

20 May 2014

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#### **SUBMISSION ON EFFICIENT PROCUREMENT OF EXTENDED RESERVES**

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the “Efficient procurement of extended reserves – draft Code amendment” consultation paper (the **paper**) released by the Authority in April 2014.
- 2 Our submission is in two parts:
  - 2.1 general comments, and
  - 2.2 responses to the papers specific questions as an appendix.

#### **General comments**

- 3 As a South Island distributor Orion acknowledges that the intention of the Authority’s approach is that it will not be applied to South island Grid owners or distributors at this stage. Having said that we note that the proposed Code changes clause 17.48A of Part 17 will have a specific date on which the Code changes will apply to South Island. We are concerned that as a result of the Authority’s indications that this is a North Island issue only at this stage that South Island distributors may not be fully engaged and this could result in inadequate consultation in the South island.
- 4 Orion considers that security of supply is of utmost importance to both customers and the industry and we support the need for a planned industry

- approach to the co-ordination of response to those low probability high impact situations that may lead to automatic under frequency load shedding (AUFLS) and rolling outages.
- 5 The Authority and its predecessor the Electricity Commission together with industry have spent considerable time and effort on addressing issues relating to AUFLS, interruptible load (IL), instantaneous reserves (IR) and rolling outages.
  - 6 The treatment of extended reserves has become complicated and while the System Operator and the Authority have made progress in addressing many of the long standing technical and coordination issues, significant detail is yet to be resolved.
  - 7 The rollout of the technical changes proposed in the draft Code will achieve significant VOLL saving benefits. The remaining net benefits from the proposed procurement processes are less certain. We believe that the remaining VOLL benefits can be managed over time by fine tuning the AUFLS profile using a combination of dynamic arming using pre-programmed (time clocks) and arming in real time of a number of “flexible ER demand units”.
  - 8 We consider that the Authority’s preferred approach is attempting to progress an **ER procurement proposal** before it fully understands the economic effectiveness of the current situation. There appears to be a push for market approach through the use of a business case with significant assumptions about the current AUFLS VOLL costs relative to what could be achieved under the proposal or a simpler proposal.
  - 9 We believe that a staged approach that moves in the perceived right direction while eliminating some of the business case uncertainties along the way would be more appropriate.
  - 10 As a first stage there is a lot to be learned through simply receiving and analysing load profile and VOLL information from distributors. We note that the support of Retailers and other asset owners may be required to get the necessary customer type information to support reasonable VOLL estimates.
  - 11 The Authority’s possible hybrid methodology set out in Appendix E76 to 80 explores this kind of approach and we think this has merit. However it is unclear from the paper whether such an approach or an alternative staged approach has already been ruled out of the Authority’s consideration by the Authority’s adoption of its preferred approach (2c).

- 12 We believe that the Authority can achieve the bulk of the potential benefits from gathering information to assist with the development, consultation and implementation of the technical standards and selection methodology. These are at present presented only as indicative examples in the paper and will need to be fully developed and consulted on.
- 13 We also consider that until we have seen a fully developed set of technical standards and selection methodology it is not possible to fully comment on whether the proposed Code changes are appropriate.
- 14 However it is clear from the example of the proposed technical standard that there will be significant detail and compliance issues to address. For example, the example technical specification sets maximum and minimum levels around the target block (shedding) size and for each of the four blocks. It is unclear how compliance with these tolerances will be dealt with. In addition this appears to put in place an approach that the Authority has ruled out on the basis that there are significant compliance costs for parties to meet.<sup>1</sup>
- 15 Issues such as this need to be resolved prior to implementing significant Code changes and locking in a ‘charges’ and ‘payment’ procurement approach.
- 16 We consider that the ‘charges’ and ‘payments’ procurement approach has many issues that need significant clarification including regulatory price path issues, and whether the Authority requires that the charges and payments be assigned at an ICP level (not specified in the paper) in which case this is not practically achievable. Overall we consider that the ‘charge’ and ‘payment’ procurement process will be administratively intensive and costly to implement.
- 17 Nor do we believe that a ‘charge’ and ‘payment’ procurement process is necessary to achieve the remaining VOLL saving benefits, which we consider can be largely achieved overtime by moving to dynamic arming in real time of a number of “flexible ER demand units” to fine tune the load at risk of AUFLS trip.
- 18 The only remaining driver for a ‘charge’ and ‘payment’ procurement approach is the provision of AUFLS preventing IL or other DSM response being made available to the market. Given the small scale of this problem

