

16 February 2018

Bennet Tucker
Market Security Services Manager
System Operator
By email to bennet.tucker@transpower.co.nz

Dear Bennet

Draft Security of Supply Annual Assessment 2018

1. This is a submission by the Major Electricity Users' Group (MEUG) on the System Operator Draft Security of Supply Annual Assessment 2018 (the "draft ASA 2018") circulated by email on 5 February 2018. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
2. Each year ASA's have improved the methodology used, data sources and clarity on how to interpret results. The draft ASA 2018 continues this and we welcome changes including;
 - a) The use of 3 central scenarios rather than a single base case and retaining sensitivity analysis as appropriate for the 3 central scenarios¹. This approach makes sense given the cross-roads at which policies and market developments might quickly change the mix of demand and supply; and
 - b) A change whereby Transpower modifies the presentation of the results to categorise new generation by consent status, rather than likelihood of generation investment used in previous years. We agree with the view in the text that "We believe this approach improves consistency and removes the need for Transpower to take a view on the likelihood of generation investment decisions, but recognise that it makes like for like comparisons with last year's assessment more difficult."²

As an aside we think this approach to minimise the System Operator having to make judgement calls is consistent with MEUG's opposition to the proposal by Genesis Energy for the System Operator to assess commercial constraints on thermal fuel availability for forecasting Hydro Risk Curves.
3. The ASA is a high level once a year snap shot. There are many simplifying assumptions for both supply, including transmission, and demand. We think it is timely for a review of the ASA later this year and "the broader security of supply framework"³. MEUG suggested a mid-year refresh of the ASA to cater last time we submitted in February 2016 when at that time there was uncertainty on the near-term availability of the Rankine units at Huntly.⁴

¹ Draft ASA 2018, section 3.1.

² Ibid, p6.

³ Ibid, p7.

⁴ <http://www.meug.co.nz/node/745>.

We agree there is greater uncertainty today forecasting demand and supply over the next 10-years than that faced by the market 2-years ago.

4. The rationale for the planned ASA review work is explained in the text as “This work, in conjunction with other Transpower initiatives, will focus on developing an understanding of the impact of new technologies, low carbon goals and any other potential disruptions to the security of supply of the New Zealand electricity system.”⁵ In considering “other potential disruptions” MEUG would include:

- a) A reconciliation of the demand forecasts with those in Transmission Tomorrow.⁶ Demand declines in the lower bound grid energy demand scenario in the latter but there is no similar scenario or sensitivity analysis in the draft ASA 2018.
- b) Re-assessing the assumed contribution at peak over the winter months of demand response including embedded generation.⁷ The current assumptions date back to the original Security Standards Assumptions Document (SSAD) published by the Electricity Authority in November 2012.⁸ Since that date there may be data to check if some key assumptions have changed eg the assumed 176MW demand response for North Island peak demand and 2% reduction across NZ for energy demand response.

The central scenario(s) should be based on observed historic trends to behaviour to price settings and price relativities, consistent with our view in paragraph 2 b), that the System Operator should make few judgements not based on good data. However, we think there would be value in forecast sensitivity analysis of the impact on the ASA due to each or a mix of the following:

- i) Possible changes in distributor charges;
- ii) Possible changes in TPM;
- iii) The effect of the change in ACOT payments to 2020 currently being implemented; and
- iv) Possible effects from a change in the Distributed Generation Pricing Principles.

Yours sincerely



Ralph Matthes
Executive Director

⁵ Draft ASA 2018 p7.

⁶ <https://www.transpower.co.nz/about-us/transmission-tomorrow>, diagram p15.

⁷ This comprises distributed generation (DG) >10 kW and Small-Scale DG (SSDG) < 10kW.

⁸ <http://www.ea.govt.nz/dmsdocument/14134>