

TRANSPower NEW ZEALAND LIMITED

Transpower submission
to the Electricity Commission:

Proposed amendments to Parts E and J of the Rules
(and consequential amendments to Parts A and H of the
Rules)

October 2009



TRANSPower

This page has been deliberately left blank.



1 INTRODUCTION

Transpower supports any initiative that:

- makes the Rules clearer and easier to read; and
- clarifies participants' and the Commission's obligations under the Rules.

This submission on the proposed amendments to Parts E and J of the Rules (October 2009) comments on the issues that affect the System Operator function, which relate to:

- Rule 6.1 of Part J; and
- Rule 3 of Part J (including the addition of Rule 5.4.1A of schedule E2 to Part E).

The submission discusses these proposed rule changes in detail in the main body of the document and summarises them in the attached table.

We have not commented on the other proposed changes to Parts A, E, H and J that have no impact on the System Operator.

2 INAPPROPRIATE OBLIGATION ON THE SYSTEM OPERATOR

Reference: Rule 6.1 of Part J : Notification of alternative points of supply

The System Operator:

- does not agree with the proposed change to create a new System Operator obligation under Rule 6.1 of Part J : Notification of alternative points of supply.

This is a material change, which creates a new obligation on the System Operator to notify the Reconciliation Manager of all points of connection to the grid that were supplied from an alternative point of connection in a particular consumption period.

The System Operator does not have this information and so cannot readily comply with this requirement. In order to access this information the System Operator would have to request the information from the local lines company/distributor from where the disconnected GXP load was being supplied

This information is not of any use to the System Operator in terms of meeting its service provider role function. Therefore, assigning this obligation to the System Operator would introduce an additional party into this process unnecessarily and for no apparent benefit. The Reconciliation Manager, which does require this data to comply with its service provider function, should source the data directly from the local lines company/distributor.

For clarification, under limited circumstances, we note that the System Operator does become aware of some plans for switching to an alternative supply point during the course of its usual outage planning functions. However, this is typically limited to situations where the planned load shift is of such a size and location that it is expected to affect system security. In any event, the information that does come to the System Operator's attention is planning-time information that could not be used for reconciliation purposes, given that it requires confirmation after the fact of what has physically occurred at each supply point.

3 SYSTEM OPERATOR DATA REQUIREMENTS UNDER PART J

Reference: Rule 3 of Part J : Provision of trading information at a point of connection to a network

The System Operator:

- uses bid and offer information from rules 3.2 and 3.4 of Section II of Part G where participants are commencing bids and offers at a point of connection (as distinguished from a participant ceasing to trade);
- recommends that a rule drafting change to remind participants of the separate Part G notification requirements be included in the proposed amendments to Rule 3 of Part J (both options);
- prefers to retain the status quo for Rule 3 of Part J : Provision of trading information at a point of connection to a network (Option 2);
- does not wish to be included in the data notification for information from the Registry for Rule 5.4.1A (Option 1), because the proposed notification would include a significant amount of data that are duplicated or of no relevance to the System Operator;
- is of the view that non-half hourly data are not, and cannot be, included in the wholesale market apart from the purposes of reconciliation and has made its comments in relation to Rule 5.4.1A on this basis.

Information flow to the System Operator

Information provided under Part J is not the source of information about the commencement of trading at a point of connection to a network for the System Operator. Instead, participants are required to provide this information directly to the System Operator under Part G, as follows:

- generators must provide 5 business days' notice in writing prior to making an offer for the first time in respect of a generating plant (Rule 3.2 of Section II of Part G);
- purchasers must provide 5 business days' notice in writing prior to making a bid for the first time (Rule 3.4 of Section II of Part G).

The System Operator uses this information to meet its obligation to prepare a pre-dispatch schedule under rule 3 of Section III of Part G. If a participant fails to provide notice of new offers and bids as required under Rules 3.2 and 3.4 of Section II of Part G, then the System Operator is unable to include this information in the pre-dispatch schedule, which will affect its accuracy as a forecast of market outcomes.

The System Operator does rely on Rule 3 of Part J for notifications about trading ceasing at a point of connection, since there is no Part G mechanism for these to be notified.

Current practice

To date, the System Operator has used the Part J notification relating to the commencement of trading for informal 'cross-checking' purposes only. We are not aware of any rule or contractual requirement on the System Operator for which this information is required.

Through this cross-check the System Operator has identified some instances where purchasers have provided data to the Reconciliation Manager under Part J, but failed to make the corresponding notification required under Part G. On these occasions the System Operator has contacted the participant to seek the corresponding information under Part G.

We note that the onus is on each participant to meet their obligations under Part G and any cross-check that the System Operator may choose to make in no way detracts from or lessens the participant's obligations.

