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29 May 2009

Darryl Renner
Director – System Operations and Common Quality
Electricity Commission
Level 7, ASB Bank Tower
2 Hunter St
Wellington

Dear Darryl

2009 Policy Statement Review - System Operator Submission

This letter constitutes Transpower System Operator's submission on the 2009 draft policy statement and on the submissions received by the Electricity Commission pursuant to Rule 11 of Part C, Section II of the EGRs.

The System Operator notes that there were only two submissions received by the Electricity Commission in respect of the 2009 draft policy statement (Genesis Energy and Meridian Energy). We have assessed those submissions and have responded in the table attached as appendix A of this letter. We note that we do not have any proposals for changes to the draft policy statement as a result of the submissions received.

The only issue of commonality between the two submissions received is in respect of the recipients of notices during grid emergency situations. This same issue was raised and considered in 2007. As discussed at that time, the System Operator's position is that its priority during emergency situations needs to be on managing security rather than communicating to the wider industry. Operationally, the previous requirement to follow up all verbal notices in writing was often not practicable for coordinators, or could create participant confusion where action had already been taken, or was in the course of being taken, to alleviate the grid emergency. Accordingly, the System Operator considers the proposal in the draft policy statement is appropriate and should be adopted unchanged. We comment further on this issue in the table attached.

Please let me know if you require any further information or explanation of the matters raised in this letter.

Yours sincerely,



John Campbell
Acting SO Risk and Performance Manager

Appendix A - Summary of Submissions Received by the Electricity Commission and System Operator's Response to Those Submissions

Submitter	Submission	Clause	System Operator Response
Meridian Energy	The System Operator has over time been reducing the timeliness and availability of important real time market information. As an example, market participants can no longer be certain that we will get grid emergency notices and will have to rely on an update provided on the SO website.		The example refers to the proposed change to Rule 67 which reflects the System Operator's current practice with no practical change to the recipients of formal notices. Further comment on this change is set out below.
Meridian Energy	Meridian notes that RAFs have been removed from the procurement plan. Meridian would like RAFs to be introduced into the Policy Statement		The System Operator notes that there is no reference to RAFs in the current procurement plan. Whilst the new market system will not initially include the facility to implement a risk adjustment factor (RAF) other than 0 or 1, the System Operator intends to progress a software change to reinstate the current variable RAF implementation. The draft policy statement change replicates the exemption granted, to allow flexibility for variable reserves to be re-implemented during the term of the policy statement without a further exemption or rule change.
Meridian Energy	Meridian maintains the view that the amendment to "when considered appropriate by the System operator ..." is inappropriate as it gives the System Operator absolute discretion with no obligation to be reasonable or prudent. Meridian suggest the amendment be changed to require the System Operator to apply the discretion of a reasonable and prudent operator.	19,20, 20.2, 20.3	The EGRs already require the System Operator to be reasonable and prudent. The proposed change is not needed.
Meridian Energy	In Meridian's view there is no justification for changing this clause. Meridian notes that the written confirmation required by this clause is a vital mechanism for communication of grid emergencies to the wider industry.	67	The current policy statement requires the System Operator to send formal notices to all registered participants (including test houses, data administrators, and metering equipment owners and other participants who have expressly indicated they do not wish to receive such notices). The proposed change to rule 67 of the policy statement aligns with the System Operator's current practice in that it sends written notices to those participants that, in the System Operator's view, may be able to assist in the grid emergency or will have a significant interest in the occurrence and nature of the grid emergency. The intention of the proposed change was not to exclude asset owners such as Meridian but to allow flexibility to ensure that formal notices were not sent to participants who did not have an interest in formal notices. Accordingly, the System Operator does not envisage any practical change, following the change (if effected), to whom formal notices will be sent.
Meridian Energy	Meridian agrees that it is important that the grid owner and asset owners are treated evenly and consider our suggested wording captures this more appropriately. Suggested wording: "in managing outage coordination and regional planning matters the System Operator will ensure that they treat Asset Owners and the grid Owner on the same basis.	151	The System Operator does not understand the issue sought to be addressed in Meridian's submission.

<p>Genesis Energy</p>	<p>The proposed changes (to clause 67) grant the System Operator discretion to decide who may be able to assist in mitigating a grid emergency and should therefore receive a formal notice. Genesis Energy has two objections to this discretion:</p> <ol style="list-style-type: none"> 1. The System Operator may exclude parties that could have helped alleviate the grid emergency; and 2. If a generator is not given a formal notice, then they are denied the opportunity to exercise their right to manage risks by altering offers inside the gate closure period on receipt of a formal notice. <p>Genesis Energy strongly recommends that clause 67 of the draft policy statement should revert to the 2005/2006 policy statement (requiring formal notices to be sent to all registered participants, excluding only unaffected distributors, and provided that a verbal notice is deemed to be a formal notice.</p>	<p>67</p>	<p>The proposed changes to clause 67 apply only in respect to written notices and, as set out above, will not change the System Operator's current practice in relation to whom the written notices are sent.</p> <p>The purpose of the grid emergency notice is to seek action from those able to assist to alleviate the grid emergency. Regarding the participants to whom the System Operator verbally advises of regional grid emergencies, the System Operator's position has been, and continues to be, that its priority during emergency situations is to verbally advise those participants it believes can assist the System Operator to alleviate the emergency situation. Participants will still receive written details of all grid emergencies declared, within 12 hours of declaration.</p>
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