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<sup>1</sup> Paragraph 2.2.25 of the Authority's consultation paper, *Efficient procurement of extended reserves – draft Code amendment*, dated 3 April 2014

at present, we do not see this as an immediate driver to proceed with the current procurement proposal.

### **Issues with the proposed Code**

- 19 We have found numerous issues with the current drafting of the Code changes (see Appendix 1 below) and suggest that the Authority reconsiders the level of changes proposed at this stage. We believe the Authority should reconsider the procurement proposal and in particular withdraw any requirement for 'charges' and 'payments'. The focus should be on technical changes and information gathering to better understand AUFLS load profiling and VOLL.
- 20 We consider that the proposed Code changes for ensuring that the existing Code obligations of schedule 8.3 Technical code B continue to apply are inadequate. We are concerned that as a result of the general way in which the Code changes are drafted due to the intent that they will apply to both Islands at some time in the future may inadvertently apply to South island distributors despite clause 17.48A which only applies to the grid owner whereas the new clauses apply to distributors.
- 21 We are very concerned that the proposed Code changes mean that the obligations that ensure that the Grid Owner AUFLS arrangements and obligation in the South Island continue are covered by reference to a part of the Code that has been replaced.
- 22 We consider that the Code is extremely complex and convoluted at the best of times to add additional complexity of referring to Code that has been replaced (and also modified) is we consider unacceptable. For the avoidance of doubt we do not consider that there should be any reference of the type expressed in clause 17.48A to apply Code that has been replaced as if it had not.
- 23 We recommend that in the first instance any Code changes should be drafted to apply to each island separately. If the proposed process or some alternative process<sup>2</sup> is to be extended to the South Island at some stage in the future then the required Code changes can be consulted at a more appropriate time.
- 24 Despite the intention for largely status quo in the South Island we would support the gathering of load profile and VOLL information in the South

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<sup>2</sup> We note that there could be different processes in each Island.

Island to inform future Code changes to South Island AUFLS or extended reserves. We accept that if the Authority adopts our suggested approach in regard to collecting information then there may be a need to add new Code that applies to both Islands to reflect this requirement.

**We provide the following supporting information and additional comments:**

- 25 The business case implies VOLL benefits before the VOLL values of the feeders chosen by the ERM have been established or it is known how they will be aggregate together. Knowing how they aggregate together may simply permit lower % arming (and hence lower VOLL) at an individual participant level but still achieve the region objectives.

**Obligations during rolling outages**

- 26 Appendix E.51 – The rolling outage assumptions seem to mix up energy saving requirements with instantaneous (% of MW) AUFLS requirements. Taking account of the energy bounce back effect after rolling outages and the avoidance of outages at certain times of the day for traffic safety reasons etc, we estimate that to achieve a 10% rolling outage saving over 24 hours the actual % of load interrupted is a factor of 3 or 4 higher. The rolling outage effects are complex and in our view are best managed by using real time AUFLS information from the SO and using the flexible ER units to fine tune AUFLS in real time. The drafting of Appendix E.53 has potential but the detail and real time application issues need to be sorted. Distributors will need significant flexibility in their obligations to manage this at a time when they are under significant media and public pressure to manage rolling outages effectively.
- 27 Similar to the rolling outages comments above, the use of historical load profiles for IL is problematic. The Authority is largely justifying a market approach to extended reserves on the basis of ensuring that the market value of AUFLS, IL and other products (yet to be defined by the Authority) is captured correctly. However, it now seems acceptable to allow IL to overlap with AUFLS in a real time sense by doing the conflict assessment on an annual (or 5 yearly) basis. If the annual assessment approach shows no materiality conflict issues, then the need for a market solution is negated. This has to be interpreted as another good reason to delay the application of the 'charges' and 'payments' part of the procurement proposal.
- 28 In our view, a requirement to invest in real time communication and partial dynamic control will lead to better technical and economic outcomes than a market approach with uncertainty.

