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## **Vector submission on Consultation Paper – real-time pricing proposal**

1. This is Vector's submission to the Electricity Authority's (the Authority) Consultation Paper – Real Time Pricing Proposal (RTP Consultation). No part of this submission is confidential and we are happy for it to be publicly released.

### **Interaction with transmission pricing methodology**

2. We are surprised the Authority has suggested there is no interdependency between the RTP and its proposed changes for the TPM in its frequently asked questions on the RTP Consultation.
3. We understand the move to real time pricing (RTP) for the wholesale market will have implications for the Authority's transmission pricing methodology (TPM) proposal. The Authority's most recent proposed TPM guidelines, as part of its TPM reform, referred to wholesale market pricing. Accordingly, we are concerned such matters were not discussed in the RTP Consultation itself. This is especially the case given RTP is expected to be a significant reform to New Zealand's wholesale market.
4. The Authority's proposed TPM guideline created a requirement for Transpower where it considers applying a long-run marginal cost (LRMC) component to the Authority's proposed TPM reform. Where Transpower considers an LRMC component for TPM then it must demonstrate the LRMC pricing signal is "over and above" the signal provided by wholesale nodal prices and other transmission charges.
5. Given RTP is a significant change for wholesale nodal prices then it will have an impact on TPM. Specifically, any change to Transpower's capability of applying an LRMC as a result of a move to RTP should be acknowledged.

### **Specific comments on questions raised in the RTP Consultation**

6. We believe it is pivotal that the System Operator and electricity distribution businesses (EDBs) retain a degree of discretion in how they instruct and implement emergency load

shedding rather than the regulations being too descriptive and process driven. This is to ensure they both have adequate flexibility to make the best decision given the circumstances which can vary widely.

7. The suggestion by the System Operator to include ramp rates and minimum cycle times for dispatchable demand bids may have merits if it can minimise rebidding within the trading period which can cause price volatility.
8. The dispatch-lite could have less onerous compliance obligations if subject to a rigorous approval process to ensure the price response intentions are credible enough to be relied on for forecasting and setting prices. 'Opting-out' of dispatch-lite bids by allowing revisions within the trading period should be limited to certain circumstances and any 'non-compliance' should impact on their approval status.
9. In the long term an automated checking approach should be used for managing pricing. However, we suggest considering a bolt-on manual claim approach for a definite short term to deal with any RTP teething issues.

## Conclusion

10. We recommend the Authority disclose the interactions of the RTP with its proposal for TPM reform so that stakeholders are fully informed of the consequences for the Authority's TPM proposal. We have also provided our feedback on specific questions raised in the consultation.

Yours sincerely  
For and on behalf of Vector Ltd

A handwritten signature in blue ink, appearing to read "Richard Sharp".

**Richard Sharp**  
Head of Regulation and Pricing