

21 April 2016

Dr Brent Layton
Chair
Electricity Authority
PO Box 10041
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Dear Brent

Advice resulting from 15 March 2016 meeting of the SRC

The Security and Reliability Council (SRC) is tasked with providing the Electricity Authority with independent advice on the performance of the electricity system and the system operator, and reliability of supply issues.

The SRC considered and discussed six different papers at its 15 March 2016 meeting. This letter is the SRC's advice arising from four of those papers.

Advice on the impacts of thermal generation decommissioning

The SRC received two reports from Transpower on the impact of proposed thermal generation decommissioning.

Upper North Island Generation Decommissioning Report was from Transpower's grid development team and focussed on the transmission development implications of the recent thermal generation decommissioning announcements.

Security of Supply Analysis Findings and Implications of Thermal Decommissioning was the system operator's December 2015 report that examined the implications for security of supply in 2019 under various scenarios.

The SRC's advice to the Authority is, as follows:

- Transparency of information is vital as it will enable industry players and investors to make the most-informed decisions they can in the circumstances.
- At this stage, the SRC believes there are still a range of options available (generation build, transmission enhancements, demand-side alternatives), though each requires some lead-time if they're to assist in a timely manner. The SRC understands that some bulk-supply solutions would need a 'green light' by late 2016 in order to be in place for winter 2019.
- The SRC is concerned that owners of such options may not be aware of the transmission constraints highlighted in the grid owner's report and what impact that may have on their construction lead-times. It will be helpful for these parties to understand what the transmission enhancement options are, including the additional capacity they provide, cost estimates, and an estimate of implementation time, including regulatory approvals. The SRC was pleased to hear that it is Transpower's intention to complete and publish this work.
- The SRC considers that market mechanisms are sending financial signals that support the market resolving the potential implications of thermal generation decommissioning.
- The Authority should continue to monitor the emerging security of supply situation closely. The Authority should have plans in place to be able to respond to security of supply issues.

Advice on the system operator's 2016 annual assessment of security of supply

The SRC received the system operator's 2016 annual assessment of security of supply. The SRC has no advice for the Authority other than to note the SRC's satisfaction with the quality of the system operator's reporting.

Advice on the National Winter Group's report for winter 2016

The SRC received the National Winter Group's (NWG) report assessing the capability of the power system to meet peak usage in winter of 2016. Based on the information provided at the 15 March 2016 meeting, the SRC was confident that the power system capabilities were suitable.

Subsequent to that meeting, the system operator's 'generation balance' analysis of winter capacity has shown a concern with the period 7-13 June 2016.¹ The SRC acknowledges that operational situations can happen at any time that impact security of supply. However, the SRC understands that a key contributing event to this scenario occurred in January and is surprised that this was not part of the NWG report.

The SRC requests that the Authority seek further information from Transpower about this recent development and report back to the SRC at its 21 June 2016 meeting. The sort of information the SRC is interested in includes:

- the circumstances leading up to the system operator's customer advice notice, including when and why the filter bank outage was changed, and why 7-13 June was chosen
- the impact this recent development has on the NWG's results
- whether this recent development highlights any opportunities for improving the NWG's methodology or reporting.

Advice on the system operator's performance for the year ending 31 August 2015

The SRC received the Authority's annual assessment of the system operator's performance for the year ending 31 August 2015. The SRC notes that it has been impressed with the performance of the system operator, particularly with reporting of security of supply since 31 August 2015.

There is no further advice arising from the matters discussed at the SRC's 15 March 2016 meeting.

Yours sincerely



Mike Underhill

Chair

Security and Reliability Council

cc SRC members, Carl Hansen (Electricity Authority)

¹ Transpower, in its capacity as the grid owner, has scheduled an outage to filter bank three at the Haywards end of the HVDC. While filter bank three is out of service between 7-13 June, the system operator needs to procure extra North Island reserves to cover the risk of the failure of the remaining filter bank. More information is available in a [customer advice notice](#) on the system operator's website.