### **Load profile data**

- 29 Appendix E.21, if there is no SCADA, metering or logging data, then we would conclude that the load (potential ER unit) is not fit for purpose. We would be surprised if this limitation exists on a load that will have an AUFLS relay and tripping device.

### **Alternative demand (only IL currently)**

- 30 Appendix E24, 25 and 26. In our view, IL is best managed by the SO/ERM in real time using IL offers to check ER compliance. It should be a requirement of the IL provider to submit the ER unit name with IL offers.
- 31 In the case of wide spread but small IL, the IL aggregators should be responsible for submitting their own aggregated IL information by ER unit name with their IL offer. It is not practical for distributors to chase this information or to take responsibility for it. Real time IL information submitted to the SO should be made available to distributors so that they can effectively manage their own network issues. It is our perception that IL offers can often be understated and the actual response higher than modelled.
- 32 It is not clear from the paper how the Authority intends to identify or manage the loss of IL during rolling outages.
- 33 Similarly, it is not clear from the paper how the Authority envisage that distributors will manage their own network constraints without real time information about ER (incl future ER products) and DSM offered directly to Transpower.
- 34 We note that there is no mention of automatic under voltage load shedding (AUVLS) or other special protection schemes (SPS) in the paper. We consider that the Authority should explain how the proposal will co-ordinate with AUVLS and SPS.

### **Expected interruption cost information**

- 35 Referring to Appendix E27 to E36 of the paper. We do not keep information by customer class, this would be a further additional cost and as the Authority notes the actual customer grouping and ability to achieve reasonable estimates is subject to further design considerations and consultations.

- 36 As noted above, we recommend that a information gathering exercise should be undertaken before drafting these requirements and proposing a procurement approach.
- 37 We expect that in most cases the 32% AUFLS obligation can be met by distributors with predominately residential feeders. Where the resulting AUFLS profile (because its primarily residential) does not follow the regional profile then differences can be managed by fine tuning using a combination of pre-programmed time-clocks and dynamically in real time (note it is not expected that all AUFLS providers will need to provide the necessary fine tuning). To establish the scale of any profile differences and the ability of distributors to achieve predominantly 32% of AUFLS from predominantly residential customers the Authority needs to in the first instance obtain the data to determine how big an issue this is.

#### **Information relating to enhanced services**

- 38 Referring to Appendix E37 to E40 and other sections of the paper, we do not believe that compensatory payments and the concept of regulated vs non-regulated revenues is a critical success factor in achieving the economic provision of AUFLS. These enhanced AUFLS services, even if it were possible to effectively ring fence these, the administrative burden of separating regulated vs non-regulated costs and revenues would we believe overwhelm any perceived enhanced services competition benefits. We reiterate the benefits of moving forward on the technical changes and monitoring the consequences before drafting ER procurement rules and supporting requirements.

#### **Notification of changes**

- 39 In terms of notification of changes (network configuration, customer load, IL and DSM) affecting AUFLS quantities, when and what constitutes de-minimus is important. Appendix E.20&54 are slightly different and we note that 50MW or 50% seems large. The alternative in Appendix E.56 seems to be a more practical/workable solution. It also raises the question that if distributors can do this then surely the step to real time monitoring is small? For clarity we note again that this obligation on distributors is relative to submitted historic quantities for the ER units not relative to the block size obligations in the technical requirements which should be managed by the ERM.

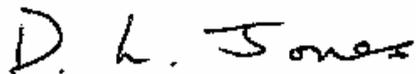
#### **Technical requirements**

- 40 The draft of the technical requirements schedule (appendix D) implies fixed block sizes for each region but each region has multiple parties which may provide lesser or greater % quantities depending on the Extended Reserves Manager (ERM) procurement process. Although the 'statements of extended reserves obligations' will clarify the Asset Owner obligations, the Code should make it clear that the ERM or SO have responsibility for the region objectives.

