SYSTEM OPERATOR SUBMISSION - DRAFT PROCUREMENT PLAN 2009/10

Submitter	Rule Reference/ Issue	Submitter's Comment	Submitter's Suggested Amendment/Wording	System Operator Action/Comment
General				
Contact		Contact supports the proposed amendments to the 2009 procurement plan. It considers that the minor wording changes provide greater clarity over intent without introducing any material change.		Noted.
Trustpower	53A.1	Trustpower notes that while it is assumed that this clause means that the ancillary service agent has failed to meet its obligations during the term of its current ancillary service procurement contract, this is not clear.	Modify 53A.1 by adding "*under its existing ancillary service procurement contract"* after the word *requirement* in clause 53A.1. As an alternative, reference could be made to the term of the current procurement plan as this would provide the same obligations for those with ancillary service procurement contracts of varying length. The drafting could therefore be: Modify 53A.1 by adding "*during the term of this procurement plan"* after the word requirement in clause 53A.1.	The System Operator agrees that the first option suggested by TrustPower is prudent in the interests of clarity and accuracy. Change recommended.
Meridian	53	Meridian support's using the Commission's proposed wording of clause 53. In Meridian's view, this wording expresses the same intent as Transpower's wording in a way that is clearer to participants.		Noted.
TrustPower	79	TrustPower agrees with the change as proposed.		Noted.
TrustPower	80	TrustPower understands that the CQAG has ceased to exist.	Remove "*(principally the CQAG)*" from clause 80.	Agreed. Change recommended.
TrustPower	105B	TrustPower agrees with the change as proposed.		Noted.
Meridian	125.2 No auto-restoration of SIR	Meridian queries what will happen if demand between 15-20 minutes is switched back on automatically but only if it detected frequency at or above 49.5Hz. Meridian also queries whether or not load will be broken into blocks to ensure it comes back on in small amounts.		The System Operator remains of the view that automatic restoration of interruptible load following a system event has the potential to place the grid at increased risk, particularly as the cause of the system event may not always be immediately obvious. In addition, the definition of SIR in the Rules requires load to be "sustained until instructed by the system operator" and therefore a rule change would be required for this to occur.

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TrustPower	151	TrustPower agrees with the change as proposed.		Noted.
TrustPower	164	TrustPower agrees with the change as proposed.		Noted.
Meridian	Frequency Keeping costs	Meridian is concerned that the Commission's cost benefit analysis does not take into account all of the costs imposed on smaller market participants. In Meridian's view, the costs imposed on these participants will, in many instances, be higher than forecast by the Commission. This is particularly the case in the areas of frequency keeping and testing. Meridian would like to see the procurement plan more focused on reducing frequency keeping costs. While frequency costs are not such an issue at present, Meridian does not consider that there should be any less focus on keeping frequency costs down. Meridian notes that there has been no progress made on developing fixed price contracts or any other developments that will help promote competition.		The System Operator is in the process of reinstating the frequency keeping selection process under the new market system and is continuing to progress the issue of fixed price frequency keeping, although the System Operator does not necessarily agree that these measures will result in the reduction of frequency keeping costs.
Double offering of AUFLS				
Meridian	129A	Meridian has some concerns relating to this clause as Meridian considers that this represents a significant barrier to entry. In Meridian's view, there is strong potential for demand response to improve the operation of the market and deliver better security of supply outcomes. Meridian is therefore concerned that barriers to demand side response are reduced. Meridian notes that under this proposal, customers have no say in whether their load is armed for AUFLS as most of them won't be aware when this is the case. In Meridian's view, this removes a property right without providing compensation. Meridian notes that small consumers have little ability to negotiate with their network provider or Transpower to have themselves removed from the AUFLS feeder so this essentially excludes as many as 50% of ICPs. Meridian also notes that most large providers have exemptions from providing AUFLS and this creates a double standard. Meridian does not consider that there is any reason why a provider couldn't sign a Grid Support Contract with a 2.5hr call arrangement and offer into the Interruptible Load (IL) market as they can meet their obligations to both contracts. This clause is likely to prevent any chance of undertaking this type of arrangement. In Meridian's view, the provider should be required to disclose whether they are on an AUFLS feeder but it would be up to the System Operator to assess whether the affected network provider was offering sufficient AUFLS load and request more from them if this had a material affect. Meridian also considers that the provider should be required to disclose any other contracts that they have for other load management services they are providing.		Clause 129A was inserted to address a residual issue from last years procurement plan regarding the lack of regulatory obligations imposed on demand aggregators. The System Operator believed that incorporating the current AUFLS clause into the ancillary service contracts (which was already accepted and understood by participants), was the most appropriate means of addressing this issue. However, submissions received during consultation have raised the wider issue of load aggregators' access to IL on AUFLS circuits under Part C of the EGRs. This has come about due to recent innovations and emerging technologies which allow for a greater level of near real-time reporting, measurement and selection of load on AUFLS feeders. The System Operator believes the Commission needs to address this wider issue and understands that the Commission plans to do this as part of its existing workstreams. In the meantime, the System Operator believes

