

11 May 2016

Mike Underhill
Chair
Security and Reliability Council

By Email

Dear Mike

Advice resulting from the SRC meeting on 15 March 2016

Thank you for your letter of 21 April 2016 providing the Security and Reliability Council's (SRC) advice for the Authority resulting from the SRC's meeting on 15 March 2016.

Advice on the impacts of thermal generation decommissioning

The SRC's advice on the potential impacts of proposed thermal decommissioning noted the importance of transparent information and market signals, and that the Authority should continue to monitor the emerging security of supply situation closely and have plans in place to be able to respond to security of supply issues.

The Authority has been actively monitoring the security of supply situation since the proposed thermal decommissioning was announced, and has also undertaken a review of relevant policy settings to identify whether these might, amongst other things, influence information transparency and market signals.

While the recent decision by Genesis Energy to defer the decommissioning of their Huntly Rankine units appears to have addressed the immediate security of supply issue, the Authority expects to conclude the policy review it has initiated. Consultation on the review of the Customer Compensation Scheme and stress testing regimes is currently expected to be undertaken in late August 2016. The Authority is ready to consult on these matters in June, as originally planned, but has decided to defer consultation. It has done this to allow parties to focus on the Authority's transmission pricing methodology and distributed generation pricing principles proposals and the Commerce Commission's input methodology consultation. The recent announcements relating to Huntly permitted this deferral.

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

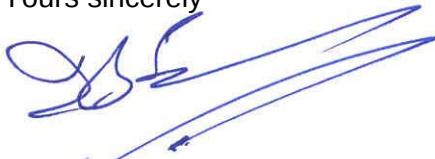
The SRC's letter identifies that, when considering the NWG report for winter 2016, the SRC had not been aware of a potential generation shortfall during the week of 7 – 13 June resulting from a planned outage on a filter bank on the HVDC system. The potential shortfall was identified in a Customer Advice Notice (CAN) published by the system operator subsequent to the SRC meeting. Your letter requested the Authority seek further information from Transpower about this outage and its consideration in the NWG process for consideration at the SRC's meeting on 21 June 2016.

The Authority has requested relevant information from Transpower and expects this to be available for your 21 June meeting. In addition to receiving any advice you may have in relation to the NWG process in light of that information, the Authority would also be interested in any advice the SRC may have on how the issue was communicated through the CAN process.

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Thanks once again for the SRC's careful and thorough consideration of these matters and the other security and reliability matters referred to in your letter.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Brent Layton', with a long, sweeping horizontal stroke extending to the right.

Brent Layton
Chair

cc: SRC Secretariat