



**T R A N S P O W E R**

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](http://www.transpower.co.nz)

Richard Fletcher  
[richard.fletcher@transpower.co.nz](mailto:richard.fletcher@transpower.co.nz)

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Lisa Du Fall  
Electricity Commission  
PO Box 10041  
WELLINGTON 6143

Dear Lisa

### **Review of urgent rule amendments relating to instantaneous reserve dispatch improvements**

This is Transpower New Zealand Limited's submission on the Electricity Commission's 1 April 2010 consultation paper *Review of urgent rule amendments relating to instantaneous reserve dispatch improvements*. Transpower as System Operator does not have any specific comments about the rule changes relating to improvements in the dispatch of instantaneous reserves. We agree that the Commission should recommend that the Minister not revoke, replace or amend them, with the exception of the minor amendments proposed in the consultation paper.

However, Transpower as System Operator would like to take this opportunity to re-iterate a concern it has previously raised with the Commission regarding the potential for an increased occurrence of extreme feasible pricing situations, and the lack of a mechanism for the System Operator to do anything about these.

As we have previously stated, SPD can sometimes find feasible solutions with extreme (close to constraint violation penalty (CVP)) prices. This can happen when the solution is highly constrained and there is a shortage of offers. While this issue exists currently, Transpower as System Operator believes that the instantaneous reserve dispatch rule changes are likely to increase the probability of an occurrence of this type of situation.

In addition, when resolving a reserve infeasibility, the System Operator is currently able to adjust the inputs to SPD only to the extent necessary to remove the infeasible situation. It is possible that this may also result in feasible solutions with extreme (close to CVP) final prices.

The System Operator suggests that, if the industry is concerned about this potential outcome, the Commission should look to introduce some mechanism to identify and resolve occurrences of this situation (compare, for example, the rules regarding high spring washer situations).

Yours sincerely

Richard Fletcher  
Regulatory Strategy Manager