

Via email: system.operator@transpower.co.nz

System Operator Strategy - Phase 2 Consultation Paper: Draft Strategic Priorities

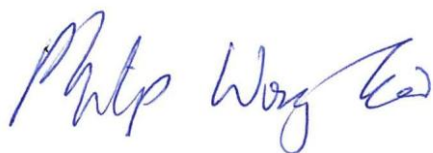
Mercury appreciates the opportunity to comment on the Phase 2 consultation on the System Operator's Strategy. We acknowledge this is a new process the System Operator is running and commend the System Operator for taking a collaborative and inclusive approach to developing its Strategy.

We broadly agree with the high-level strategic priorities the System Operator has identified. We set out a few specific comments below which we invite the System Operator to consider:

- Amidst an increasingly complex and rapidly evolving electricity landscape, Mercury considers a core challenge for the System Operator is to not lose sight of the basics: maintaining control voltage and frequency by ensuring there are adequate reserves of MW and MVar. The case studies described within the consultation paper relating to the Chilean and Iberian blackouts offer a clear example of this point. We acknowledge such a focus sits well within *Priority 1: Operating a secure, highly variable power system*. A specific example of this is monitoring of reactive reserves. Mercury understands the System Operator undertakes monitoring of reactive reserves tied to grid assets (STATCOMS and SVCs) but may not closely monitor the operation of generation assets against their reactive limits. For much of the grid, generators remain the primary source of dynamic reactive power. Retaining a strong and continual focus on meeting the System Operator's principal performance obligations should be a fundamental component of the System Operator's Strategy.
- The evolution of the electricity system also means that the System Operator needs to continually evolve the market tools it relies on to enable efficient dispatch. For example, we have observed that SPD and RMT can deliver sub-optimal optimisation of reserves and energy when intermittent generation is the risk setter. With intermittent generation only expected to play a more significant role in the system, the System Operator should have a clear focus on ensuring its tools and processes are well-equipped to deal with these changing market conditions.

We trust the System Operator will consider these matters as it embarks on its next phase of Strategy development.

Yours sincerely

A handwritten signature in blue ink, reading "Philip Wong Too".

Philip Wong Too
Technical Director Renewables