

Minutes

Transmission Advisory Group

1 November 2007

Electricity Commission

Level 7 - ASB Tower

2 Hunter St

Wellington

Members Present

Bill Heaps (Chair)

Clive Bull

Peter Calderwood

Ralph Matthes (part meeting)

Bob Simpson

James Collinson-Smith

Tas Scott

Tim Densem

Tim George

Guy Waipara

Also in Attendance

John Gleadow (Senior Adviser Transmission, Electricity Commission)

Peter Griffiths (Transpower, part meeting)

Karen Bradley (Adviser Transmission, Electricity Commission)

Brent Thomas (Transpower, part meeting)

Ray Basher (Transpower, part meeting, via audioconferencing)

Mike Collis (Electricity Commission, part meeting)

Laurie Counsell (Electricity Commission, part meeting)

Ross Weenink (Transpower, part meeting)

Brian Bull (Electricity Commission, part meeting)

Bruce Smith (Electricity Commission, part meeting)

Nick Crang (Buddle Findlay, part meeting)

Blair Walter (Connell Wagner, part meeting)

Steve Jenkins (Connell Wagner, part meeting)

The meeting commenced at 9.35 am.

The Chair welcomed members of the Transmission Advisory Group (**TAG**) to the meeting.

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1. Apologies

Russell Longuet, Malcolm Alexander and Dick Whitelaw apologised in advance as they were unable to attend the meeting.

2. Leave

No members sought leave.

John Gleadow joined the meeting at 9.35 am.

Karen Bradley joined the meeting at 9.35 am.

3. Minutes of Previous Meeting

Members agreed and approved the draft minutes of the previous TAG meeting held on 20 September 2007 as tabled, subject to minor corrections being made.

Action Point	The TAG administrator is to finalise and publish the draft minutes of the meeting held on 20 September 2007.
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4. Matters arising

Meeting dates

TAG Members were advised that possible meeting dates would be circulated prior to the next TAG meeting and Members were asked to provide feedback on these dates to the TAG administrator.

TAG meeting with Commission's Board

TAG Members were advised that they would meet with the Electricity Commission's Board (**Board**) within the next 12 months.

Feedback from the Board on TAG's comments

Some Board Members had advised the TAG's Chair that they were happy to receive TAG's feedback and that it provided them with a useful perspective on where the TAG is going.

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Action Point **The TAG administrator** is to circulate possible meeting dates for next year prior to the 13 December 2007 TAG meeting.
TAG members to provide feedback by e-mail on the suggested dates to the TAG administrator.

5. Correspondence

There were no items of correspondence.

Bruce Smith joined the meeting at 9.41 am.

Brian Bull joined the meeting at 9.41 am.

Guy Waipara joined the meeting at 9.41 am.

Peter Griffiths joined the meeting at 9.41 am.

6. HVDC

This item was presented by Bruce Smith (Senior Analyst, Electricity Commission). The Chair introduced this discussion item.

The presentation included, amongst other things:

- a. an overview of the modelling workstream work program;
- b. an overview of GEM and its outputs in the context of the HVDC analysis; and
- c. an overview of the assumptions used for the HVDC analysis.

Following and during the presentation, Members asked a number of questions relating to the economic assessment of the HVDC investment alternatives. The discussion included, amongst other things:

- a. some members were concerned that the analysis does not model market price behaviour;
- b. a member suggested that GEM was least cost rather than market based focused. The Senior Analyst explained that it was a least cost approach that used market based assumptions such as consideration of tax, WACC and HVDC charge for generators, but that the competition benefits would need to be considered to include market price effects;
- c. the Senior Analyst explained that market simulation (to estimate generator revenue outcomes) is infeasible with current technology, requiring non-linear MIP. A member highlighted that several companies presently provide market simulation services to participants within the Australian NEM, albeit with finer time resolution and over shorter periods than that provided by GEM;

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- d. a member considered that any perceived competition benefits of the HVDC will add value to consumers rather than to South Island generators;
- e. a number of members commented that they would like to see more details about the build schedule and various other reports;
- f. some members are concerned that GEM is being driven by peak as opposed to energy issues. The commission commented that both energy and peak constraints are in the generation expansion model but the peak constraint may drive the generation expansion requirements;
- g. one member asked the Commission if it had looked at the different lead time between different generation technologies and several members raised concerns about the inclusion of possible pumped-hydro projects in the assumptions;
- h. one member expressed concern about placing too much emphasis on the GIT when making investment decisions, highlighting the fallibility of using economic tools/analysis in isolation of other decision criteria. It was suggested that the value of future options arising from a proposal needs to be taken into account when making investment decisions; and
- i. one member considered that there should be a clear link between price and service outcomes for the HVDC link. The HVDC link has been itemised out for the purposes of pricing and service obligations and as such a change in service can be directly attributed to a change in price. The member also noted that there has been no price adjustment for the HVDC link with Pole 1 removed from service even though the capacity of the link is halved and service clearly reduced.

