

10 October 2017

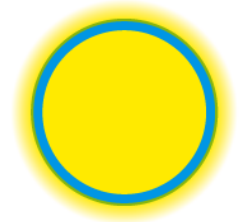
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POWERCO



Consultation on Real time pricing proposal

Powerco welcomes the opportunity to comment on the Electricity Authority's consultation on real-time pricing issued on 1 August 2017.

- We support the concept of real-time pricing.
- The existing process used to notify distributors of emergency load shedding is acceptable.
- We suggest the Authority further consider the operational implications of nodal scarcity pricing. There appears to be a mismatch between the resolution of wholesale settings and assumptions eg accurate meters at the node are not aligned with the resolution of transmission line ratings or demand-side dispatch options which will affect flows to/from nodes.
- We suggest the Authority consider the linkages between nodal scarcity pricing and other pricing mechanisms and associated decisions. The signals for transmission constraints, transmission investment, load shedding, and demand response need to be aligned to maximise efficiency. Some worked examples may assist the Authority and stakeholders.
- We want and need to understand the link between the pricing and dispatch implications of the proposal, especially around the price blocks for forecast demand. For example, the 5%/15%/80% price blocks appear to require a degree of quantity accuracy if they are called on. A common set of % bands across all GXPs (and EDBs) must reflect the reality of the GXP load, the ability to control it, and the ability to forecast it.
- At the Wellington workshop, we suggested the Authority consider the implications of the proposal for each participant. The nature and scope of FAQ questions sent to the Authority reinforces the value of that exercise. It will ensure the EA and participants have a common understanding of the proposal and its implications.

If you wish to discuss our submission, please contact Andrew Kerr (andrew.kerr@powerco.co.nz).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Fletcher'.

Richard Fletcher
General Manager Commercial and Regulatory