

Final Minutes

Existing Capability Working Panel

1 August 2006

Electricity Commission
Level 7
2 Hunter Street
Wellington

Members Present

Mike Underhill – Chair (10.25 am – 3.35 pm)
Lindsay McLennan
Alex Nisbet
Stephen Peterson (10.35 am – 12.30 pm)
George Riddell
Phil Hawkey
Greg Salmon
Richard Spearman

Also in Attendance

Robert Reilly – Electricity Commission (Commission), Retail Market Consultant
Graham Hodge – Commission's Technical Advisor
Tracy Watson – M-co, Panel Administrator
Neil Walbran – Consultant (9.50 am – 10.55 am)

Introduction

The meeting opened at 9.30 am. It was agreed that the Retail Market Consultant would chair the meeting until the Independent Chair arrived. Phil Hawkey was introduced as the new representative from Contact.

1. Apologies

Jonathan Kay offered his apologies, Stephen Peterson could only attend between 10.35 am – 12.30 pm and the Chair offered his apologies for arriving late due to flight delays.

2. Minutes of the last meeting

The Existing Capability Working Panel (ECWP) accepted the minutes of the 7 June 2006 meeting as a true and accurate record subject to the correction of the spelling of Geoff Nevill on page one.

(McLennan/Nisbet)

3. Matters arising

The Panel Administrator advised the ECWP that action point 6 would be held over until the next phase of the load management work programme.

The ECWP requested that the presentation by Enermet at the 7 June 2006 meeting be circulated to the members.

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Action point **Panel Administrator** to circulate the presentation by Enermet to the ECWP at its 7 June 2006 meeting.

4. Tariff analysis – presentation by Neil Walbran

The ECWP agreed to discuss the Neil Walbran Consulting paper 'Analysis of tariff signals for managed load' (paper) prior to the author's arrival.

A member queried if the sample was representative of the population. The ECWP agreed that it was, and noted that Enermet had researched the entire population for distributors' pricing and the results had indicated a similar situation. That is, the extent to which benefits are passed to consumers is varied, and is dependent on the distributor.

The ECWP discussed the implications of averaging the benefits of load management across all ICPs, and not isolating the benefits to ICPs with ripple control. The ECWP also noted the difficulties in establishing a profile when load would depend on factors such as the time of the year.

Neil Walbran presentation

Neil Walbran's presentation is attached to these minutes.

Neil Walbran noted the well defined scope and thanked Lindsay McLennan and Alex Nisbet for their contribution to both the scope and reviewing the final paper.

The ECWP queried why the tables in paragraph six had Transpower's average annual value higher than the values recorded for individual areas. Neil Walbran agreed that this was likely to be an error and agreed to investigate further.

Action point **Neil Walbran** to investigate why the tables in paragraph six of his paper have average values for Transpower that are higher than Transpower values for individual areas.

The following points were made during Neil Walbran's presentation:

[The Independent Chair arrived 10.25 am]

- The ECWP agreed that a statement is to be inserted noting that all appliances are attached to a night tariff compared to a day tariff, which is just the electric hot water heater;
- The ECWP agreed that a recommendation is to be included in the final report stating that the uptake of controlled load tariffs by consumers needs to be determined from retailers; and

[Stephen Peterson arrived 10.35 am]

- The ECWP noted that further work was required on paragraph 33 as the paragraph ended with a colon.

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Action point **Panel Administrator** to ensure that paragraph 33 of the Neil Walbran Consulting paper is completed prior to publication.

The ECWP agreed with the conclusions of the paper but noted that it had yet to formulate the recommendations.

5. Load management property rights

The Chair opened the discussion by noting that the ECWP had agreed that system security was paramount. System security was at two levels, national operation and distribution level.

A representative noted that he had engaged the services of Chapman Tripp to determine if consumers have a property right, in law, to load and therefore have a right to determine if load is controlled. The representative agreed to circulate the opinion and that it could be published with the ECWP's meeting documents on the Commission's website.

Action point **Alex Nisbet** to circulate the Chapman Tripp opinion regarding the consumers' property right in load and load management.

The ECWP discussed the issue of consumers' ownership of the 'property right' in load management and agreed, after some debate, to the following principles:

1. Consumers' rights arise from contracting with a supplier. Consumers do not have a property right in load before entering a contract. Even after contracting with a supplier, system security is paramount;
2. No party has a right to interrupt supply unless the consumer has agreed to the interruption in a contract; and
3. The model use of system agreement needs to be consistent with the points made in 1 and 2 above. The benefits of load management are then a matter of negotiation between the parties.

The ECWP agreed that "system security" required careful consideration, as it could potentially be used to cover situations where the threat was not immediate. However, it was agreed that no definition was required at this time.

[The meeting adjourned lunch at 12.15 pm and reconvened at 12.35 pm. Stephen Peterson left the meeting during the lunch break.]

6. Scope for analysis of controllable load profiles

The ECWP discussed the scope at length, and agreed that the following steps needed to be completed before finalising the scope:

1. Determination of the purpose of the analysis. For example, if the analysis was to be used for settlement, the analysis would require more rigour;
2. Determination of any existing information that might be available;

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3. Discussion with distributors regarding the extent to which they would be prepared to conduct the tests and the best method for testing; and
4. Discussion with Transpower regarding the extent to which it would be prepared to assist in the testing.

