



Electricity Authority

By email: OperationsConsult@ea.govt.nz

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Cost Allocation for Instantaneous Reserves Procurement

Transpower welcomes the opportunity to submit to the Authority's consultation on its *Review of Cost Allocation for Instantaneous Reserves Procurement*, published 22 July 2024.

Clarifying allocation policy for generation connected to a distributor's network

The proposal for new Code clause 8.59A requires the system operator to publish and maintain a list of *at-risk generation*. At-risk generation is described as a generating unit, or group of generating units, where failure of the generating unit(s) or the asset connecting it/them **to the grid** is classified as a contingent event¹ [emphasis added]. The Authority describes the policy intent that *"by aligning IR cost allocations to the system operator's determination of CEs, allocations would automatically adapt to who is causing IR procurement and by how much* [para. 4.11].

In our view this statement for policy intent implies that the allocation policy would also apply to the system operator's modelled generation on a distributor's network too, not just limited to generation unit(s) connected to the grid.

Comment on proposed clause 8.59A sub-clauses (1) (2) and (5)

If the intent is to include **all** contingent event risks modelled by the system operator then the proposed drafting is likely to exclude some of them. In the table below, we outline suggested drafting changes to the proposed Code, to also apply to **at-risk generation** connected to a distributor's network too (if intended); and more specificity around the request from participants for generating unit information provision.

In particular we consider the use of the defined term "**connection asset**" (only defined for the TPM under part 12) would also limit the policy application to grid-connected generation units where Transpower owns the connection asset. We propose the term should be generalised as "connection asset" – i.e. not bolded in the Code - to ensure that the **at-risk generating unit(s)** that is the cause of the contingent event risk may be connected to any network and owned by any party.

¹ As defined in the policy statement under normal conditions.

Proposed Code	Transpower response
<p>8.59A At risk generation list</p> <p>(1) The system operator must publish and maintain a list of at-risk generation in accordance with this clause</p>	<p>Agree. However, the Code should clarify whether generation on a distributor's network that is modelled by the system operator as contingent risk, should also receive an allocation.</p>
<p>(2) The list must:</p> <p>(a) list each generating unit, or group of generating units at a single GIP and owned by a single generator, whose failure, including the failure of its connection assets connecting it or them to the grid, would be treated as a contingent event (as defined in the policy statement) under normal conditions; and</p> <p>(b) where a generating unit or group of generating units satisfies paragraph (a) for a limited time only, specify a start and end date and time for the inclusion of that generating unit or group of generating units in the list.</p>	<p>Replace "single GIP" with "single point of connection" to cover contingent risk that connects to a GXP not GIP. For example, Te Uku is modelled as a contingent risk and connects to the TWH0331 GXP (TWH is Te Kowhai).</p> <p>Unbold the term "connection asset" because:</p> <p>(i) connection asset is a defined term in the TPM for pricing purposes under part 12, so n/a to Part 8</p> <p>(ii) a grid-connected generator may own the asset connecting its generation to the grid</p> <p>(iii) generation connected to a distribution/embedded network to can be covered by the allocation policy, if intended.</p> <p>For example, the windfarm at TWH is on a dedicated WEL network feeder.</p> <p>The Authority should also replace grid with network, if generation connected to a distribution/embedded network is intended to be covered by the allocation policy.</p>
<p>(5) The system operator may request from any participant information about electricity injected where that information is required to calculate allocations of availability costs under clause 8.59, and specify a reasonable timeframe within which the information must be provided.</p>	<p>The system operator needs to know about points of connection with single units >60MW, and the total for a group of generating units >60MW. Proposed drafting:</p> <p>(5) The system operator may:</p> <p>(a) request from the participant responsible for at risk generation information about the generation from a generation unit (> 60MW) or group of generating units (> 60MW) and</p> <p>(b) acting reasonably specify the time frame to provide the information, its format, and the method of delivery.</p>

We respond to the questions in the appendix.

Yours sincerely

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Head of Regulation

Appendix - Transpower response to questions

Question	Transpower response
Q1. Do you agree with the description of the issues identified by the Authority? If not, why not?	Yes. If we remain with the status quo, the expected increase in connections from renewable technologies would mean these technologies would not contribute to the procurement costs of instantaneous reserve despite being a source of trip risk.
Q.2 Do you agree with the objectives of the proposed amendment? If not, why not?	Yes. The system operator is modelling contingent event risk from all types of generation technology in the evolving generation mix, but the funding for covering that risk remains with generation technologies of a previous context.
Q3. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes. The proposal is targeted to only the at-risk generation identified as a contingent event under normal operating conditions, at a single point of connection. Being targeted like this means the benefit of the cost allocation is achieved with minimal disruption and cost to service provider tools and processes.
Q4. Do you think there are any other costs or benefits for the proposed amendment that have not been identified?	No comment.
Q5. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	Yes. We agree with dismissing the option that contingent event risks should be codified, so that the system operator can update the costs allocations as it updates its classification of a contingent event (i.e. the update would not require a code change).
Q6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes.
Q7. Do you have any comments on the drafting of the proposed amendment?	Yes, please see the body of this submission.