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		However, this should not automatic exclude them from offering IL.		that the proposed clause 129A should stay in its present form given that it (or similar versions of it) has been present in the ancillary service procurement contracts without dispute for several years.
Norske Skog	129A	Norske Skog notes that while this rule does not apply to them at present, they wish to point out that it would seem to be a poor outcome if load that could be made available to trip at 49.2 Hz is instead withheld from the reserves markets to meet a requirement to trip at a lower frequency.		See above response
Vector	129A	Vector agrees with the intent behind the proposed change but has some concerns with its practical implication. The proposal creates a regulatory obligation on participants to ensure that any load that forms part of a contracted obligation to the System Operator is not offered through other parties or contracts. Vector recognises that this clause already exists in the Ancillary Service Procurement Contract (ASPC). However, in practice, the clause may restrict the ability of load aggregators to offer load into the reserves market because they will not be able to offer load which a distributor may reasonably offer to the System Operator to fulfill its AUFLS obligations. Vector recommends that the EC consider in more detail the likely consequences of this proposal. Vector notes that once the Procurement Plan is amended, the equivalent clause containing this obligation would no longer be required in the ASPC and recommends that the clause is removed from the Ancillary Service Procurement Contract. Additionally, once the Rule change is made, clause 1.2 and 8.1 of the Part 2 of the ASPC may negate any claim under the equivalent clause in the contract and only the Rules may apply.		See above response. The System Operator believes it is important to retain its right to terminate the contract (and thereby exclude the provider from the market) in the event of a material breach (ie substantive non-compliance). No change recommended.
TrustPower	129A.2	This clause could be modified to improve clarity.	Change to "*…agreement with the system operator, a grid owner, a third party, or any load shedding agreement between…"*	The words "other than under" were inadvertently omitted from this clause by the Commission prior to consultation. These words have been reinserted.
Energy Response	129A	Energy Response notes that while clause 129A reconciles the draft procurement plan with the System Operator's ancillary services procurement contracts, it raises serious issues which they encourage the Electricity Commission to review and resolve. Prohibiting the use of Interruptible Load (IL) on AUFLS circuits will have ramifications across the electricity industry. As a demand side aggregator and market participant, Energy Response feels it is both timely and of great importance that these issues be finally dealt with. Their key concern is that Energy Response will be prevented from acquiring new IL on AUFLS circuits and through this action some major consumers will be		See above response to Meridian on this issue.