**Concluding remarks**

- 41 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email [dennis.jones@oriongroup.co.nz](mailto:dennis.jones@oriongroup.co.nz).

Yours sincerely

A handwritten signature in black ink that reads "D. L. Jones". The letters are cursive and slightly slanted to the right.

Dennis Jones  
**Industry Developments Manager**

## Appendix 1

	Question	Submitter's response
1.	Do you have any comment on the Authority's overall design of the proposed extended reserves arrangements?	Orion disagrees with the approach to implement a payment and charging procurement process. We believe that the Authority can achieve the bulk of the potential benefits from gathering information to assist with the development, consultation and implementation of the technical standards and selection methodology. We also consider the technical requirements schedule and the selection methodology should be developed and consulted before any Code amendments. We also consider that until we have seen a fully developed set of technical standards and selection methodology it is not possible to fully comment on whether the proposed Code changes are appropriate.
2.	What comments do you have on the indicative timeline the Authority has developed for transitioning to the proposed arrangements for extended reserves?	Orion does not consider that the rush to implement Code is required. We do not support the Authority's approach to consult and gazette proposed Code amendments before it has properly developed, consulted and tests its selection methodology and technical standards with stakeholders. In particular we do not consider that the Authority needs to implement code in relation to charges and payments at this time.  Orion <b>recommends</b> the Authority does not gazette Code changes until the selection methodology has been finalised.
3.	Do you agree with the Authority's proposed allocation of roles in relation to the technical requirements schedule, selection methodology, procurement schedule, extended reserves procurement notices, implementation plans, the extended reserves schedule and statements of extended reserves obligations? If not, what alternative would you propose, and why?	We are not convinced that there is a need for a separate extended reserves manager (ERM). This would appear to be just an extension of the system operator's role.
4.	Do you agree with the Authority's proposal that the Authority undertake the ERM role	No. The Authority has not indicated that it has the ability under the Act to undertake the ERM role. If

	<p>itself initially? If not, what alternative would you propose, and why?</p>	<p>the Authority has not created the role of ERM by regulation as a market operation service provider then there is not a role for it to assign to itself. Alternatively if the Authority has created the role of ERM by regulation as a market operation service provider then it can appoint a person to fill that role.</p> <p>It is not apparent that the Authority acting as the ERM is one of the functions of the Authority under section 16 of the Act. We consider that the Authority needs to clarify the mechanism by which it intends to appoint itself as the ERM.</p> <p>We also note that the paper has not provided convincing arguments that the ERM role is required at all and could not be carried out by the System operator.</p> <p>Given the System Operators heavy involvement (as detailed in Table 2, section 3.3 of the paper), it seems sensible that it also assume the role of the ERM. This would also help prevent any data and technical requirements being “lost in translation” if (potentially) passed between multiple parties.</p>
<p>5.</p>	<p>Do you agree with the Authority's proposed mix of Code provisions and documents that sit outside the Code? If not, what alternative would you propose, and why?</p>	<p>Orion is concerned with the Authority's proposed approach. It is unclear to us how the Authority reaches the conclusion that the technical requirements schedule, selection methodology and procurement schedule will not place obligations on a participant. We are also concerned that this will allow alterations to these documents without the necessary checks and balances of a consultation process. At the least we consider that these documents should be incorporated by reference. If the proposals do not meet the test of section 31(3)(c) then it should be sufficiently short and practical to incorporate it as Code.</p> <p>We consider that the technical requirements schedule should be included as a Technical Code under Schedule 8.3 of Part 8</p>
<p>6.</p>	<p>Do you agree with the Authority's proposal that publishing more details about extended reserves specification and procurement will bring a greater degree of transparency to extended reserves arrangements? If not,</p>	<p>The authority considers that the following 4 key documents set out in clause 5.4.1 should be published:</p> <p>(a) the system operator publishes the</p>

