

# Constraint Issues Group

## Terms of Reference

### Purpose

The Constraint Issues Group will analyse the issues raised by market participants regarding the:

- modeling of constraints within SPD;
- the number of constraints modeled within SPD;
- the frequency of constraints binding; and
- the pricing outcomes resulting from constraints binding.

### Objectives

The primary objective of the Constraint Issues Group is to develop an issues paper that includes the following:

1. Clear definition of the issues;
2. Analysis and review of the issues;
3. Clear explanation of the objectives and operation of SPD relevant to the issues;
4. Recommendations to the Commission that:
  - a. Note any additional issues that may have arisen during the course of the analysis;
  - b. Provide a priority order in which these issues should be addressed;
  - c. Suggests how these issues may be resolved or alleviated; and
  - d. Provides a likely timeframe for implementing the recommended solutions.
5. An overall assessment whether these recommendations will lead to a resolution of the primary concerns raised by TrustPower and others; and
6. Identification of other areas warranting further review and analysis.

### Scope

The Constraint Issues Group will cover the following areas:

- Determine the extent to which infeasible prices and binding constraints occur. How changes to security constraints are carried out by the System Operator and the number of times this occurs.
- Review both documented and institutionalized processes used by the system operator to resolve infeasible prices.

- Review and document the 'spring washer effect' and how it arises from the nodal pricing process. Consideration of the impacts of the spring washer effect on market participants and its appropriateness to meeting the objectives of nodal pricing.
- Review the pricing process regarding the timing and purpose of dispatch, real time, provisional and final prices; and
- Take into consideration other initiatives already listed on the Commission's work plan that may address the issues raised.

The above areas are not exhaustive and will be developed further by the Constraint Issues Group.

## **Membership**

The Commission has engaged Bill Heaps to chair the Constraint Issues Group. Bill will prepare a number of the papers for the Constraint Issues Group, in conjunction with Dean Yarrall (M-co).

### Constraint Issues Group Members

Duncan Head  
Graeme Everett  
Grant Sullivan  
James Flannery  
John Clarke  
Malcolm Alexander  
Rob Jamieson  
Stephen Batstone  
Ted Broadhurst  
Therese Thorn

Tim Street will participate as the Commission's representative

## **Information**

Information on the Constraint Issues Group, such as papers, presentations, progress reports and recommendations will be provided on the Commission's website.

## **First Meeting**

The first meeting of the Constraint Issues Group is planned to take place:

- Monday 14 June 2004, 9:30am to 3:00pm