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		discriminated against to participate in the IL market and denied the associated benefits. Energy Response consider that the following key issues arise if clause 129A is adopted: • AUFLS circuits or feeders are needed as a safety valve to prevent a grid collapse if many generators trip but we never want to use it. IL is more valuable as a security product at 49.20Hz before these circuits get tripped. Allowing and encouraging new IL on AUFLS circuits by an ancillary services agent would improve long term grid security. Denying AUFLS access will further add to the costs of finding new IL across the whole market. • Furthermore, the AUFLS blocks should not include discretionary load that can be turned off by consumers for normal load management as this cannot be considered as firm capacity as part of the total load for the AUFLS circuits. This discretionary load may not be available if an AUFLS trip is called. Ancillary services agents (and aggregators) already report their aggregated load drops in IL at a GXP level. The IL drops could be reported at an ICP level if this was required. • Clause 129A will also have implications for consumers who do not know that they are on AUFLS circuits seeking to participate in demand-side programmes like IL (or Grid Support Contracts). Consumers on AUFLS do not have the ability to offer IL to an ancillary services agent and gain the associated benefits. They will likely view the situation as being an anti-competitive restriction upon their property rights in being able to earn money from electricity market(s). These property rights have been recognised and affirmed by the Electricity Commission. Those affected by this consumer rights contradiction may consider legally challenging the procurement plan. • It is currently difficult for aggregators like Energy Response to easily determine the location of AUFLS feeders and the ICPs they affect. If clause 129A is adopted then there must be clarity on where the AUFLS feeders are on each network. Energy Response highly recommends addressing the issues arising from clause 129A before they escalate further, especially with consumer groups. Energy Response is committed to improving the sustainability of New Zealand's infrastructure through gaining more IL especially in the North Island. Energy Response is more than willing to assist in this review process to find the right way of balancing IL and AUFLS in the instantaneous reserves market in the future.		

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Energy Intellect	129	Energy Intellect believes that open access to a contestable IL ancillary services market that benefits customers who choose to contract and receive benefit from the contribution of their load for the purposes of grid security will assist in reducing the overall costs of grid security, thereby benefiting all electricity users. Their issue with Rule 129A is that it discriminates against some customers as it prevents equal open access to the IL market for those electricity end users who are connected to AUFLS feeders. In particular, when at certain times, specific components of this customer load might not be required to fulfil the AUFLS obligation. This inequity is based on nothing more than where these customers are located on the distribution network. Energy Intellect does not want to see the current contingent event AUFLS arrangements diminished. They believe the focus should be on broader and more intelligently applied use of AUFLS connected loads and a more equitable and elegant outcome for many customers who may also face wholesale disconnection from the supply should insufficient IL be available. Energy Intellect believes that in the interests of open market contestability, a level playing field should be established for all participants offering IL ancillary services including the load aggregators. Existing distribution businesses that have regulatory obligations to provide AUFLS, can and do manage AUFLS load obligations on AUFLS armed feeders alongside contracted space heating and hot water load control. They assume that the management of these diversified load blocks is factored as additional load to those loads that are required to be shed on feeders, for purposes of either IL or AUFLS. They therefore argue that the rules should be amended in such a way that distributors be also open to factor within their feeder calculations loads that are also contracted by aggregators on AUFLS feeders. If this was the case, then the rules could be applied so both distributors and load aggregators could interact in a way where selective loads on AUFLS feeders could contribute to the wider IL market without impacting AUFLS obligations. In general, rule making around grid security and the procurement of ancillary services needs to take into consideration new innovation and emerging technologies. In this way, new solutions get deployed to facilitate greater access to lower cost load, and provide demand aggregators and distribution businesses equal and fair market access. They believe that this outcome can be achieved by providing a greater level of operational transparency and near real-time reporting and measurement of load availability on AUFLS feeders. For example, the demand side aggregator currently		See above response to Meridian on this issue.

