Summary Information for Draft Procurement Plan Change Proposal - 2012

Change	Description	Purpose	Alternatives	Benefits	Costs
Name of change (or collection of changes), for ease of reference	*Brief description of the proposed change(s), including nature and effect, and the clauses/rules affected*	*Statement of the purpose of the proposed change(s) including the objective pursued and/or the rationale for change*	*Brief description of the status quo and of the key alternative change(s) considered instead of the proposal*	*A list of the benefits expected to accrue, including:* – *qualitative benefits* – *quantitative benefits (where possible)* – *parties receiving benefits* – *commentary on benefits relative to status quo and alternatives*	*A list of the expected costs, including:* – *qualitative costs* – *quantitative costs (where possible)* – *parties incurring costs* – *implementation costs* – *commentary on costs relative to status quo and alternatives*
Table of contents	Expansion of the table of contents to make it easier to locate provisions in the plan	This change is consistent with the overall objective of making the plan more accessible to current and potential ancillary service providers.	No alternatives other than the status quo were considered. To keep the status quo would mean that provisions will be more difficult to locate. This is particularly relevant in the short term as providers adjust to the new structure of the plan.	Improve overall accessibility of the plan	No costs arise as the change is administrative in nature.
Structural changes	Creation of four appendices and movement of relevant clauses from the plan into the appropriate appendices as follows: A: Market mechanisms B: Technical Requirements C: Key contracting terms D: Glossary	To make the layout of the document more logical	No alternatives other than the status quo were considered. To keep the status quo would mean that the procurement plan would have a less logical flow.	Improve overall accessibility of the plan	No costs arise as the change is administrative in nature.
Numbering changes	The numbering convention used in the plan has been changed as follows: 1. The numbering in	Change 1 brings the procurement plan into line with the numbering conventions used in the Code. Change 2 was	The two alternatives considered were: 1. status quo: this was considered undesirable because the number of	Improve overall accessibility of plan	No costs arise as the change is administrative in nature.

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	the body of the plan is now consecutive. References to previously revoked clauses have been removed. 2. Clause numbering in the appendices has been changed to a new numbering convention (eg A1, B1, C1 etc) to assist with interpretation.	considered necessary for ease of interpretation.	changes to the plan since its inception has meant that the numbering is untidy. 2. consecutive numbering for the main body of the plan, with the numbering restarted for each appendix. However, it was considered it would be more helpful to have a clear and immediate distinction between the clauses in each appendix.		
Various	References to “will” have been changed to “must” and “may”, as appropriate, to be consistent with the Electricity Authority’s drafting guidelines.	To update the procurement plan to be consistent with the Electricity Authority’s drafting guidelines.	No alternatives other than the status quo were considered. To keep the status quo would mean the procurement plan will not be consistent with the Electricity Authority’s drafting guidelines.	Improve clarity and provide consistency with the drafting of other code provisions.	No costs arise as the change is administrative in nature.
Various	A large number of clauses have been amended for sense, clarity, and consistency of definitions and language	These changes are consistent with the overall objective of making the plan more readable and accessible to current and potential ancillary service providers.	No alternatives other than the status quo were considered. To keep the status quo would compound the current issues regarding sense, clarity and consistency.	Improve overall accessibility of plan	No costs arise as the change is administrative in nature.
Various	A large number of clauses have been amended because they contain wording that is replicated elsewhere (either in the plan or in the Code). These clauses have been amended by either	These changes are consistent with the overall objective of making the plan more readable and accessible to current and potential ancillary service providers.	No alternatives other than the status quo were considered. To keep the status quo would compound the current issues regarding unnecessary replication.	Improve overall accessibility of plan	No costs arise as the change is administrative in nature.

