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Electricity Authority & Transpower
By email: submissions@ea.govt.nz;
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Review of regulatory settings for Official Conservation Campaigns & Draft Security of Supply Forecasting and Information Policy

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide a submission to the Electricity Authority (the **Authority**) and Transpower Limited (**Transpower**) on the consultation papers *Review of regulatory settings for Official Conservation Campaigns* and *Invitation to comment: Draft Security of Supply Forecasting and Information Policy* (**joint consultation**).

We have chosen to provide a single submission for the joint consultation as generally, we support the proposed changes to include contingent storage in the Security of Supply Forecasting and Information Policy (**SoSFIP**) and to amend the regulatory settings that trigger Official Conservation Campaigns (**OCC**); subject to our comments below and in response to the consultation questions.

We consider including contingent storage in the SoSFIP will mean that hydro risk curves (**HRC**) better reflect the actual, physical risk of a hydro shortfall. This provides market participants with greater transparency around the true level of available hydro storage, enabling them to make more efficient decisions. While there is some risk that these changes could encourage participants to more aggressively draw on their lakes, this is appropriately minimised if there is a sensible buffer imposed.

In our view, Transpower and the Authority should take this opportunity to consider whether additional improvements can be made to HRC modelling. In a previous submission, Genesis said it sees the HRC as representing the risk of running out of stored energy, which also includes thermal fuels such as coal and gas. We appreciate Transpower has taken initial steps to reflect thermal fuel limitations in the HRC to-date, and look forward to this process being further embedded and optimised with time.

We also consider there is scope for Transpower to improve the underlying assumptions it makes in the HRC modelling to ensure that the HRC continue to reasonably represent risks present to the market. An example of an assumption that should be reviewed is the point at which a large gas user such as Methanex would pull back or cease production in the event of a gas shortage. We suggest Transpower engages with stakeholders on matters such as this with a view to improving its demand forecasting and ensuring the assumptions underlying the model remain current.

If you would like to discuss any of these matters further in the meantime, please contact me by email: margie.mccrone@genesisenergy.co.nz or by phone: 09 951 9272.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. McCrone".

Margie McCrone
Senior Advisor, Government Relations and Regulation

Appendix A: Response to consultation questions: Review of regulatory settings for Official Conservation Campaigns

QUESTION	COMMENT
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.	Yes.
Q2: Do you agree a buffer should be added to any HRC floor? Please provide reasons.	Yes. In our view, the buffer should be conservative so as to minimise the risk of being found short in the event that operational limitations prevent access to the storage; for example, environmental or engineering constraints.
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.	Yes.
Q4: Do you agree with our preferred potential change to the reserve supply determination? If you disagree, please provide reasons.	Yes.
Q5: Do you agree there are adverse effects on reliability of supply and market efficiency from the current arrangements for ending an OCC?	No. The status quo is sufficient to end an OCC.
Q6: Do you agree with our proposed approach to addressing these adverse effects?	No. In our view, the proposed approach would risk prolonging an OCC unnecessarily, which would be to the detriment of consumers and the wider economy.
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.	Given the Authority has suggested it does not intend to make changes at this stage, we would prefer to refrain from commenting until there was more information on which to base our views. At this stage, we do not believe there has been a case made to move away from the status quo.
Q8: Do you agree with the proposal's objective? If not, why not?	No. Please refer our response to Q5 and Q6.

Q9: Do you agree the benefits of the proposed amendment outweigh its costs?	No. We consider the cost of potentially prolonging an OCC to be greater than the benefits proposed.
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.	Genesis prefers setting a minimum quantity of hydro storage as the exit trigger. This method will be simpler for participants to understand and it accounts for the actual savings achieved by the OCC, which is a robust and efficient outcome.
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?	In our view, a minimum of six months would be ideal to enable medium-long term planning; but a month would support short term planning at least.
Q12: Do you agree that the Authority's proposal complies with section 32(1) of the Electricity Industry Act 2010?	No comment.
Q13: Do you agree with the Authority's assessment of the proposal against the Code amendment principles? Please give reasons if you do not.	Please refer our response to Q9.
Q14: Do you have any comments on the drafting of the proposed amendment?	No comment.