	<p>what changes would you propose, and why?</p>	<p>technical requirements schedule which sets out the technical requirements for extended reserves</p> <p>(b) the ERM publishes the selection methodology, setting out how extended reserves will be procured</p> <p>(c) the ERM publishes the extended reserves procurement schedule which sets out the results of the procurement process</p> <p>(d) the system operator publishes the extended reserves schedule which details the obligations of extended reserves providers</p> <p>The separate requirement to publish is based on the assumption that they are not included in the Code or incorporated by reference. As outlined in our response to Q5 we consider that these documents should be included in the Code or incorporated by reference. This approach also ensures transparency of information.</p>
<p>7.</p>	<p>What comments do you have on the Authority's proposed approach to co-ordinating AUFLS with IL and other forms of demand response?</p>	<p>We do not consider that the proposed approach addresses the potential long term need for AUFLS and IL procurement and dispatch to be managed in real time. The proposed approach assumes that the effect of IL on the level of AUFLS arming can be assessed on an annual basis. This will inevitably lead to over arming of AUFLS to create certainty of outcome which leads to higher than necessary VOLL.</p>
<p>8.</p>	<p>What comments do you have on the Authority's initial view on how to achieve consistency of outcomes between AUFLS and rolling outages?</p>	<p>As stated in paragraphs 27 to 29 in the body of our submission and referring to Appendix E.51 – The rolling outage assumptions seem to mix up energy saving requirements with instantaneous (% of MW) AUFLS requirements. Taking account of the energy bounce back effect after rolling outages and the avoidance of outages at certain times of the day for traffic safety reasons etc, we estimate that to achieve a 10% rolling outage saving over 24 hours the actual % of load interrupted is a factor or 3 or 4 higher. The rolling outage effects are complex and in our view are best managed by using real time AUFLS information from the SO</p>

		<p>and using the flexible ER units to fine tune AUFLS in real time. The drafting of Appendix E.53 has potential but the detail and real time application issues need to be sorted. Distributors will need significant flexibility in their obligations to manage this at a time when they are under significant media and public pressure to manage rolling outages effectively.</p> <p>In absence of a real time fine tuning mechanism, distributors will be forced to exclude rolling outage feeders from the AUFLS offer to the ERM. This will lead to higher VOLL customers being included in rolling outages and/or AUFLS.</p>
<p>9.</p>	<p>Do you have any comments in relation to the consistency of the proposed AUFLS regime and the Commerce Commission’s price control regime?</p>	<p>We have serious reservations about the consistency of the proposed AUFLS regime and the Commerce Commission’s price control regime. We do not believe that compensatory payments and the concept of regulated vs non-regulated revenues is a critical success factor in achieving the economic provision of AUFLS</p> <p>As we have indicated above we do not consider that the Authority should implement its compensation payments for expected customer interruptions.</p> <p>Having said that if the Authority does implement a payment and charging procurement process, which we do not believe they should, then as the Authority has noted it will need to consider how costs are allocated and whether they will be regulated revenue.</p> <p><b>Distributor compliance with price paths</b></p> <p>Pass-through costs are passed through to consumers via distributors’ prices, which must be set early December. Thus, in order for distributors to pass-through the costs of an AUFLS regime they must be either invoiced or forecast by distributors by 30 November to be included in their pricing.</p> <p>When these costs are unknown and / or required to be forecast, inevitable variance between actuals</p>

