

Submitter	Transpower New Zealand Limited, in its role as the System Operator
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Question	Comment
<p>Q1. Do you agree that it is appropriate for scarcity pricing to apply to trading periods 39 – 42 on 9 August 2021, notwithstanding that the ISS notice may not have been issued in accordance with the Code?</p> <p>In your response to this question please provide the reasons for your answer, and any other comments you wish to make as to the ISS notice and its consequences.</p>	<p>1 The System Operator agrees that it is appropriate for scarcity pricing to apply to trading periods 39 – 42 on 9 August 2021, even where the Island Shortfall Situation (ISS) Notice is issued in error.</p> <p>2 While the events of 9 August 2021 would not have been contemplated in developing the Electricity Industry Participation Code (the Code), the application of scarcity pricing reflects the appropriate interpretation of the Code, and as a matter of fact, there was a scarcity of supply on 9 August 2021.</p> <p>Scarcity pricing available under the Code</p> <p>3 An ISS Notice by the System Operator will trigger the scarcity pricing provisions of the Code even if it is issued in error.</p> <p>4 When the pricing manager receives an ISS Notice issued under cl 5(1A) of sch 8.3 Technical Code B of the Code, it must give its own written notice of a shortage situation under cl 13.144. Once the pricing manager has given written notice of a shortage situation, it then must determine whether a scarcity pricing situation exists under cl 13.135A.</p> <p>5 In relation to trading periods 39 – 42 on 9 August 2021, the pricing manager applied cl 13.144 and cl 13.135A and determined that a scarcity pricing situation existed.</p> <p>6 The system operator agrees with paragraph 3.4 of the consultation document and notes that the Code does not provide for any change to this process if the ISS notice is issued in error.</p> <p>Scarcity of supply on 9 August</p> <p>7 We also note there was in fact scarcity of supply on 9 August, and provide some further information on this below to assist the Authority’s consideration of the issue.</p> <p>8 The System Operator has undertaken further analysis, which confirms that there was no further generation or reserves available at 1845, immediately before the System Operator issued a Grid Emergency Notice asking for a 1% reduction in demand at 1847.</p>

	<p>9 The state of frequency keeping/reserves on 9 August 2021 illustrate the shortfall of generation on that date. The Real Time Dispatch case files show that at 1845 there were energy deficits in the schedule, the FIR and SIR both had large deficits and the frequency keeping generators were already operating either in their upper bands or over their frequency keeping limit. This indicated that all offered generation was only just managing to supply the demand, and further increase in demand or loss in generation would have resulted in the frequency falling below the allowed continuous operating band.</p> <p>10 The Independent Investigation of the 9 August 2021 Grid Emergency for Transpower New Zealand Ltd, by PBA Consulting (the Independent Investigation), found that at this point, with no further generation available, the only option available to the System Operator to support the frequency was to reduce the demand. Accordingly, the System Operator followed policy and issued the GEN at 1847, requesting network companies to reduce demand by 1% across the entire system.</p> <p>11 The Independent Investigation, together with the System Operator's further analysis, show that there was scarcity of supply during the relevant trading periods.</p>
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