16 December 2022

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

Via email wholesaleconsultation@ea.govt.nz

Tēnā koutou,

Powerco supports the Authority progressing one or more options to support security of supply in winter peaks

Market arrangements will evolve to maintain security of supply as New Zealand's supply and demand mix evolves towards more renewable supply sources. Powerco is one of Aotearoa's largest gas and electricity distributors, supplying over 340,000 (electricity) and 112,000 (gas) urban and rural homes and businesses in the North Island. These energy networks provide essential services and will be core to Aotearoa achieving a net-zero economy in 2050.

The Authority's consultation paper canvases a range of options for maintaining security of supply in winter 2023 to address "*…ways to ensure resources that have extended start times are committed so they can operate in real time*" (p6). Powerco supports the Authority progressing one or more options to address this issue to support security of supply in these winter peaks. The outcome: give consumers confidence that the regulatory and market systems are delivering for them. Our responses to the Authority's consultation questions are attached.

If you have any questions regarding this submission or would like to talk further on the points we have raised above, please contact me Andrew.Kerr@powerco.co.nz.

Nāku noa, nā,

Andrew Kerr
Head of Policy, Regulation, and Markets
POWERCO

Response to Consultation Paper Questions

Our responses reflect a focus on the outcome the solutions are aiming to achieve: "*…ensure resources that have extended start times are committed so they can operate in real time*". Ideally, solutions will support any source of flexibility eg a demand-side customer who does not participate in the existing ancillary service markets but could if more notice was given, information different, and or the service requirement was different.

One general observation about the options is that some of them seem like good ideas anyway, regardless of their ability to support winter 2023 security. This means there could be several initiatives to consider progressing and retaining beyond winter 2023. Options A and B are examples of this. If resources are constrained, the focus needs to be on those that will make a difference for winter 2023.

Question	Response
Q1. Do you agree that operational coordination performance has become more challenging for the reasons indicated above? If not, what isyour view and why?	The analysis would benefit from commenting on what the expected spot prices were at the time unit commitment decisions were made to support options that would improve decision making.
Q2. Do you agree that the factors in paragraphs 4.10 to 4.63 create information challenges or misaligned incentives, and that these make it hard to achieve optimal commitment actions? If not, what is your view andwhy?	Owners of thermal plant are well-placed to comment on this.
Q3. Do you agree that it is prudent to examine options to address information and incentive gaps identified above? If not, what is your viewand why?	Yes. We suggest the Authority clarify what is attributable to the identified problem at hand, versus just good market. For example, for any option, examine how it will ensure resources that have extended start times are committed so they can operate in real time.
Q4. Do you agree with the proposed evaluation criteria? If not, what isyour view and why? Are there other criteria that the Authority should consider?	Yes. The ability to modify or remove is important – this was used when the Authority implemented the retailer debt deferral Code amendment in 2020. It also means that concerns about long-term impacts can be substantially mitigated by looking at a finite number of periods/costs/risks. Consider adding - Simplicity - Effectiveness to address the problem (ensure resources that have extended start times are committed so they can operate in real time)

Question	Response
Q5. What if any other options should be considered to better manageresidual supply risk for Winter 2023?	No further suggestions right now.
Q6. Do you think it would be beneficial to publish the residual offer information used by the system operator when calculating Grid Warningand Emergency Notices? If not, what is your view and why?	Interested to hear from parties with 'extended start times' whether this would assist. One general observation about the options is that some of them seem like good ideas anyway, regardless of winter 2023, which means there could be several initiatives to consider progressing. If resources are constrained, the focus needs to be on those that will make a difference for winter 2023. Various options could be progressed and/or implemented later, rather than discounted from further work.
Q7. Do you think it would be beneficial to provide sensitivity case spot price forecasts in forward schedules, as well as central forecasts? If not,what is your view and why?	
Q8. Do you agree that cross-industry work on improving the quality ofintermittent generation forecasts is unlikely to be available for Winter 2023? If not, what is your view and why?	
Q9. Do you agree that the system operator should procure an externalwind forecast and ask participants to review their offers if there are large discrepancies between the forecast and offers? If not, what is your view and why?	
Q10. Do you agree that the availability and use of 'discretionary'demand control (such as ripple control not used for instantaneousreserves) should be clarified? If not, what is your view and why?	There are a range of issues considered in this part of the paper, and some options have merit regardless of the winter 2023 focus eg clarity about SO/EDB communications for load shedding. In general, we support transparency about the quantum and availability of resources, including generation and demand. The ENA submission contains useful commentary on this question. In addition - the DDA makes property rights and uses clear - We are keen to see the evidence behind the comment in 5.24 as it relates to hot-water load (it can be used or reserved for other legitimate purposes). - We have provided considerable information to the Authority and System Operator in 2021 as part of its review of the August 9 event, including the availability and characteristics of hot-water load control.

Question	Response
Q11. Do you agree that work should be undertaken on a new integratedancillary service for winter 2023 to help manage increased uncertainty in net demand? If not, what is your view and why?	Yes, with a focus on that service having impact on the outcome that resources that have extended start times are committed so they can operate in real time
Q12. Do you agree that selectively increasing ancillary service cover should be considered as an interim option for Winter 2023? If not, what isyour view and why?	Yes, if this addresses the problem definition. For example, an assessment of how higher cover would have addressed the shortfalls in 2022 would inform the effectiveness of this option.
Q13. If increased cover from an existing ancillary service at times is pursued further as an option for Winter 2023, what are your views on whether to utilise frequency keeping or instantaneous reserve, and why?	Issues to consider include - symmetry of impact – eg if it is just increases in output (whereas FK is up and down). - Timeframe of control required
Q14 Do you agree the option of requiring retailers to make compensation payments to customers affected by forced power cutsshould not be explored for Winter 2023? If not, what is your view andwhy?	Agree – looks like simpler options available and these are not feasible in the time available.
Q15 Do you agree that reviewing the default pricing in the Code to applyin energy and reserve shortfalls should not be explored for Winter 2023? If not, what is your view and why?	
Q16 Do you agree that an hours-ahead market should not be explored forpossible adoption for Winter 2023? If not, what is your view and why?	
Q17 Do you agree that mechanisms that procure additional resources outside of the spot market should not be explored further for Winter 2023?If not, what is your view and why?	
Q18 Do you agree that options A, B, D, and E appear attractive andshould be progressed further? If not, why not?	Yes, subject to assessment of resource constraints, ability to progress options in parallel, including how they work together as a package, and attribution to solving the problem (as opposed to being good ideas regardless).
Q19 Do you agree that options F and G should be assessed further todetermine if they are likely to have net benefits? If not, why not?	Agree
Q20 Do you agree that options C, H, I, J and K should not be progressedfurther for winter 2023? If not, why not?	Agree

Question	Response
Q21 What if any other matters should be considered when assessingoptions to better manage residual supply risk for Winter 2023?	The ability to modify or remove any changes is important – this was used when the Authority implemented the retailer debt deferral Code amendment in 2020. It also means that concerns about long-term impacts can be substantially mitigated by looking at a finite number of periods/costs/risks. For market design, the transition to a higher renewables energy system will be a bit like climbing a hill with uneven ground: it's never a straight path and we need to respond to the information in front of us - sometimes deviating from what we expected - while making progress towards the end destination. The Authority has information which suggests some beneficial actions are worth trying. We encourage the Authority to embrace this situation (the uneven ground) and find a workable solution for the now with the scope to refine and adapt and add to it in the future.