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The System Operator

Transpower

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System Operator Rolling Outage Plan Review – Cross Submission

Thank you for the opportunity to further submit on these proposals.

1. **Impact of 'embedded' generation**

   In answering Q10 Top Energy note their geothermal generation needs to be taken into account when forecasting load. Likewise, WEL Networks point out the need for embedded generation to be taken into account.

   NZ Steel agrees with and supports this approach, and in our situation the message goes deeper. In our submission we stated *"Generation output from the third-party owned cogen corelates to iron production. It is important the System Operator works with NZ Steel to ensure the optimum net impact of load and energy at the GXP level."* Reducing iron making load reduces cogeneration output, and this could, perversely, result in a net increase of load at the GXP.

2. **Equitable treatment of participants as to energy savings.**

   In their submission Vector has stated:

   "We believe the proposed new clause 4.2(d) is too broad and lacks any specific criteria the system operator should apply when it considers amending the savings targets for a specified participant based on that specified participant's feedback. We are concerned about the ability of participants, especially major consumers, to lobby for lower savings targets compared with residential consumers."

   And further

   "Vector strongly opposes the second part of the proposed new clause 6.20 where the system operator may vary or amend the energy savings targets for any specified participant based on economic reasons…"

   We feel that the concept of good electricity industry practice includes an expectation that all participants will do their part to support the electricity system in the case of emergencies."

The Vector submission raises a number of important points:

a. The SOROP is a necessary mechanism in case the worst happens. If the regulatory framework and Market works as they should, then such situations should not arise.
b. Given the wide range of scenarios that can be envisaged and the infrequency of occurrence, it is not feasible nor wise to write a detailed play-book and set of rules.
c. The decisions made by the SO need to provide the best outcome possible from (most likely, very) difficult situations. The decisions they make should as far as practical be fair and equitable. As Market Participants we need to have confidence in the System Operator (SO) to do the best they can in a pressured situation.
d. We understand Vector's concern "…about the ability of participants, especially major consumers, to lobby for lower savings targets…", but we point out 4.2(d) could likewise see large customers asked to achieve higher savings targets.
e. We also wonder how EDB savings plans deal equitably with consumer groups within their networks.
f. For a large consumer, dependent upon their processes and energy requirements, a more targeted approach is critical, hence the ability to advocate for lower (or potentially higher) levels at a point in time is important. The reason it is critical is dependent upon the power block required to be relinquished, e.g. a 30MW block for a period of time, a single or related set of assets may be able to be idled or stood down. While this is not something the user may like, it would be potentially manageable. If however on a ratio basis this increased to say, 35MW, the ongoing operation of the plant may now become unsustainable due to critical assets unable to draw sufficient load and being shut down. While a calculated ratio of reduction for a small consumer would in general be an annoyance, for a large consumer it could be the difference between a continued operation or not, with wider implications.
g. We reiterate from our submission *"It is important to clearly identify the instances requiring load management from those requiring a reduction in energy (Section3.9)"*. The approach to each situation is different and relevant to the Vector submission.
h. Savings in energy (MWh) requires a different approach by the SO to that of shaving peak loads (MWs). For the latter, the time when EDBs have most difficulty in reducing load for the short duration peaks is a time when NZ Steel can usually do more than its 'fair' share, the quid quo pro being higher load during system low load times, such as during the night. The SO is best suited to working with participants and needs flexibility in decision making. We all want as many lights to stay on as is possible.
i. Depending on the nature and extent of a SOROP event, it could touch every corner of society, as did Covid. In those situations, there is a broader context to decisions that may be seen by some as favouritism – as per Covid – these could be economic or social impacts. By that stage there will likely be Government leadership working with Transpower and the SO in decision making relating to energy savings.
j. In summary, given the infrequency and complexity of SOROP events it is important the SO has flexibility to use judgement to achieve the best outcome possible. Rules enshrined in the Code may inhibit this. The quid pro quo being an expectation on Transpower of accountability as to those decisions.

3. Commercial

Vector also raises the point of *"…additional commercial arrangements to reduce load…"* and states *"…should not exempt …from bearing its fair share of forced curtailment in addition to commercial arrangements…"*

We do not see it as practical for the SO to get caught up in such deliberations. Given the SOROP is generally only expected to be initiated when a conservation campaign is underway, it can be expected whatever commercial arrangements may be in place will already have triggered and we submit should not feature in expected load and savings calculation under SOROP.

Rolling feeder outages mentioned by Vector is an issue of limited technical options within networks and should not be confused with overall targets at the GXP level which should already have achieved savings through the conservation campaign regime.

We will be happy to provide whatever further explanations will be of assistance.

regards

New Zealand Steel

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