

16 January 2007

## **VPWP Work-plan**

### **Introduction**

This document sets out the tasks assigned to the Value Party Working Party (VPWP) for its consideration and discussion.

For ease of discussion, the tasks have been split into five areas:

- Cost benefit Analyses
- Allocation of Benefits
- Investment incentives
- Contract Issues
- Physical

A proposed timeline for these tasks is attached as Appendix 1.

### **Tasks:**

#### **Cost Benefit Analyses**

1. Perform a cost/benefit analysis of the project proposal for load management profiles as developed by the ECWP, for consideration by the Board.
2. Perform a valuation of load management benefits to cover:
  - security of supply;
  - instantaneous reserves
  - transmission alternatives
  - distribution alternatives
  - wholesale market price including constraint management;
  - generation alternatives; and
  - any further requests from the Commission that emanate from the National Winter Group report.

**Allocation of Benefits**

1. Study load control benefits from the perspective of the following parties:
  - customer whose load is being controlled;
  - the owner of the load control infrastructure;
  - the operator of the load control infrastructure; and
  - the entity offering the load control service.
2. Investigate to what extent the allocation of benefits is aligned with commercial incentives under the existing arrangements
3. Develop methodologies and options for how the costs and the benefits of load control should be allocated between the various parties.
4. Develop mechanisms to minimise any inequities arising from dilution of benefits away from the parties directly involved in load management activities, including minimising or eliminating the 'free-rider' problem.

**Investment Incentives**

1. Investigate, in conjunction with the Commerce Commission, the impact of its price control regime on incentives for distributors to invest in, operate and price load management services.

**Contract Issues**

1. The VPWP to make a submission on the transmission pricing methodology by 2 February 2007.
2. Develop the concept of controllable load as an 'end user property right' which can be assigned to the party of their choosing. This will include studying various assignment mechanisms to formalise the recognition of this property right, including the possible use of the existing Registry system.
3. Analyse the differences between the distributor and retailer versions of the load management schedule attached to the model use of system agreement and prepare a proposal for a single approach that recognises the Existing Capability Working Panel (ECWP) findings in respect of property rights, for recommendation to the Board to be released to the industry for consultation. In particular:
  - note the findings from the analysis of load management tariffs;
  - consider the implications of the sample results; and

- develop recommendations on load management tariffs, including how they should be managed and maintained (for feeding into the distribution pricing methodology project).

## **Physical**

### *Technical Facilitation Working Party – TPWP?*

1. Develop end-to-end testing of the effectiveness of load control systems and requirements for recording the status of load control systems.
2. Consider the costs and benefit of updating of databases of receiver relays to be aligned with the re-certification of category 1 metering installations required by 2014, and if appropriate, mechanisms by which this will occur.
3. Investigate options for a protocol communicating the availability and dependability of load management between the operators of load management and the system operator.
4. Propose a load management dispatch protocol or agreement which integrates control requests from parties (or their agents) who receive load management benefits and which establishes performance obligations on the transmitter operator.

**Appendix 1: VPWP draft proposed timeline**