

30 November 2018

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

Dear Rory

Events leading to and implementation of the planned HVDC outage 22 to 27 November 2018 warrant an enquiry

1. MEUG has two concerns about the partially finished annual planned HVDC bi-pole and separate pole outages that ended on Monday:

- First uncertainty on the separation of the assessment of the security of supply risks for the planned outage window by the system operator from the commercial imperatives of the grid owner to lock in the timing of the outage.

MEUG is conscious that we need to avoid ad hoc interventions. However, it's not clear the current processes within Transpower and the trade-offs between competing options that might impinge on the grid owner's plans but be a better outcome for New Zealand are considered and if appropriate are adopted.

There is no information around the decision of Transpower to commence the planned work despite ongoing issues with natural gas availability that started in mid-September and the unprecedented impact on electricity supply and pricing. The opaqueness of the decision making is illustrated by the CAN on Sunday to end planned work on Pole 3 at midnight on Monday and to defer remaining work until a later date. We do not know if these decisions were good or bad choices. Without visibility of the rationale we simply do not know and cannot hold Transpower accountable.

- Second, accepting Transpower had this work as part of its scheduled maintenance work, the market could have been better informed of the planned outage and that would have led to better downstream planning and outcomes.

Anecdotally many MEUG members were caught unawares of the extent of outage and were left with few options to manage cost and security of supply risks over the extended weekend. This situation was exacerbated with an already stressed hedge market that forms part of the investigation into the current UTS claim. The confidence by affected end user's in the processes for deciding and implementing planned outages for grid assets has been undermined.

MEUG suggests there would be value in reviewing data and information flows and decision-making processes to identify improvements for the future. We think an important near and longer-term objective is to broaden direct participation in price discovery in the spot and hedge markets.¹ We do not want future prospective direct market participants to be inhibited from doing so because of ongoing information asymmetry to manage planned outage risks between the market and Transpower, and between large and small participants.

2. The events and uncertainties observed over the 5-days will, without a formal review, likely be repeated. Accordingly, MEUG requests the Authority commence a market performance enquiry into the events leading to and implementation of the planned HVDC outage 22 to 27 November. As we don't know when the next planned major grid outage might occur nor when gas supply will be fully restored, MEUG requests urgency for an enquiry.
3. To facilitate discovery of information MEUG has today requested an initial set of information from Transpower. A copy of that request is attached.
4. This request is not confidential.

Yours sincerely



Ralph Matthes
Executive Director

¹ This view of broader participation is supported in the EA consultation paper on the 2019/20 levy-funded appropriations and indicative work programme, 13 November 2018, paragraph 2.7: "New technology and business models continue moving the industry towards a more dispersed supply model, in which we see increasing market participation from smaller-scale consumers and other parties."