



11 February 2019

Submissions  
Electricity Authority  
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**Consultation Paper – Review of regulatory settings for OCCs**

Thank you for the opportunity to provide comment on the Consultation Paper above.

Contact supports the inclusion of contingent storage when determining whether to enter into an official compensation campaign (OCC). Including contingent storage is a true representation of the actual risk of a supply shortage and reduces the risk of prematurely entering into an OCC whereby consumers are voluntarily curtailing demand unnecessarily. As per the status quo, this would be an inefficient and uneconomic outcome for the end consumer.

We also support that the South Island and National OCCs are retained. This will provide the System Operator with flexibility on how a security of supply situation is managed in respect to the location of the low storage situation, and there are still issues with transferring energy from North to South under certain system conditions.

We do not support the proposed change to how an OCC is ended. Our preference is retain the status quo, having a known boundary increases certainty and provides a more efficient outcome.

For Contact's response to the specific questions in the consultation paper please see Appendix 1.

If you require further clarification please do not hesitate to contact me directly.

Yours sincerely,

Gerard Demler

A handwritten signature in blue ink, appearing to be "GD", with a long horizontal flourish extending to the right.

**Transmission Manager, Contact Energy**

## Appendix 1

Question	Response
<p>Q1. Do you agree the 10% HRC, calculated inclusive of contingent storage, should be used to trigger the start of an OCC? If you disagree, please provide reasons</p>	<p>Yes</p>
<p>Q2. Do you agree a buffer should be added to any HRC floor? Please provide reasons.</p>	<p>No we don't consider there is a need for a buffer above an HRC floor A floor is only applied during periods when the risk of shortage is unlikely, and demand still needs to be met by dispatching least cost generation.</p>
<p>Q3. Do you agree a Code amendment putting in place a floor on the 10% HRC is necessary and desirable to avoid the infeasible solution described in paragraphs 3.14 to 3.20? If you disagree, please provide reasons.</p>	<p>Yes. A floor would provide certainty on release triggers rather than using discretion at the time.</p>
<p>Q4. Do you agree with our preferred potential change to the reserve supply determination? If you disagree, please provide reasons.</p>	<p>Yes</p>
<p>Q5. Do you agree there are adverse effects on reliability of supply and market efficiency from the current arrangements for ending an OCC?</p>	<p>Yes, but the periods where this would occur (periods where the 8-10% HRCs are tightly converged) are unlikely.</p>
<p>Q6. Do you agree with our proposed approach to addressing these adverse effects?</p>	<p>No. As per our Q5 response we consider the risk of this occurring is low and prefer the certainty that the current arrangement provides rather than replacing this certainty with a subjective assessment.</p>
<p>Q7. Do you agree there should be two forms of OCC – a South Island-only OCC and a New Zealand-wide OCC? Please give reasons with your answer.</p>	<p>Yes. Two forms of OCC provide the System Operator with more flexibility on how a security of supply situation is managed in respect to the location of the low storage situation. There are still issues with transferring energy from North to South under certain grid conditions.</p>
<p>Q8. Do you agree with the proposal's objective? If not, why not?</p>	<p>Somewhat agree. As per our response to Q5 and Q6 we question whether changing the</p>

<p>Q9. Do you agree the benefits of the proposed amendment outweigh its costs?</p> <p>Q10. Do you agree the proposed amendment is preferable to the status quo and the alternatives? 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.</p> <p>Q11. How far in advance of the start of winter 2019 (i.e., 1 June 2019) would you need the proposed changes implemented to be of use in your operational decision-making for winter 2019?</p> <p>Q12. Do you agree that the Authority's proposal complies with section 32(1) of the Electricity Industry Act 2010?</p> <p>Q13. Do you agree with the Authority's assessment of the proposal against the Code amendment principles? Please give reasons if you do not.</p> <p>Q14. Do you have any comments on the drafting of the proposed amendment?</p>	<p>end trigger for OCCs from the status quo is efficient as it removes certainty.</p> <p>Agree with the exception of the proposed changes to end an OCC. As per our response to Q8 and 5.2.1 we believe there would be additional costs associated with this added uncertainty.</p> <p>No, with respect to ending an OCC we would prefer to retain the status quo as we believe having a known boundary increases certainty and is more consistent with the Authority's efficiency objective.</p> <p>The changes would need to be implemented as soon as practicably possible.</p> <p>Yes with the exception of the proposal to end an OCC.</p> <p>Yes with the exception of the proposal to end an OCC.</p> <p>As per our responses above on the proposal to end an OCC the drafting of 9.23A would not be required.</p>
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