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Via email: system.operator@transpower.co.nz

SUBMISSION ON ADJUSTMENT TO ALERT CONTINGENT STORAGE RELEASE BOUNDARY

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on Transpower's draft decision paper 'Adjustment to Alert Contingent Storage Release Boundary' paper from August 2024.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

ERANZ supports Transpower's draft decision to, in its role as System Operator, utilise its discretion to increase the buffer applied in calculating the Contingent Storage Release Boundary ('CSRB') from 50 GWh to 320 GWh from 1 September 2024 until 1 October 2024. However, ERANZ queries whether the draft decision goes far enough.

ERANZ agrees with the commentary and analysis that underpins Transpower's decision-making and supports the objectives Transpower is trying to achieve. The current market conditions are highly unusual, and steps must be taken to alleviate supply shortages where they are available. Lifting the CSRB is a practical, short-term step that will provide relief to the system.

Transpower's draft decision document notes that this step is not without risk, and future fuel supply issues, specifically the rainfall and snow melt rate over the next few months, remain critical.

Therefore, ERANZ also supports Transpower continuing to monitor the situation concerning both hydro lake levels and the wholesale price generally and consider the merits of continuing with a higher CSRB beyond 1 October. Additionally, generators would benefit from a more extended notice period to lift the alert conditions. Currently, it returns to the current levels with a one-week notice, which could be very difficult to manage and may mean operators are reluctant to actually go into contingent reserve. ERANZ recommends this notice period should be extended to one month.

Furthermore, Transpower could do more to overcome practical operating restrictions. For example, there are 151 GWh of storage in the low ranges of Manapōuri and Te Anau lakes, and it is

extremely hard for the operator to use that storage given their draw-down limits and timeframes within which lake levels must increase. The proposed buffer includes an allowance for only 50 GWh of that storage, meaning there remains a high likelihood that, under the current proposal, all reservoirs except Manapōuri and Te Anau could be at, or close to, the bottom of their controlled storage and the Alert would still not be triggered. That would result in significant security of supply risks.

The current situation does highlight broader concerns about the performance of the current risk curves. It seems counterintuitive that they indicate the market is stable when wholesale prices are elevated and market participants are concerned. We recommend that Transpower establish a work programme to examine how these curves will function in the coming years.

ERANZ supports the additional measures Transpower is implementing, including providing the market with additional information, updating data releases more frequently, and taking other preparatory steps.

ERANZ would like to thank Transpower for working at pace to provide relief to the market. We are happy to provide any further information on this submission as needed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Clark', with a long horizontal flourish extending to the right.

Kenny Clark
Policy Consultant