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	amalgamating them into a single clause or deleting them altogether.				
1[1]	Update the effective date of the procurement plan	To meet the requirements of clause 8.41(2) of the Code.	No alternatives were considered.	Procurement plan complies with clause 8.41(2) of the Code.	No costs arise as the change is administrative in nature.
12.2	Insertion of words "unless the offer, pricing and settlement mechanisms for instantaneous reserve are already set out in the Code"	Clarification that the offer, pricing and settlement mechanisms for instantaneous reserve that are already in the Code are not repeated in the contracts.	No alternatives other than the status quo were considered. To keep the status quo would mean that there would continue to be a lack of clarity regarding this issue.	Improve clarity.	No costs arise.
26A, 39A, 103A, 105A, 105B,	Deletion of references to fixed price/quantity frequency keeping.	Fixed price/quantity frequency keeping raised a number of complex practical issues that were difficult to resolve. Since the need for this service has been largely overtaken by the introduction of multiple provider frequency keeping, this has been removed from the procurement plan, along with its relative "half hour frequency keeping" (all frequency keeping is now half hour frequency keeping)	No alternatives other than the status quo were considered as the system operator has not offered this service and does not intend to do so. To keep the status quo would mean that these words would be redundant.	Improve clarity.	No costs arise as this service has never been utlised.
27	Inclusion of a requirement that participation in the new multiple provider frequency keeping market is subject to a	This is the first of several changes to introduce the new multiple provider frequency keeping market, which will	The only technically viable alternative to multiple frequency keeping would be to continue with the current single frequency keeping	The key benefit of allowing multiple providers in the same half hour is increased competition in the provision of frequency keeping service by allowing smaller players to	The system operator's total costs are approximately $1.7 million for the first stage of the implementation of the service. The frequency keeping market participants will also incur costs to implement the changes but

[1] The numbering used in this summary is from the "Compare to Current Version" of the plan submitted to the EA on 1 June.

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	system operator review of the ancillary service agent's capability	eventually replace the single provider frequency keeping market. This provision ensures only those technically capable of providing the service are contracted.	arrangements. The alternative to requiring a pre-contractual technical review would be to have no technical constraints on providers. However, this is not viable as it would undermine the system operator's ability to be confident it could meet its PPOs.	enter the market and allowing existing larger players greater flexibility in how and when they provide the service. The minimum technical standards provide a certainty and a level playing field for all providers.	the magnitude of these costs is unknown.
Table in para 43	The administrative cost rates have been adjusted using the All Groups CPI index	Ensures these rates are adjusted to take account of the effects of inflation.	No alternatives other than the status quo were considered. The rates have not been adjusted since 2009.	Ensures the costs are inflation adjusted.	The costs are minimal as the CPI adjustment has only altered the rates by $3 - $4 per hour.
43A	All historical procurement costs have been updated	Updated for 2012	Not considered	Accuracy	No costs arise.
69	Frequency keeping section of the innovation table has been updated to include a reference to multiple frequency keeping	Reflects the introduction of provisions to allow for multiple frequency keeping.	No alternatives other than the status quo were considered.	Accuracy, as it reflects the current position	No costs arise.
69	Over frequency keeping section of the competitive cost pressures table has been updated to include the North Island.	Reflects the availability of over frequency reserve in the North Island.	No alternatives other than the status quo were considered.	Accuracy, as it reflects the current position	No costs arise.
A8 to A10,	Provision for a notified trading period at which the frequency keeping market transitions from a single to multiple provider market (and potentially back again	To allow a hard cut over to the multiple frequency keeper service, as requested by the Authority, while retaining the ability of the system operator to withdraw the	A more phased cut over option was considered but it was believed that the costs (approximately $1.4million) made it impracticable to pursue.	The hard cut over option is less costly to implement and provides certainty of cut over date for participants.	The system operator's costs are included in the $1.7 million noted above. Participant's costs are unknown.