Proposed drafting change

Noting that some discrepancies have arisen between the notifications under Part J and Part G we recommend the following addition to Rule 3 of Part J for clarification.

"To avoid doubt, nothing in this rule limits the participant's notification obligations regarding bids and offers under Part G, Section II."

Note: this proposed change applies to both Options 1 and 2.

Evaluating Options 1 and 2

Both Options 1 and 2 require the System Operator to be notified in the case when electricity trading ceases at a point of connection. Option 2 retains the current notification provisions to the System Operator for participants commencing trading electricity at a point of connection. Option 1 only retains the current notification provisions to the System Operator for participants commencing trading electricity at a point of connection if they have a non-standard profile. If a participant commencing trading electricity at a point of connection has a standard profile, then Option 1 proposes that this information be provided to the System Operator from the Registry.

The justification for Option 1 is based on two factors: a saving to the Electricity Commission in terms of one-off updates to the Reconciliation Manager's and Registry's systems, and a management saving to participants. Although the former may be realised, we note the latter may not be fully realised, since the obligation to provide corresponding bid information to the System Operator under Part G is still necessary to ensure that the System Operator is notified of the required inputs to the pre-dispatch schedule.

In addition, the proposal for the Registry to provide information to the System Operator in Option 1 is problematic for a number of reasons:

- The update of information supplied to the Registry can occur up to three days after it happens; retrospective data are of no use to the System Operator, since we require the information five days before trading starts in order to set up the scheduling systems. Note: the requirement to supply the data is currently a requirement of the generator/purchaser and not the Registry or Reconciliation Manager.
- The proposed Rule 5.4.1A of Schedule E2 to Part E provides for a significant amount of irrelevant data to be provided to the System Operator that would be time consuming for the System Operator to decipher (with assistance needed from the market participant to do so).
- The System Operator considers that it only requires half hourly data for preparation of the half hourly market schedules. All other data from the Registry are unable to be used by the System Operator and therefore are surplus to the System Operator's requirements.
- The notification from the Registry under Rule 5.4.1A of Schedule E2 to Part E appears to duplicate the notification from the Reconciliation Manager under Rule 3.3 of Part J in relation to a participant ceasing to trade at a point of connection or commencing trading at a point of connection with a non-standard profile.

On balance, the System Operator's view is that the additional workload for it to process the Registry notifications under Option 1 would not be justified (noting that this is voluntary). Therefore, the reference to the System Operator in the proposed Rule 5.4.1A of schedule E2 should be removed, since it is unlikely the System Operator would continue to use this information if Option 1 were implemented.

System Operator preferred option

From the System Operator's perspective, Option 2 is preferred, since the status quo does not pose any significant issues in terms of our own operations and provides a means of cross-checking against the bid and offer notifications received under Part G. We acknowledge, however, that Option 1 is being sought in order to achieve benefits for the Electricity Commission and participants and has no direct effect on the System Operator. As such, the System Operator has no particular objection to Option 1, provided the proposed drafting change to remind participants of the separate Part G notification requirements is included.

APPENDIX: CONSULTATION QUESTIONS

Paragraph or Rule number		Transpower comment
Rule 6.1 of Part J	Notification of alternative points of supply	<ul style="list-style-type: none"> We do not agree with this change. Assigning this obligation to the System Operator would introduce an additional party into this process unnecessarily and for no apparent benefit.
Rule 3 of Part J (incl. Rule 5.4.1A of Schedule E2 to Part E)	Provision of trading information at a point of connection to a network	<ul style="list-style-type: none"> The System Operator requires participants commencing to trade at a point of connection to provide this information directly to the System Operator under Rules 3.2 and 3.4 of Section II of Part G. The System Operator uses this information to meet its obligation to prepare a pre-dispatch schedule under rule 3 of Section III of Part G. The System Operator does rely on Rule 3 of Part J for notifications about trading ceasing at a point of connection since there is no Part G mechanism for these to be notified. Therefore, we suggest a proposed rule drafting change to remind participants of the separate Part G notification requirements be included, viz.: <i>“To avoid doubt, nothing in this rule limits the participant’s notification obligations regarding bids and offers under Part G, Section II.”</i> From the System Operator’s perspective, Option 2 is preferred since the status quo does not pose any significant issues in terms of our own operations and provides a means of cross-checking against the bid and offer notifications we have received under Part G. We acknowledge, however, that Option 1 is being sought in order to achieve benefits for the Electricity Commission and participants and has no direct effect on the System Operator. As such, the System Operator has no particular objection to Option 1, provided the proposed drafting change to remind participants of the separate Part G notification requirements is included. We do not wish to be included in the data notification from the Registry under the proposed Rule 5.4.1A of Schedule E2 to Part E (Option 1) and, accordingly, ask that the reference to the System Operator in this rule be removed.