



3 September 2004

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Dear John

Comments on the draft ancillary services procurement contract

Thank you for the opportunity to provide comments on the draft ancillary services procurement contract.

The Common Quality Advisory Group (CQAG) has reviewed the contract, with a particular focus on its alignment with the Procurement Plan, given the CQAG's involvement in that process.

Please note that the views expressed herein are the views of the CQAG, not those of the Electricity Commission or the Senior Advisor.

Yours sincerely

Toby Stevenson
Chair, Common Quality Advisor Group

General Comment

Contract name The name, 'Grid Security Services Contract', is inconsistent with the Procurement Plan, which states that the System Operator will implement the Procurement Plan by entering into 'ancillary service procurement contracts' with ancillary service agents. In order to maintain consistency, we suggest that the name of the contract be changed to align it with the Procurement Plan.

Part A: Foundation

Clause 4 The clause that referred to a 'contents page' setting out the applicable schedules has been removed. This was done on the basis that the Contracts will be annual arrangements and the schedules will not generally be added or subtracted. However, the Procurement Plan allows for the System Operator to procure additional ancillary services during the year, if required. This may necessitate either signing up a new contract or adding schedules to an existing contract part way through the term. Unless there is another mechanism in place for dealing with these situations (please clarify) we believe there is still a need for a contents page to specify the schedules that apply.

Part A1: Glossary and Interpretation

Ancillary service agent This definition has different wording to that in Part A of the Rules. Clause 3.3 of the GSSC states that, in the case of an inconsistency, the EGRs prevail over the Contract. We believe the definition for 'Ancillary Service Agent' should either be amended as per the Rules or removed.

EGRs This definition does not encompass amendments, deletions or additions to the rules, schedules, codes of practice or technical codes. We recommend reinstating the deleted text or similar.

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Part A1: Glossary and Interpretation, Continued

Regulations This definition has different wording to that in Part A of the Rules. Clause 3.3 of the GSSC states that, in the case of an inconsistency, the EGRs prevail over the Contract. We believe the definition for 'Regulations' should either be amended as per the Rules or removed.

Part A2: General Terms

Clause 2.5 An addition has been made to this clause that "Any dispute relating to invoices will be resolved in accordance with clause 9". However, clause 9 does not apply to actions for non-payment of invoices. The provisions regarding non-payment are specified under clause 11 – Consequence of Default. We feel that this could be made clearer by including a reference to clause 11 under clause 9.1(a).

Clause 3.2(b) This clause is inconsistent with Part H of the Rules. The timing of payments by the Clearing Manager is dependent on the day that money is received (rule 8.3). If an invoice is issued after the ninth business day, then payment may be delayed beyond the 20th of the month for the same period as the invoice was delayed (rule 7.2). The Clearing Manager must then make payments on the day the money is received, not wait until the 20th of the following month as clause 3.2(b) states. This clause should be redrafted to align it with the Rules.

Clause 5.3(b) & 5.4(b) The requirement to provide an Equipment Capability Statement may, at least in part, duplicate the requirement under Part C to provide an Asset Capability Statement. We recommend that these requirements are rationalised by including in the Asset Capability Statement specific sections for ASAs to complete, if required.

Clause 12.1(c) Allowing only two business days to terminate the Contract following publication in the Gazette of a change to the Regulations or EGRs does not seem to be sufficient for either party to determine whether the change imposes 'material additional obligations'. We recommend that this period be extended to at least 20 days.

Frequency Regulating Reserve Ancillary Service Schedule

Clause 3.1(b) The wording does not appear to allow the use of multiple sites within one company providing frequency regulating reserve. We understand that this can occur (and has in the past) and believe that the ancillary service procurement contract should allow for this.

Clause 5.8(a) This clause requires data to be provided to the System Operator within 24 hours (where reasonable) of a written request. This is inconsistent with the Procurement Plan, which only requires that data is provided within 5 business days. The 24 hour requirement should be removed from the Contract.

Black Start Ancillary Service Schedule

Clause 5.3(g) We believe that consideration should be given to allowing dispensations under this sub clause.

Clauses 8.1(b) & 8.3 Clause 8.1 refers to a network busbar specified in appendix 1. Clause 8.3 could possibly be interpreted a bit wider to mean the System Operator nominating any network busbar. We suggest rewording clause 8.3 for clarity.

Clause 9.1 This new clause requires 'best' endeavours of ASAs to provide additional services. Best endeavours is a much higher legal standard than reasonable endeavours and we believe 'best' to be too onerous an obligation to impose on ASAs. We recommend that 'reasonable' endeavours replace 'best' in this clause.

Instantaneous Reserve Ancillary Service Schedule

Clause 5.1(a) We are puzzled as to why maintenance obligations are included as performance standards. Failure to meet these standards may result in the ASA not being paid or having fees reduced, even if the ASA complies with dispatch instructions. We note that the maintenance obligations in clause 1.1(b) of Part 2, General Terms require that equipment is maintained to enable the provision of ancillary services. We believe that this obligation should be sufficient.

Clauses 5.2(a) & 5.2(b) As discussed above, we are also puzzled as to why monitoring obligations are included as performance standards. Failure to comply with monitoring standards alone should not result in non-payment for the service. We suggest that these obligations are excluded from the performance standards section and included elsewhere in the schedule.

Appendices We note the deletion of the standard frequency excursion curve. Will this information be provided elsewhere? We understand it is required for testing purposes.

Over Frequency Reserves Ancillary Service Schedule

Clause 2.1 The definition for 'Monitoring Equipment' requires transmission to the nominated System Operator control centre. This is inconsistent with the Procurement Plan, which requires transmission to the designated interface point. We note that clause 5.2(b) of this Schedule correctly reflects the Procurement Plan.

Clause 2.1 & 5.2(b) There is no requirement in the Procurement Plan to provide 'triggered' information. We understand that this is a substantial change to simply providing 'armed' information and places a significant obligation on ASAs. We would be interested to see the justification for this change.