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	if the new market does not perform as expected).	service if it has concerns with its performance.			
A11	Inclusion of clause that estimated constraint costs as well as offer prices are taken into account by the system operator in selecting frequency keepers.	This change recognises current practice.	The alternative would be to ignore constraint costs in selecting providers.	Relative to the alternative, this option provides better least cost selection of frequency keeping providers by trying to take account of all estimated ex-post costs in the selection process.	There is no cost in implementing this change as it already in effect.
A12	Provision for the system operator to depart from least cost frequency keeping selection if necessary due to security issues. The system operator is to report to the industry on any such changes.	This change reflects the current practice and allows for unforeseen situations including when the selected provider may not be able to perform for any reason. A requirement to report on departures has been added to reflect a request during consultation.	The only viable alternative would be strict following of the selection methodology, which would mean the system operator could not always meet its PPOs.	Greater certainty that the SO can meet its PPOs.	There is no cost in implementing this change as it already in effect.
B1 and C1	Confirms that the key technical requirements and general contracting terms in the procurement plan are not binding on ancillary service agents until incorporated in a contract.	This change clarifies the current position, which has been commonly misunderstood.	No alternatives other than the status quo were considered. To keep the status quo would mean that any existing misconceptions would continue.	Improve clarity.	No costs arise.
B5, B6, B13 to B16	Inclusion of Performance requirements agreed by the Multiple Frequency Keepers Project Technical Stakeholders Group	To ensure all providers operate on a common basis and that the system operator can meet its PPOs.	Different requirements for different providers were considered but were thought to add complexity without any obvious benefit.	Ensures a level playing field for all providers and that SO can meet its PPO obligations.	The SO’s costs are included in the $1.7 million noted above.
B11.3	Inclusion of a standard	To clarify the system	No alternatives other than	Provides greater	Participant’s costs are unknown.

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	for measuring and recording time error.	operator's expectations regarding this measurement.	the status quo were considered. There hasn't been a standard for measuring time error to date, but this was requested by a provider during consultation.	transparency as it sets out the system operator's expectations in the plan.	However, this change was requested by a current provider.
B24, B25	Inclusion of provisions that are in the standard template procurement contract for frequency keeping but are missing from the procurement plan	Brings plan and contract into line with each other.	No alternatives other than the status quo were considered. To keep the status quo would be less transparent for providers.	Increased transparency to providers.	There is no cost in implementing this change as it already in effect.
B26	Clarification that the single and multiple provider frequency keeping markets will not overlap	Reflects that there will be a hard cut over to the multiple frequency keeper service	A more phased cut over option was considered but it was believed that the costs (approximately $1.4million) made it impracticable to pursue.	The hard cut over option is less costly to implement and provides certainty of cut over date for participants.	The SO's costs are included in the $1.7 million noted above. Participant's costs are unknown.
B27	Inclusion of quantity restrictions for multiple frequency keeping	These are required due to limitations of the existing system operator selection mechanism.	Updating the existing selection mechanism is possible but would be time consuming, expensive and likely to be superseded by later changes such as co-optimisation.	Reduced implementation costs and time. Allows earlier implementation of multiple frequency keeper market.	The system operator's estimated cost above was based on this agreed approach.
Existing paragraphs 54 and 75	These clauses have been deleted as the system operator does not procure ancillary services from plant that has not been commissioned	This change recognises current practice.	No alternatives other than the status quo were considered. To keep the status quo would be less transparent for providers.	Clarity and transparency	There is no cost in implementing this change as it already in effect.
C18	This clause ensures the System Operator is not exposed to liability to a selected frequency keeper if the failure of another	Clarifies that the system operator won't be caught in the middle of disputes between providers.	If this clause was not included, it would leave the issue open to interpretation at the time of a dispute arising. This is undesirable from the system operator's	Clarity and certainty	No costs arise.

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	selected frequency keeper in the multiple provider frequency keeping market causes the first frequency keeper to have to do more work		perspective.		
C19	This clause was inserted to avoid an interpretation that requires the System Operator to pay a defaulting ancillary service agent and then seek repayment through the Code enforcement process	Clarifies that the system operator can recover payment from a defaulting provider under the ancillary service procurement contracts.	If this clause wasn't included, it would leave the issue open to interpretation at the time of a dispute arising. This is undesirable from the system operator's perspective.	Clarity and certainty	No costs arise.
C27.2.1	Clarifies that all frequency keeping is non-mandatory (i.e. offers are not required to be made for particular trading periods)	This reference is unnecessary as there is no longer a distinction between non-mandatory and mandatory frequency keeping.	No alternatives other than the status quo were considered as the current wording is redundant.	Accuracy	No costs arise.
D	Inclusion of various new definitions (primarily in relation to the introduction of multiple frequency keeping) and the deletion of redundant provisions.	The new definitions support the various changes made to the plan.	No alternatives were considered as the new clauses in the plan require these definitions to support the changes.	Clarity	No costs arise over and above those identified for the relevant change in the plan.