Appendix B: Response to consultation questions: Invitation to comment: Draft Security of Supply Forecasting and Information Policy

QUESTION	COMMENT
Q1: Do you agree with our evaluation criteria for assessing whether or not to include contingent storage in the HRCs? If not, what should be included or removed, and why?	Yes.
Q2: Do you agree in principle that contingent storage should be included in the HRCs (subject to the methodology of inclusion, addressed in following questions)? If not, why not?	<p>Yes, we consider that accessible contingent storage with some buffer provided should be included in the HRC.</p> <p>In our view, it is crucial to avoid relying on storage that is untested and inaccessible as may be the case with some contingent lake reserve. Its [contingent storage] inclusion must be backed by clear guidance from consenting authorities as to how much is</p>

	actually available and very clear definitions of the start and stop triggers for accessing it.
Q3: Do you agree with our proposal to include contingent storage in the derivation of the HRCs and present the contingent storage release boundaries separately? If not, why not?	Our preference is for a solution that is simple for participants to understand. Having two or more graphs increases the complexity of the HRC but is required to make the inclusion of contingent storage in the HRC practical. We recommend a maximum of two graphs for simplicity.
Q4: If you are a consent holder or consenting authority, are you supportive of release boundaries inclusive of contingent storage, or exclusive? Please explain your reasons.	We are indifferent to which option is chosen. The simplest option with minimal graphs to reference is preferred.
Q5: Do you agree with our proposal that the possibility of unprecedentedly low inflow and storage situations is best addressed as and when such an event occurs, or do you believe we should add additional mechanisms to deal with this situation? If you believe we should add additional mechanisms to deal with this situation, what mechanism do you prefer?	Yes, we would prefer not to add additional mechanisms to deal with this situation.
Q6: Do you agree with how we propose to present the HRCs and contingent storage release boundaries? If not, why not?	Yes. While a single, easy to understand chart would be preferable, we appreciate it is difficult to avoid having two charts. We see there is a risk that wider industry stakeholders, consenting authorities and the general public may be confused by the two charts, so recommend care is taken to clearly distinguish them in the event an OCC is required.
Q7: Do you agree with our analysis of, and proposed approach for, Watch and Alert statuses? If not, why not?	No comment.
Q8: Do you agree with our proposed clarifications regarding the security of supply annual assessment (SOSA) and extending its annual deadline from 1 March to 30 April? If not, what would you recommend, and why?	Yes.
Q9: Do you agree with our proposal that we retain the requirement to include the lakes specified in the current SOSFIP, but add the ability for the system operator to include other lakes for which reliable information becomes available and where such inclusion would be material? If not, what would you recommend, and why?	Yes, provided there is a clearly defined process to determine whether a lake is material and whether there is reliable information available about it.

<p>Q10: Do you agree with our proposal to commit to publishing hydro storage projections by the end of January and updating them if necessary by the end of April? If not, what would you recommend, and why?</p>	<p>Yes.</p>
<p>Q11: Do you agree that, as they are detailed in the Security of Supply Assumptions Document (SSAD), we should remove the formulae for determining the winter energy margins (WEM) and winter capacity margins (WCM) from the SOSFIP? If not, why not?</p>	<p>No comment.</p>
<p>Q12: Do you agree that we retain the requirement for publishing gas supply scenarios and expand to thermal fuels generally? If not, what would you recommend, and why?</p>	<p>Yes. We consider that to forecast the HRC and get a true representation of a hydro shortfall, possible thermal energy shortfalls must be accounted for.</p>
<p>Q13: Do you agree with our proposals for rationalisation of the SOSFIP terminology? If not, why not?</p>	<p>Yes.</p>
<p>Q14: Do you agree with our proposals for minor updates to the SOSFIP? If not, why not?</p>	<p>No comment.</p>