	<p>and forecasts increase the risk that distributors will breach their price paths under the Part 4 regime.</p> <p>To ensure this risk of breaching price paths does not arise, Orion <b>recommends</b> the Authority work with the Commission to ensure that AUFLS payments do not pose price-path compliance risks for non-exempt distributors.</p> <p><b>Relays</b></p> <p>In regard to the provision of relays, whether enhanced service relays or not, we consider that that it will be difficult to allocate shared costs of relays that are providing a core service to the Network and an AUFLS service. We expect that the relays would be included in the RAB and therefor receive a regulated return under the DPP/PPP price-quality path. Operational costs would be incurred as part of normal on-going maintenance. We do not consider it would be efficient to try and access this on a shared allocation basis.</p> <p>For enhanced AUFLS services, even if it were possible to effectively ring fence these, the administrative burden of separating regulated vs non-regulated costs and revenues would we believe overwhelm any perceived enhanced services competition benefits.</p> <p>We reiterate the benefits of moving forward on the technical changes and monitoring the consequences before drafting ER procurement rules and supporting requirements.</p> <p><b>Interruption costs compensation</b></p> <p>The Authority has indicated that they consider that interruption cost compensation should be treated as regulated revenue as this approach will allow the costs to be passed to customers as it is the customer incurring such costs, not the lines company shareholders. However this approach is equally flawed in that it will also pass through the costs to customers of the lines company that do not face any interruption costs as they are not included in ER units. (Note - we consider that it is impractical to try and assign these costs on the basis of whether a customers is allocated to an ER</p>
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		unit).
10.	What comments do you have on the Authority's proposal to amend the Code to change the trigger setting for the second AUFLS block in the South Island from 45.5 Hz to 46.5 Hz?	We have no issues with this change.
11.	Do you agree with the Authority's proposal that the equivalence regime remain applicable to extended reserves, but that extended reserves be excluded from the dispensation regime? If not, what alternative do you propose and why?	No. Depending on final drafting it is perhaps too early to remove the ability to offer a dispensation – it may still be appropriate to be able to offer this in the South Island in the meantime.
12.	Do you have any comments relating to the proposed extended reserves Code amendments? Please provide comments and suggested drafting improvements with reference to specific parts, schedules and clauses of the draft Code amendments set out in Appendix B (refer suggested format for drafting comments in the table below).	<p>General</p> <p>We consider that the proposed Code needs significant modification and we have not attempted to alter the Code or reflect our preference to not include charge and payment options. Regardless we do not consider given the requirements to develop the various technical schedules etc that there is a need to attempt to rush the implementation of Code.</p> <p>The customer 'type' information required to estimate VOLL may/will require information from Retailers in some cases. The Code will need to make it compulsory for Retailers to supply this information to Distributors for the purpose of extended reserve VOLL calculations?</p> <p>Part 1</p> <p>The definition of 'automatic under-frequency load shedding' should perhaps include a df/dt component.</p> <p>Definition of "Extended reserves manager" see our response to Q4 above</p> <p>The definition of "extended reserves provider" is</p>