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		operating in the NZ market who is deploying EIL's IL FLOWS technology has the ability to provide a near real-time view on all IL load they have available for dispatch. Furthermore, the FLOWS system has the ability to selectively arm customer load for IL dispatch, as and when required to do so. Consequently, this solution could be applied for application on AUFLS connected circuits, at time when AUFLS feeders may well over deliver on load when activated in an AUFLS contingent event. EIL's FLOWS system provide considerably more IL load management assurance by using the latest near real-time load measurement availability techniques. However, the application of this new technology is restricted in this regard because of rule 129A. EIL therefore argues that , as the technology is now emerging to selectively access IL load on AUFLS feeders, the following should be considered: • Rule 129A should be modified to accommodate selective access to IL loads on AUFLS circuits. • That Rule 129A be extended to allow an ancillary service agent to request from the third party who has the AUFLS or other obligations, a schedule that pertains to the value of load that would be available on an AUFLS feeder without impacting the AUFLS obligation. • That the ancillary services agent would have to provide to the third party who has the AUFLS or other obligation, an aggregate value of loads and the times and dates that these loads were armed for the purposes of IL.		
Special Testing requirement for IL providers				
Contact	135	Paragraph 135C refers to "this paragraph 135A".	Change to read "in accordance with paragraph 135A".	Agreed. Change recommended.
TrustPower	135-138	TrustPower notes that while this group of clauses do appear to function correctly, it may be more logical to explicitly split the obligations relating to interruptible load into their own section.	Consider reformatting by placing the interruptible load specific obligations into their own section.	Noted. This change could be considered as part of a wider review of the drafting issues within the procurement plan next year. No change recommended.
Northpower	135-136	Northpower supports the provisions in clause 135 and 136 that a fully compliant operation of equipment responding to an under-frequency event (UFE) should be considered as a suitable demonstration of its operational performance (clause 135A) and that no further tests are required (clause 136.1). Equipment operation in a genuine UFE is a far better indicator of correct operation than tests or simulations.		The System Operator considers the possibility of no UFE's occurring within a 12 month period as very remote and therefore doesn't believe that this additional wording is necessary. In the unlikely event that this did occur, the System Operator would need to work together with providers to manage the situation, taking into

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		In addition, where interruptible load is widely distributed across a network, tests of individual equipment components would be impractical, For instance, Northpower has over 10,000 relays capable of providing interruptible load-shedding and these relays are located in customer premises and in distribution transformers. Northpower suggests that the words "*or a longer period if a UFE has not occurred within the past 12 months*" should be added to clause 135A. While, at present, the number of UFE's per year would make this provision unnecessary, that could change in the future and there might be a 12 month period without any UFE's. To require providers to undertake alternative tests to prove compliance, simply because a UFE had not occurred in the preceding 12 month period, would, in Northpower's opinion, be unreasonable and would add unnecessary costs.		account the need to meet its reserve requirements while ensuring equitable access to the IL market for all providers. The System Operator notes that the position would be the same even if Northpower's suggested words were included, as the System Operator would still need to work together with providers to determine a new timeframe and manage the situation if no further UFE's occurred. In addition, the clause provides flexibility for the parties to agree the scope of the test, which would allow for issues of practicality and cost to be factored in. No change recommended.
Meridian	136	In Meridian's view, the testing described doesn't consider the practicalities for smaller providers and aggregators. Meridian recommends limiting these tests to individual loads above 5MW. Meridian considers that the cost of testing small loads on a regular basis will make them uneconomic as IL.		See above response to Northpower on the issue of flexibility around the scope of the test. No change recommended.
Vector	136	Vector understands the need for the System Operator to require end to end tests for market participants to ensure they are able to meet their contracted obligations. However, in principle, they do not believe the Rules are the appropriate mechanism to enforce what should be a contractual obligation/requirement. By including this in the Rules it may reduce market participation, drive up the cost for supplying ancillary services, and create barriers to entry. This must be balanced off against the System Operator's requirement of ensuring ancillary service reliability. In summary, if such a clause is necessary, Vector would be in favour of including a similar clause in the ancillary service procurement contract rather than in the Rules.		The System Operator believes that due to the fundamental importance of testing to the integrity of the IL , it is important to incorporate the testing requirements within the rules, to prevent this becoming an issue for contractual negotiation. No change recommended.