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Submissions
Electricity Authority
Level 7, ASB Tower
2 Hunter Street
Wellington

By email: submissions@ea.govt.nz

Dear Fraser

Proposal to alter the way availability costs are allocated

We welcome the opportunity to comment on the Authority's consultation, published 8th March 2016, on its proposal to alter the way reserves availability costs are allocated.

Proposal supports objectives for expected national reserves market

We support the expected development of a national reserves market that will use generation from either island to cover under-frequency events in either island, as these new arrangements should reduce overall reserve procurement cost.

We agree with the problem identified in this consultation paper that continuing with the current allocation mechanism for the reserves procurement cost creates a mismatch of risk set with cost faced, and that there are efficiency impacts of this.

We consider that the proposed change to the cost-allocation tool under Code 8.59 will support the efficiency objectives for the national reserves market.

If you have any questions about this submission please contact me on 04 590 7309.

Yours sincerely

Micky Cave

Senior Regulatory Analyst

Appendix A – Questions and answers

	Question	Response
1.	Do you agree this problem should be resolved at this time? If not, why not?	Yes
2.	Do you agree with the objective of the proposed amendment? If not, why not?	Yes
3.	Do you agree the benefits of the proposed amendment outweigh its costs?	Yes
4.	Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	Yes
5.	Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes
6.	Do you have any comments on the drafting of the proposed amendment?	No