

15 November 2024

Electricity Authority
Email: forecasting@ea.govt.nz

Review of forecasting provisions for intermittent generators – proposed Code amendments

NZX Limited (**NZX**) submits this response to the Electricity Authority's (**Authority**) consultation on '*Review of forecasting provisions for intermittent generators – proposed Code amendments*' dated 11 October 2024.

NZX thanks the Authority for the opportunity to make this submission. NZX has also appreciated the earlier engagement we have had with the Authority around implementation of this initiative. This submission is not confidential.

About NZX

NZX is a licenced securities exchange that operates the public equity, debt and derivatives markets. NZX is a regulated participant in the electricity market through its provision of electricity market operation services as contracted by the Authority on behalf of participants.

It is from this perspective and with this background that NZX is making this submission.

Introductory Comments

NZX supports in principle the introduction of a hybrid forecasting arrangement for intermittent generation. We agree that the current arrangements often result in highly inaccurate and unreliable information being supplied into the market which in turn impacts system security, the efficient use of other generation resources, and limits demand side participation.

The Centralised Forecaster will play a pivotal role in the above-mentioned electricity market outcomes, it will hold proprietary generator configuration data, it will have real time connectivity with intermittent generators and service providers, and will also create regulatory obligations on other participants.

It is for those reasons NZX has recommended to the Authority that the function be established as a Code designated service provider. Our basis for that recommendation was that this model leverages the existing electricity market design settings which derives benefits to participants in areas such as mandated transparency in contractual and operational obligations, having well defined procedures and controls that are subject to regular audit, and having its market facilitation activities subject to a high threshold of compliance and oversight.

Furthermore, a Code designated service provider ensures there is a visible and regulated pathway for compliance and dispute resolution under the Electricity Industry (Enforcement) Regulations 2010.

Given the Authority is already pursuing an alternative contracting approach for the Centralised Forecaster (as per its RFP design currently published in GETS), as the service matures NZX recommends active consideration be given to strengthening and evolving the function into a Code regulated service provider role. This will enhance transparency in the market settings and ensures alignment with other regulated service providers.

Response to Consultation Questions

Q1. Do you agree that the proposed Code amendments are necessary to give effect to the Authority's policy decisions? If not, please explain why.

NZX considers the proposed Code amendments do give effect to the Authority's policy decisions.

We note however that a significant portion of the Centralised Forecaster functions and the requirements on intermittent generators will sit within Authority drafted Guidelines. Our understanding is that Guidelines are unenforceable under the Code and therefore could give rise to ambiguity around operational processes and respective obligations on participants, including other service providers. Usual practice would be to incorporate these design settings into either the Code (as a rule, a schedule, or a methodology) or directly into a market operations service provider contract – which is a public document. A Code designated service provider model would have addressed that apparent regulatory gap.

Q2. Do you agree that intermittent generators will be required to submit their first offer six days before the beginning of the trading period to which the offer relates? What impacts, if any, would this change have on you?

No comment.

Q3. Do you agree with the revised decision that all industry participants (i.e. not only generators) should be required to contribute to the costs of the centralised forecast rather than generators only?

No comment.

Q4. Do you agree the Authority's proposed Code amendments complies with section 32(1) of the Act?

No comment.

Q5. What inputs would intermittent generators need to provide to the centralised forecaster to produce accurate generation forecasts? Would there be issues with intermittent generators providing this information?

To create a MW value generation forecast, the Centralised Forecaster will be holding confidential data on the design and output characteristics of various intermittent generation units and sites. Given the Centralised Forecaster will not be a Code regulated service provider, nor it required to operate with a designated 'market information system', we consider that it will be important for the Authority to provide assurance to participants that both technical and operational best practice industry standards for data protection will be adopted by the provider. In line with other service provider requirements, and for transparency and assurance to participants, we recommend the Authority provides regular reporting of the Centraliser Forecaster's compliance with its contractual SLA's, beyond just only its forecasting performance.

Q6. Do you have any comments on the drafting of the proposed Code amendments?

NZX notes that the period of time for functional implementation of the initiative by 1 July 2025 may be a constraint to the delivery of a solution that fully meets the intent of the Authority's Decision. Moreso, given Guidelines on final design and operational structure will not be available until selection of a Centralised Forecaster is made. Intermittent generators and service providers will need sufficient notice on the operational design in order to develop systems and processes in time for 1 July 2025.

Closing

Thank you again for the opportunity to submit on this consultation. Please do not hesitate to contact me on any matter contained in this submission.

Yours sincerely



Shane Dinnan
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NZX