GROUP

17 February 2015

Greg Williams  
Senior Advisor Wholesale Markets  
Electricity Authority  
By email to [greg.williams@ea.govt.nz](mailto:greg.williams@ea.govt.nz)

Dear Greg

## **Enabling a National IR Market – proposal to make changes to SPD**

1. This letter provides feedback by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) information paper<sup>1</sup> "Enabling a national market for instantaneous reserve – Proposal to make changes to SPD" dated 18<sup>th</sup> November and announced in the EA's Market Brief on 9<sup>th</sup> December 2014. MEUG members have been consulted in the preparation of this feedback. This feedback is not confidential.
2. MEUG welcomes the interim arrangements that came into effect mid December 2014 to utilise the reserve sharing capabilities now possible across the HVDC. MEUG agrees that the expected economic benefit of implementing a comprehensive National IR Market (NIRM) justifies the cost of further investigation and if warranted implementation as set out in the information paper.
3. An area that should be investigated in more detail by the System Operator and Authority is the quantity of IR required (40 MW) to cover a DC contingency for high flows south to north discussed in appendix A of the information paper. When demand for such transfers is high, that last 40 MW on the DC has a high value and hence we need to be sure that constraint is needed.
4. The Wholesale Advisory Group (WAG) considered the NIRM in early 2013. The minutes of the WAG meeting held on 14<sup>th</sup> March 2013 state "A member raised questions about the technical nature of the project but the group was reassured that the engineering was quite straightforward and the group would primarily be asked to examine the projects costs and benefits, and potentially advise on some key design trade-offs, such as whether a 'round power' feature was likely to affect net benefits." Consequently WAG did not further consider the technical aspects of changes to SPD. MEUG considers the changes to SPD to be complex and the consequences of errors to be material. Either an external peer review of the proposed changes or use of an expert technical panel should be considered given the risks.

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<sup>1</sup> All papers found at <http://www.ea.govt.nz/development/work-programme/wholesale/national-instantaneous-reserves-market/development/information-paper-on-enabling-a-national-market-for-instantaneous-reserve/>

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