During the course of the discussion, members made the following observations:

- The six largest distributors control 80 per cent of ICPs, so these distributors should make up the test sample, along with, say Network Tasman as a representative of smaller distributors.
- The 'top down' methodology was generally the preferred methodology.
- The coordination and analysis of the tests were beyond the scope and the budget of the ECWP, and would therefore require Board approval. The ECWP could recommend that a work stream be set up to conduct the analysis.
- The testing would be an iterative process, starting with a pilot test that might result in the amendment of the scope.
- Sampling should be conducted quarterly, during the middle of each season, with one test conducted during a weekday and one in the weekend.
- The accuracy should be set at a pragmatic level of +/- 10 per cent, rather than, say, three significant figures.

7. ECWP final report – straw man

The Retail Market Consultant advised the ECWP that he had commenced the drafting of a straw man final report (straw man) by including the work completed to date and draft recommendations. The draft is work in progress and the report will be published when completed. He encouraged the ECWP to focus on, and develop, the draft recommendations.

The ECWP noted the following:

Recommendation one – The recommendation regarding property rights is to be amended in accordance with the outcomes decided earlier in the meeting. The wording 'relatively small value of load management to...' is to be replaced with 'the relatively small value to individual users...' if required.

Recommendation two – The ECWP representatives had differing views on the importance of split asset ownership in preventing investment in load management systems. The ECWP agreed that this, and other matters, required further investigation in later phases of the load management work programme and that a preamble should be inserted to reflect this.

Recommendation three – The ECWP agreed that a paper should be drafted noting the differences between the retailers and the distributors' versions of schedule 9, and that the next phase of the load management work programme should determine a solution for reconciling those differences. This solution should then be released to the industry for consultation.

Recommendation four – The Retail Market Consultant advised the ECWP that a separate work plan would be required to complete the work specified in the scope for the analysis of load management profiles. The ECWP agreed to amend the first sentence of

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recommendation four so that it reads “As a result of the information received from the transmitter owner survey responses, further investigation is required.”

Recommendation five – The ECWP agreed that the first sentence of recommendation five is to remain, subject to the removal of the word ‘mandatory’. The second sentence is to be deleted.

Recommendation six – The ECWP agreed that recommendation six is to be reworded “The Commission should develop a regime for the end-to-end testing of the effectiveness of load control systems and the keeping of accurate records of the status of load control systems”.

Recommendation seven – The ECWP agreed, after some discussion, that recommendation seven is to be deleted.

In addition to the recommendations, the ECWP agreed that a ‘conclusions’ section is to be inserted prior to the recommendations. The conclusions are to include (among other findings) the fact that the benefit of load control is considerably larger for Transpower and distributors than for retailers reducing energy costs.

Amendments to body of the straw man

The ECWP agreed to the following amendments:

- Paragraph 1, second sentence: ‘is’ to be replaced with ‘was’.
- Paragraphs 5 – 9 (terms of reference): to be placed in an appendix.
- Paragraph 7(f): cost benefit analysis has not been completed, so it is to be noted that this will be included in phase two.
- Paragraph 10: the definition of load management is to be ‘all load controlled by signals from existing central transmitters, *including night load*, but excluding consumer...’
- Paragraph 15: the list of unreliable aggregates is to include the total MW of load management determined in the survey results (880 MW).
- Paragraph 16: replace ‘Lines Businesses’ with ‘their’.
- Paragraph 17: amend the first sentence so that it reads ‘weighted by *number of ICPs*’.
- Paragraph 18(a): amend the last sentence so that it reads ‘Some firms use signals to impact the effects of nodal pricing’.
- Paragraph 18(e): delete the last sentence and insert an additional paragraph (as 18(f)) that reads ‘Frequency coordination may be required between geographic areas for new load control systems being installed and for frequency changes’.
- Paragraph 18(f): the paragraph is to read ‘Most systems have spare capacity available and can support at least three new applications. However, pilot wire systems have fewer channels and limit choice to consumers’.
- Paragraph 18(g) is to include irrigation.
- Paragraph 18(i) is to be reworded so that it is clearer.

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- Paragraph 18(l) is to be quantified by identifying the number of distributors and the number of ICPs they control who do require load control on hot water heating.
- Paragraph 18(n): insert an additional sentence 'A lack of formal contracts has not prevented cooperation during periods of high spot prices'.
- Paragraph 19(b): insert 'including night control options' at the end of the sentence.
- Paragraph 19(c): delete 'claim they'.
- Paragraph 19(d): insert 'on a year by year basis' at the end of the final sentence.
- Paragraph 19(f): delete the final sentence.
- Paragraphs 20 – 23 are to be reworded so that they conform with the ECWP's comments noted earlier in the meeting.
- Paragraph 25: note prior to the recommendation that 90 per cent of the cost of load management systems is in the receiver relays.
- Paragraph 30: remove the second comma at the end of the sentence.
- Paragraph 31: insert an additional paragraph 'Under the current reconciliation process, retailers who do not encourage load management free ride off retailers who do, as all energy for domestic supply is reconciled against residual supply'.

The ECWP agreed that the appendices to the straw man were to have the maps updated in accordance with Lindsay McLennan's instructions, include the ECWP's terms of reference and exclude the property rights paper. The ECWP also agreed that the tariff analysis and the scope were to remain as appendices and that the tariff analysis was to be highlighted in the Commission's Update.

8. General Business

There was no general business.

The meeting closed at 3.35 pm.

The date of the next meeting is Tuesday 5 September 2006.