



TRANSPOWER

Transpower House, 96 The Terrace,
PO Box 1021, Wellington,
New Zealand
Telephone +64-4-495 7000
Facsimile: +64-4-495 7100
www.transpower.co.nz

Jeremy Cain
jeremycain@transpower.co.nz

25 June 2013

John Rampton
Electricity Authority
86 Customhouse Quay
Wellington

By email: submissions@ea.govt.nz

Dear John

Allocation of Constrained Off and On amounts to the System Operator

Thank you for the opportunity to submit on the Electricity Authority's (the Authority) consultation paper *Allocation of Constrained On and Off Amounts to the System Operator*, published 14 May 2013.

Our interest in this matter lies as System Operator and our role to produce the dispatch schedule.

We support the proposal.

We support the proposal to amend the Code to remove allocation of and liability for constrained on and off costs to the System Operator. We appreciate the attention by Authority to the operational issues that the liability raised.

We consider that the Code under 13.70 clearly provides the authority and conditions for departures from the dispatch schedule and that any breaches of that provision would be subject to usual Code breach process.

We query why the Authority has retained cost allocation to the System Operator for constrained on and off costs for frequency keeping, given the removal of the allocation clause for all other situations. We note the Authority's intent to consider frequency keeping through another consultation, but suggest that its retention at this time is contrary to and undermining of the policy rationale articulated for removal of the allocation provisions for the other situations. Frequency keeping is, of course, a key security tool for the System Operator. For policy consistency we recommend deleting clauses 13.196 and 13.205.

The meaning of *constrained on* and *constrained off*.

We note that the Authority has signalled for 2013/14 a project to upgrade the Code, including clarifying the meanings of some words and phrases. We suggest the meanings for *constrained on* and *constrained off* are clarified as part of this review.

We have responded to the questions at Appendix A. At Appendix B we outline our comments on, and suggestions for, the Code drafting.

If you wish to clarify any of the points raised in this submission please contact me on 04 590 7544.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JC' followed by a long horizontal stroke.

Jeremy Cain
Chief Regulatory Advisor

Appendix A – Responses to Consultation Questions

Question No.	Question	Response
1	Do you agree the issues identified by the Authority with respect to the allocation of constrained-on and -off amounts are worthy of attention?	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?	Yes – see Appendix B.

Appendix B – Drafting suggestions

Clause number.	Comments on proposed drafting	Suggestions
13.76	<p>The insertion to this provision appears to be a (briefer) substitute for the requirements of the proposed deletion of clauses 13.77 and 13.78.</p> <p>The deleted provisions currently oblige the system operator to inform the clearing manager of quantity and timing details of dispatch instructions. This detail expectation may be lost under the insertion as proposed.</p>	Include quantity and timing details in dispatch instruction.
13.77 / 13.78	See above.	
13.196	<p>Proposed clause 13.196(1) implies that clause 13.196 applies when a frequency keeper is dispatched out of merit order. But that does not work with the definition of constrained off situation under clause 13.192, which means energy constrained off only and does not allow for constrained off situations determined by reference to frequency keeping dispatch instructions.</p>	<p>We recommend deleting this clause given the policy objective. If the clause remains we suggest:</p> <p>In Part 1 on the Code, define “frequency keeping constrained off situation” as follows:</p> <p><i>frequency keeping constrained off situation</i> means a <i>constrained off situation</i> that arises from a <i>dispatch instruction</i> issued to regulate frequency under clause 13.73(c).</p> <p>Then change proposed clause 13.196(1) to:</p> <p>(1) <i>This clause applies to frequency keeping constrained off situations.</i></p> <p>This would also assist with the interpretation of “frequency keeping constrained off situation” in the definition of the variable $SOCOFFK_{SO}$ in proposed clause 13.196(2) (current clause 13.196(c)).</p>

Clause number.	Comments on proposed drafting	Suggestions
13.196	<p>The definition of SOQcoffk in proposed clause 13.196(2) (current clause 13.196(c)) refers to the “frequency keeping quantity provided to the clearing manager by the system operator under clause 13.76A (1) (a)”.</p> <p>We think the clause reference should be to clause 13.76(4).</p> <p>There is also a problem in that “frequency keeping quantity” is most commonly understood to mean the dispatched frequency keeping band, which then does not make sense in the formula.</p>	<p>We suggest it is better to define SOQcoffk as follows:</p> <p><i>SOQcoffk is the quantity constrained off due to the frequency keeping constrained off situation</i></p>
13.205	<p>We consider that the discussion and proposals about clause 13.196 (for constrained off situations) should be applied also this clause 13.205 for constrained on situations.</p>	<p>We recommend deleting this clause given the policy objective.</p> <p>If the clause remains we suggest:</p> <p>In Part 1 on the Code define “frequency keeping constrained on situation” as follows:</p> <p><i>frequency keeping constrained on situation</i> means a <i>constrained on situation</i> that arises from a <i>dispatch instruction</i> issued to regulate frequency under clause 13.73(c).</p> <p>Then change proposed clause 13.196(1) to:</p> <p>(1) <i>This clause applies to frequency keeping constrained on situations.</i></p> <p>This would also assist with the interpretation of “frequency keeping constrained on situation” in the definition of the variable SOCONFK_{go} in proposed clause 13.205 (2) (current clause 13.205 (c)).</p> <p>In addition, the subscript in that variable should be “so”, not “go”.</p>
13.208	<p>We consider proposed (d) (i) is a subset of d (ii), so the use of ‘or’ is incorrect.</p>	<p>Remove sub clause (d) (i).</p>

Clause number.	Comments on proposed drafting	Suggestions
13.212	<p>We presume that the reference to “instantaneous reserve constrained on compensation” in sub clause (6) refers to constrained on amounts that are attributable to constrained on situations of the type referred to in clause 13.202(c).</p> <p>Also sub clause (7) should be amended to clarify that the allocation of constrained on compensation in that sub clause excludes instantaneous reserve constrained on compensation.</p>	<p>Clarify this presumption with a new definition in Part 1 as follows:</p> <p><i>instantaneous reserve constrained on compensation means constrained on compensation for constrained on amounts that arise from the type of constrained on situation referred to in clause 13.202(c).</i></p>