	<p>defined in terms of schedule 8.3 Technical code B we consider that this does not clearly preclude South Island distributors from this definition regardless of clause 17.48A of Part 17</p> <p><b>Part 8</b></p> <p>8.19 (5) This drafting does not appear to address the ‘no change’ status of the South Island.</p> <p>8.29 (2) - depending on final drafting it is perhaps too early to remove the ability to offer a dispensation – it may still be appropriate to be able to offer this in the South Island in the meantime.</p> <p><b>Part 8 Subpart 4 – Interruptible load</b></p> <p>8.54B (2) &amp; (3) - in our view the information has two parts; a notification of ability to offer IL and a ‘real time’ part where dispatched IL quantities are supplied in real time. Our preference is for the System Operator to use real time IL dispatch quantities to adjust AUFLS arming accordingly. Alternatively, distributors would need real time dispatch quantities (from SO or ancillary service agent?) so that they can adjust their own AUFLS arming accordingly. The code should propose a solution or be drafted to create flexibility in this regard. The Code should also require ancillary service agents to submit IL against an ER unit.</p> <p><b>Part 8 Subpart 5 – Extended reserves</b></p> <p>8.54J (6) d – we think payments are problematic and little net benefit is proven at this stage. We therefore suggest that this be deleted or drafted in a way that can facilitate zero payment in the interim.</p> <p>8.54K (4) – this needs a timeframe to be in the Code, the appropriate time should be part of consultation.</p>
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	<p>8.54L (2) (b) (ii) - we think payments are problematic and little net benefit is proven at this stage. We therefore suggest that this be deleted or drafted in a way that can facilitate zero payment in the interim.</p> <p>8.54M (3) &amp; (4) – we do not consider it appropriate for the asset owner to propose the first draft of a transition plan. The development of a transition plan is a coordination role that requires oversight of the actions of all asset owners. The SO or ERM is in the best position to draft a transition plan so that the deliverability aspects can be reviewed by the asset owners. We therefore suggest that the ERMs <b>extended reserves procurement notice</b> (8.54L) should specify the transition arrangements. To aid the transition plan drafting process, the <b>extended reserves selection methodology</b> should require deliverability information on each potential ER unit from asset owners</p> <p>8.54 (5) &amp; (6) - 8.54L (2) (b) (ii) - we think payments are problematic and little net benefit is proven at this stage. We therefore suggest that this be deleted or drafted in a way that can facilitate zero payment in the interim.</p> <p>8.54S – the purpose of this clause is unclear to us. The Authority needs to explain what problem is being solved in the drafting of this code.</p> <p>8.54T – depending on the final drafting of the Code with respect to the South Island situation remaining as ‘status quo’ we note that Orion may require an assignment where the purchase of spur assets includes the historic Transpower AUFLS relays.</p> <p><b>Part 8 Subpart 6 – Allocating Costs</b></p> <p>Similar to ‘payments’ we also think that ‘costs’ are problematic and little net benefit is proven at this stage. We therefore suggest that this be deleted or drafted in a way that can facilitate zero costs in the</p>
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	<p>interim.</p> <p>8.67A - if costs were introduced they may become pass through costs for distributors and therefore we would need to know the level of costs by the end of November in advance of the 1 April each year to avoid any breach of price path in the following financial year. The calculation methodology should ensure that charges are locked in by the end of November for the 12 months starting 1 April. Any costs (and perhaps more importantly, payments) for part year refinements to the level of arming should be carried over to the following year.</p> <p><b>Part 8 Schedule 8.3 – Technical codes</b></p> <p>We consider that the technical requirements schedule should be included as a Technical Code under Schedule 8.3 of Part 8</p> <p>We consider that the existing clause 7 of appendix B of Technical code A - <b>South Island grid owner automatic frequency load shedding systems profiles and trip settings</b> should be retained.</p> <p>We consider that the existing clauses 7 technical Code B – emergencies should be retained with the following exceptions Clause 7(1) should be deleted, Clause 7(6) should be modified to include only the South Island and 7(6)(d)(ii) be amended to include the proposed new frequency limits, delete the references to North island as required in the remaining clauses.</p> <p><b>Part 8 Schedule 8.5 Part 3</b></p> <p><u>Scope to challenge selection of AUFLS</u></p> <p>Clause 11 of Part 3 Schedule 8.5, requires the ERM to “consult” and “consider” submissions of interested persons. Orion <b>supports</b> this.</p> <p>Given the significance of the final AUFLS selection and the impact it could have on a network or direct connect, there ought to be certain circumstances under which the ERM <u>must</u> re-run its selection. For instance, this could be situations where mis-information or incorrect data was used in the selection process and if new information has come to light, then this provides legitimate reason to</p>
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		<p>challenge the final selection.</p> <p>There is a need for the inclusion of a requirement on the ERM to reconsider and re-run its selection of AUFLS in the event of new or changed information.</p>
<p>13.</p>	<p>What comment do you have on the Authority's cost-benefit assessment summarised here and detailed in Appendix C?</p>	<p>We consider that the CBA understates the costs of compliance and systems that distributors will have to set up to comply, eg they will need a system for checking of receipts and payments, prudential requirements. Some methodology to pass the payments and charges on to customers, some database of feeders identified by ER ID number, methods of keeping track of changes in network configuration.</p> <p>We consider that the VOLL benefits assumed in the CBA make assumptions that are not yet proven.</p> <p>The technical requirements have a maximum and minimum tolerance around the target level, clause 2.2.25 indicates that this approach will have these extra costs and these are set out in Appendix C and therefore presumably in the CBA, however it is not clear how and where these extra costs are applied.</p>