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Submissions Administrator
Electricity Commission
PO Box 10041
Wellington 6143

Dear Sir/Madam

Re: Under-Frequency Event Charge Causer Determination

This covering letter and the attached Appendix comprise Transpower New Zealand Limited's submission as Grid Owner on the Electricity Commission's April 2010 consultation paper *Under-Frequency Event Charge Causer Determination*.

Transpower, as Grid Owner, strongly opposes the bulk of the proposals. We support the objective of trying to reduce the costs associated with identifying event causers. Unfortunately, the proposed changes will not achieve this at all – they will simply create new opportunities to dispute causation while, in some situations, leading to unfair outcomes, such as fully compliant asset owners being penalised while non compliant “true causers” are not. In the Appendix we expand on these problems with simple, realistic examples.

The size of the event charge itself is a problem. The quantum bears no relationship to the costs of the instantaneous reserves needed to manage an under-frequency event or any costs incurred by end users as a result of such an event. This will lead to undesirable and inefficient outcomes. The proposed changes do not address this issue at all.

We encourage the Commission to take a step back and undertake a first principles review of the wider issues at an appropriate time.

If the Commission seeks to reduce the incidence of costly and time consuming disputes about event charges, we suggest the de minimus for event charge liability simply be raised from 60MW to 200MW. With today's grid it is much less likely that, outside the special circumstances of testing and commissioning, cascade failure would result from failure of plant of less than 200MW. This simple change would reduce unnecessary transaction costs and the attendant risk of legal action without any of the perverse effects associated with the changes proposed by the Commission.

Yours sincerely



Patrick Strange
Chief Executive