

4 February 2019

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

By email: submissions@ea.govt.nz

Nova Energy Limited
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Re: Consultation Paper – Review of regulatory settings for official conservation campaigns

Nova Energy is pleased the Authority is reviewing the regulatory settings for official conservation campaigns (OCCs). Recent experience has brought OCCs into focus, and it has always been fundamentally illogical for contingent hydro reserves to be regarded as only available once managed hydro storage reached very low levels.

Nova supports the Authority's position on most points in the Consultation Paper.

Nova also suggests an alternative method of determining the end of an OCC, and making provision for applying an OCC on a separate New Zealand wide or regional basis. These suggestions are made in the attached response to the Authority's questions.

Please feel free to contact me if you wish to discuss our views further.

Yours sincerely



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Nova submission

Review of regulatory settings for official conservation campaigns Consultation Paper

Q No.	Question	Response
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.	Agree
Q2.	Do you agree a buffer should be added to any HRC floor? Please provide reasons.	Yes. The key issue is that there are many reasons why the different generators may use the water from their controlled hydro lakes at different rates. Because water used in generation at Tekapo flows to Pukaki, the equation there also becomes complex when lake levels are very low.
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?	Yes

Q6.	Do you agree with our proposed approach to addressing these adverse effects?	<p>Nova suggests that the proposed approach is too complex for the casual observer to understand; and because of that, the process may seem somewhat arbitrary to most people. That could result in some distrust about what authorities are attempting to achieve.</p> <p>Nova would prefer to see consumers given a firm target to reach, such as achieving a buffer of [10%] of seasonal weekly demand above the 10% HRC. (The specific numbers can be calculated in advance.)</p> <p>Consumers could then directly relate that to aiming to reduce their electricity usage by 10% during the OCC. The link to seasonal electricity demand would ensure the size of buffer is appropriate for the time of year.</p> <p>While this simplified formula may be less 'technically correct', the messaging would be simple, direct, and measurable. It also eliminates confusion on the difference between 4%, 8% and 10% HRC levels.</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>Nova questions whether he expected differences in timing between the SI and NZ are significant enough to justify the differentiation, particularly as savings in consumption in Wellington also impact on southward power flows on the HVDC.</p> <p>Of more use would be provision in the Code for an OCC on a regional basis where there is potential for an energy shortage due to an FM event, e.g. arising from catastrophic failures to parts of the electricity supply system, e.g. fuel supply, generation failures, canal failures, or grid failure, which could create special needs for demand reduction in a specific region.</p>
Q8.	Do you agree with the proposal's objective? If not, why not?	Yes
Q9.	Do you agree the benefits of the proposed amendment outweigh its costs?	Yes

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>Yes, with the variations as proposed above:</p> <ul style="list-style-type: none"> • Ending the OCC on the basis of reaching hydro reserves equivalent to 10% of one week's demand above the 10% HRC; and • Applying an NZ-wide OCC only unless there is an FM situation requiring an OCC on an NZ or regional basis.
Q11.	How far in advance of the start of winter 2019 (ie, 1 June 2019) would you need the proposed changes implemented to be of use in your operational decision-making for winter 2019?	n.a.
Q12.	Do you agree that the Authority's proposal complies with section 32(1) of the Electricity Industry Act 2010?	Yes
Q13.	Do you agree with the Authority's assessment of the proposal against the Code amendment principles? Please give reasons if you do not.	Yes
Q14.	Do you have any comments on the drafting of the proposed amendment?	Amendments required as per suggestions above.