

11 December 2024

System Operator

By email: system.operator@transpower.co.nz

Low Residual Situation Review

Meridian appreciates the opportunity to provide feedback on the System Operator's (SO) consultation paper 'Low Residual Situation Review.'

We support the SO's further consideration of the processes and communications relating to Low Residual Situations. As we've noted previously, it is important that all parties have a clear understanding of how the SO will approach such situations. We recognise that the SO has made efforts to refine and improve its processes and communications following the 9 August 2021 shortfall event and subsequent reviews. This is positive. The 9 May 2024 constrained supply event brought further lessons to light and we support the work that the SO undertook with the CE Forum following that event to clarify the process around requests to the public to be mindful of energy use.

As indicated in our letter to Transpower following the 9 May event, our view is that mass communications to customers to save energy should be a last resort once the industry has had an opportunity to respond to the situation and the risk is deemed to remain unacceptable. While such an intervention can be justified from a system security perspective, it is important to note that there are corresponding market and consumer impacts which also need to be considered.

In particular:

- There is a clear need to maintain efficient price signals during a winter peak capacity event. To the extent 'free' mass market demand response is relied upon, that will dampen wholesale prices and weaken incentives to invest in peaking, last resort generation, and dispatchable demand response. Lower than expected wholesale prices during events like this could also make it more challenging for high priced generation and demand response to commit ahead of time, meaning perversely increased risk of scarcity in the long term. Reduced incentives to invest in and commit peaking, last resort generation, and dispatchable demand response will likely harm consumers.
- Mass market consumers should be recompensed in some way for conservation efforts during a winter peak event. Just as consumers are recompensed during an official

conservation campaign due to seasonal scarcity, consumer efforts to assist with the management of winter peak periods should also be recognised and rewarded. The application of consumer compensation could maintain consumer willingness to assist in these events as well as go some way towards preserving adequate investment and commitment incentives in events where wholesale prices are suppressed by voluntary mass market demand response. Retailers would be incentivised to contract with generators or providers of demand response and seek investment in and commitment of resources that will help to mitigate the risk of peak capacity issues.

We recognise that these issues likely cross over into the responsibility of the Electricity Authority (EA) and we understand the SO and the EA are already working together to consider these matters. We strongly encourage this work to continue as it represents an integral part of the overall management of Low Residual Situations.

This has been further reinforced by the recent Government Policy Statement on Electricity which acknowledged that the EA has an important role in “*ensuring that clear and comprehensive guiding principles and impartial procedures are in place for the System Operator to follow in power system emergencies, including any public calls for electricity conservation or reduced consumption.*” We fully agree with this statement and look forward to further engagement with the SO and EA to establish clear, efficient and appropriate settings to support the management of Low Residual Situations.

Our responses to the System Operator’s specific consultation questions are attached as Appendix A.

Please contact me if you have any queries regarding this submission. This submission can be published in full.

Nāku noa, nā

Matt Hall
Manager Regulatory and Government Relations

Appendix A: Responses to consultation questions

	Question	Response
1	Do you agree we should progress, potentially in 2025, a proposal to include some elements of the Low Residual Situation process in the Policy Statement? If so, which elements? If not, why not? Please provide a rationale for your views.	We agree it would be helpful for information about the SO's approach, triggers and process for managing Low Residual Situations to be more transparently available to participants. To this end, we would support defining these processes in the SO Policy Statement. Given the critical security and market implications which can arise, it is important that all participants have a clear and accurate view of the steps that the SO will take to manage such events.
2	Do you agree that we should maintain the current Low Residual threshold of 200 MW? If not, please provide reasons.	At this point in time, a 200 MW low residual threshold appears to represent an appropriate balance between managing potential shortfalls and the risk of 'low residual fatigue' that may arise with a higher threshold. However, we encourage Transpower, where appropriate, to undertake and publish additional analysis on the uncertainties described (i.e. demand, intermittent generation, generation start-up) so that this can be factored into consideration of the low residual threshold. As noted by Transpower, a number of factors are likely to impact on this uncertainty going forward, including the move to a centralised intermittent generation forecast and the ongoing growth in intermittent generation.
3	Do you agree that a regular review of the Low Residual threshold is needed? If so, how frequently do you think this review is needed? If not, please provide reasons.	We agree. We consider a two-yearly review, as proposed by the SO, is appropriate.
4	Do you have any comments on our approach to monitoring and notifying industry of situations with forecast Low Residuals and/or shortfalls?	We broadly support the approach described. In particular, we agree with the SO's stated objective that its processes and communications should aim to ensure participants have enough information, and as much time as possible, to resolve Low Residual Situations through a market response.
5	Do you agree that we should delay publishing CANs on our website by 24 hours? Please explain your reasons for agreeing or disagreeing.	We agree it makes sense to delay the publishing of CANs to allow for an industry response given, as the SO notes, Low Residual Situations communicated via CANs are almost always resolved without escalating to a WRN or GEN.

6	Does the content of the GEN template provide clarity on the situation and the action(s) required by industry participants? If not, please provide reasons.	Transpower should consider whether there is merit in differentiating where a GEN is making a request and when it is making an instruction. This will help participants understand the expected response to a GEN being issued.
7	Does the content of the WRN template provide clarity on the situation and the action(s) required by industry participants? If not, please provide reasons.	Transpower should consider whether there is merit in clarifying that a WRN is not a request or instruction to the public to reduce demand (versus to industry). This would help ensure that expectations from the issuing of a WRN are clear. With respect to controllable load, Transpower should consider the interaction between the request in the WRN and their customer's obligation to offer controllable load via the market when requested.
8	Does the content of the Low Residual Situation CAN template provide clarity on the situation and the action(s) required by industry participants? If not, please provide reasons.	No comment.
9	Does the content of the Potential Shortfall or Low Residual Situation CAN template provide clarity on the situation and the action(s) required by industry participants? If not, please provide reasons.	No comment.
10	Do you think we should rename our CAN communications to Industry Advice Notice (IAN)? Please explain your reasons. We would also welcome any suggestions you may have for a more appropriate notice name.	This is a sensible change, but given the expected time and effort required to make this change, we consider this should be given low priority relative to other SO resource commitments.
11	Do you have any comments on the approach we have taken to developing, testing through industry exercises, and reviewing our process and communications for coordinating Low Residual Situations with industry?	Please refer to our comments in the body of this letter.
12	Do you have any feedback in relation to how or by whom a decision to call for a public response should be made and communicated?	We agree that Transpower is the appropriate party to decide when a call for public response should be made, however, this should be done in accordance with a process prescribed under the Code (in a similar way to the process established under subpart

		<p>4 of Part 9 of the Code in relation to Customer Compensation Schemes). The Code should also set out the obligations (if any) on retailers to communicate with their customers in respect of a call made by Transpower. Otherwise, it is inevitable that retailers will take different approaches to such communications which risks causing confusion amongst consumers.</p>
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