NEIL WALBRAN CONSULTING

Submissions

Electricity Authority

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Supplementary Consultation on UTS Claim 10 Nov 2019 - Submission

Thank you for the opportunity to submit on the supplementary consultation on this important topic.

No part of this submission is confidential and I am happy for all of it to be published.

The EA is to be congratulated on further good analytical work on this situation.

I am pleased to see it confirms that both Meridian and Mercury were trying to manage the HVDC constraint during the UTS period, as suggested in my earlier submissions. That is Meridian, as a generator in the sending region were trying to avoid the constraint binding and Mercury as generator in the receiving region were trying to get the constraint to bind. Refer your table 2 results and the last two rows.

Your results also confirm that this sort of behaviour only occurs when the constraint is close to binding. I note you have only looked at energy offer behaviour in your analysis and I would note that in the case of the HVDC you would also need to look at reserve offer behaviour at times when the HVDC constraint comes close to binding.

As myself, and several other submitters have already noted such behaviour by generators provides a natural and important element of competition between generation and transmission and ensures appropriate long term locational investment signals.

However, I am concerned that the Authority may still be considering regulatory interference in this competitive behaviour. To interfere in this natural locational competition between generators and between generation and transmission, runs a risk of undermining the long term dynamic efficiency of the market. And should be avoided.

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Question	Comment
Q1. Do you have any further comments on the Authority's analysis that the confluence of factors identified led to reduced competition?	I disagree. I think the Authority has misunderstood the nature of competition which occurs when a transmission constraint is close to binding. I consider during the UTS competition was strong between NI and SI generators. But the competition was over trying to get the HVDC constraint to bind. With those generators who are predominantly SI based (Meridian) trying to avoid the constraint binding, and those generators who are predominantly NI based (Mercury) trying to get the constraint to bind. Such locational competition is important in ensuring the long term locational signals for either locational generation investment or transmission investment are truly cost reflective. The Authority should be very careful before interfering in this natural competitive process.
Q2. Do you have any further comments on whether the resulting reduced competition led to outcomes that were different from what could reasonably be expected as normal for the market?	I suggest these outcomes were normal for periods when transmission constraints were close to binding. And that this normal locational competitive behaviour is an important for the long term benefit of consumers.
Q3. Do you have any comments on our refined empirical analysis?	To see if such locational competitive behaviour is normal between generators the EA would need to look at a subset of data which focuses on periods when a transmission constraint is close to binding and one generation company is predominantly on one side of the constraint and another generation company is predominantly on the other side of the constraint.
Q4. Do you have any comments on whether our analysis supports the timeframe for any UTS which may be found being 3-27 December and the reasons for this?	No comment.

Regards

Neil Walbran

Managing Director NWCL