

30 August 2024

Nova Energy Limited
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Electricity Authority

By email: operationsconsult@ea.govt.nz

Cross submission - Instantaneous reserve cost allocation to groups of generating units

Nova notes the general support for the Authority's proposed Code change.

By factoring in generator's single circuit point of connection to the Grid in its allocation of reserve energy costs, the Authority is in effect conflating generator reliability with grid reliability standards. Nova has proposed allocating a reduced share of reserves costs where the only real supply risk is with the grid connection, i.e. where there is minimal risk to the operation of the Grid.

Nova agrees with Meridian Energy and Transpower that there is room for improvement to the changes put forward in the Consultation Paper. Meridian's proposed changes are not inconsistent with the principal behind with Nova's proposed variation.

Nova does not anticipate its proposed variation being difficult for Transpower to implement, but that requires input from Transpower to confirm.

Genesis will be a net beneficiary of the changes, and Nova agrees that the allocation of reserves costs on the large thermal units should be reduced. Nova's proposed change would likely reduce the magnitude of the net benefit to Genesis, but not entirely. If any existing generation is to be exempted from the new allocation of reserves costs, then that should be applied to all existing generation rather than any arbitrary cut-off date.

From the publicly announced solar PV projects that Nova is aware of, Lodestone is unlikely to be impacted by the change in any case.

Nova's proposed change is consistent with the NZGIF submission that new renewable energy generation projects should not be disadvantaged by the imposition of costs that will raise the hurdle for project approval and yet is unlikely to impact on future project design given the capital cost of transformers and grid connections.

Yours sincerely



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