



## System Operator's Cross Submissions for Contact

Question 1: Do you agree with the Authority's overall assessment of the proposal? If not, what alternative assessment would you make and why?

**Contact:** Agree, but as mentioned above, Contact sees that there is more to be done regarding changes to Part 1 and/or Part 13 of the Code to enable new technologies to actively participate in the wholesale market.

**System Operator:** The system operator agrees.

**Contact:** We would support an alternative ancillary service product contract (similar to over frequency reserves) to facilitate this in the interim.

**System Operator:** It is unclear an alternative ancillary services arrangement (AASA) could be used in a manner similar to over-frequency reserves as there may be no provision for payment, only for reduction in allocation of cost of the ancillary service (see clause 8.59), for the provider of an AASA. Before implementing an AASA, the system operator also requires more clarity on the application of the Code's provisions regarding how and when AASAs can be used (clauses 8.48 to 8.54 and Schedule 8.2 of Part 8 of the Code).

Question 2: Is there an alternative to any of the individual amendments proposed by the system operator that you consider better meets the objectives of the proposal? If so, please describe the alternative and why you prefer it.

**Contact:** As the Code stands at present there are no alternatives for enabling new technologies that would be equivalent to the current ancillary service for instantaneous reserves. As per our response to question 1, additional work is required regarding Code change proposals to facilitate this.

**System Operator:** The system operator agrees.

**Contact:** With regards to regular baseline tests for instantaneous reserves, other than interruptible load, it is not clear what is involved with this testing and whether representative testing is sufficient if there are no performance issues with existing providers.

**System Operator:** The companion guides provided on the system operator's website set out the system operator's view of an acceptable testing methodology to meet testing requirements. Other methods of testing including representative testing can be submitted to, and will be reviewed by, the system operator on a case by case basis.



## System Operator's Cross Submissions for Meridian

Question 1: Do you agree with the Authority's overall assessment of the proposal? If not, what alternative assessment would you make and why?

**Meridian:** Yes. However, Meridian considers that in order to meet the objective of ensuring that ancillary services continue to be procured in a competitive, reliable and efficient manner, it is important that changes are made to the Code and the Procurement Plan to encourage investment in new technologies.

**System Operator:** The system operator agrees with the need for Code changes that will enable new technologies.

**Meridian:**

### **Alternative ancillary service arrangement under the Code**

Although the Code provides for "alternative ancillary service arrangements" to be authorised by the system operator, the current drafting of the relevant provisions in the Code (being clauses 8.48 to 8.54 and Schedule 8.2 of Part 8 of the Code), may still restrict new technologies being procured for ancillary services.

Clause 1(b) of Schedule 8.2 requires that an application for an alternative ancillary service arrangement must "specify the **ancillary service** for which approval for an **alternative ancillary service arrangement** is sought". This requires that any application made for an alternative ancillary service arrangement must already meet the definition of "ancillary service" in the Code. As the provision of instantaneous reserves by a grid scale battery does not come within the definition of "Instantaneous reserves" and therefore does not fall within the definition of "ancillary service" in the Code, it is not possible for such an arrangement to be authorised as an alternative ancillary service arrangement by the system operator under the Code.

Meridian also considers that to encourage participants to invest in and apply for an alternative ancillary service arrangement, it would be beneficial for the Code and/or the Procurement Plan to provide more certainty or detail in relation to the process for agreeing contract terms and/or the payment mechanism that may apply to an alternative ancillary service arrangement. Meridian understands that the provisions in the Code around "alternative ancillary service arrangements" are likely left vague to give the system operator flexibility to consider new and different types of arrangements and that it's likely not possible to provide a clear set of terms for any type of arrangement. However, Meridian suggests that the process for negotiating terms and/or the payment mechanism for an alternative ancillary service arrangement is to be incorporated into Schedule 8.2 of Part 8 of the Code.

**System Operator:** The system operator agrees that the Code clauses concerning alternative ancillary services arrangements (AASA) could be clearer. Before implementing an AASA, the system operator also requires more clarity on the application of the Code's provisions regarding how and when an AASA can be used. Clarity is also required on payment and allocation of costs for an AASA.



Question 2: Is there an alternative to any of the individual amendments proposed by the system operator that you consider better meets the objectives of the proposal? If so, please describe the alternative and why you prefer it.

**Meridian:** No, there is no alternative to the individual amendments that Meridian suggests. However, Meridian considers it would better meet the objectives of the proposal and encourage more competition in the ancillary services market, if the monitoring requirements for instantaneous reserves set out in B37 did not apply to all ancillary service agents and for each Station, Block or Load Source, but only for:

- ancillary service agents that offer greater than a certain threshold of MWh (as determined by the system operator) into the reserve market; and/or
- a Station, Unit, Block or Load Source(s) where the total capacity of that individual Station, Unit, Block or Load Source is greater than a certain threshold of MWh (as determined by the system operator).

Meridian believes that the obligation to provide monitoring equipment that meets the requirements in B37 of the Procurement Plan may be too onerous for some participants which could be a barrier to entry to providing instantaneous reserves. The benefit to the system operator of receiving the data and information from a Station, Unit, Block or Load Source that only offers and/or can only offer 1MW into the reserve market, is likely outweighed by the cost to that asset owner of procuring the monitoring equipment that meets the relevant standard.

If Meridian's proposed changes are considered by the system operator and the application of the monitoring requirements are limited as suggested, this may:

- help and encourage the smaller participants to provide ancillary services, who would otherwise struggle to comply with the onerous monitoring requirements; and
- make it more economically viable for smaller distributed participants investing in new technology to provide additional services such as instantaneous reserves through providing less restrictive monitoring requirements, if it still allows the system operator to meet their performance requirements.

**System Operator:** As indicated in the system operator's consultation on the proposed changes to the Procurement Plan, we intend to consider changes to monitoring requirements in our next Procurement Plan review. At this point in time, we do see challenges in providing exemptions based on agent/station/size as this will introduce inaccuracy in reserve modelling over time but we will consider these more fully as part of that review.