Action Point **The TAG administrator** is to summarise the view of TAG members and circulate.
The TAG administrator is to allocate time for further discussion on this item at the 13 December 2007 meeting.

The Chair thanked Bruce Smith for his presentation and Brian Bull for attending the meeting.

Brian Bull left the meeting at 10.45 am.
Ralph Matthes left the meeting at 10.45 am.
Nick Crang joined the meeting at 10.54 am.
Mike Collis joined the meeting at 10.54 am.
Bruce Smith left the meeting at 11.00 am.

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7. Interconnection Service Measures

This item was presented by John Gleadow (Senior Adviser Transmission, Electricity Commission).

The Senior Adviser explained that the Interconnection Service Measures (**ISMs**) are a process for Transpower to provide capacity information. The Electricity Commission (**Commission**) is consulting on the ISMs and seeking TAG's input to ensure that the information contained in the ISMs is robust. The Senior Adviser explained that the aim is to provide greater certainty for grid users on Transpower's obligations.

The discussion on the ISMs included, amongst other things:

- a. the issue of payment for the decommissioning of assets (i.e. if assets are out of service or decommissioned should Transpower still be able to recover them and recover the decommissioning costs?). One member stated the view that there should be a change in price reflecting a change in service. The member noted that there has been no reduction in transmission prices since the stand down of Pole 1 of the HVDC yet the level of service was reduced. Following the meeting, a member has highlighted potential issues regarding the application of the price control regulations and the revenue allocation under the Transmission Pricing Methodology (TPM) and their relevance to the points discussed by the TAG.
- b. to what extent does a transmission outage create constraints within the market? If participants have more information then they could consider changes that they could make. Some members considered that whilst provision of information is good it may not make any difference to generators;
- c. a member commented that it is not the information that is valuable, it is the obligations on Transpower to deliver a service;
- d. the potential to create incentives on Transpower to minimise impacts of transmission management should be considered. The current incentives are based on a "stick" approach and could be improved;
- e. members commented that Transpower's decision to stand down pole 1 was unexpected and questioned whether there was a need for a rule change to provide a better process for these types of decisions. Following the meeting, a member commented that the stand down of pole 1 took place before the effective date of the new rules and that in his opinion a rule change is not necessary;
- f. some members commented that there maybe too much detail on branches and components which could make it cumbersome; and
- g. a member raised concerns over small immaterial breaches that may arise due to the detailed level of information; and
- h. a member added that further consideration should be given to providing information as part of the Centralised Data Set (CDS), rather than obliging Transpower under rules/BA to provide this.

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Action Point **The TAG administrator** is to e-mail a draft version of the note from the Chair of TAG to the Board for TAG's comments.
TAG members are to e-mail their views to the TAG administrator by the 16 November 2007.

Brent Thomas joined the meeting at 11.55 am.

8. Connection Code

This item was presented by Brent Thomas (Account Manager, Transpower).

Following advice provided by the TAG, Transpower has tried to create some balance in the Connection Code (**CC**) document and to be more prescriptive in some of the technical details. The debate around the appropriate level for power factor has been left open for consultation. The Commission has identified an alternative of unity power factor whereas the proposal based on Transpower's submission is 0.95.

The discussion on the CC included, amongst other things:

- a. members commented that setting a fixed power factor at all or regional grid exit points might not be optimal and further, that grid-level investment in power factor correction equipment should be carried out only when this proves to be the best solution after consideration of all alternatives. Some members. Suggested that there may be more effective mechanisms such as a KVA charge and that this could be considered as a task on the Commission's workplan;
- b. a member commented that the Connection Code assumed an existing contract and that at the moment it is not clear how new connection requirements are accommodated;
- c. members commented that Clause 1.5 may not be enforceable through existing contracts (i.e. some contracted parties might be in breach). Following the meeting, a member noted that, in his view, the requirement in clause 1.5 of the Connection Code is no different from the current connection contract/posted terms and the connection policy;
- d. in relation to the Asset Capability Statement, when generators provide information to the system operator it is treated as confidential under Part C Tech Code A of the Rules. Members questioned whether it is treated in the same way when provided to Transpower as Grid Owner. Following the meeting, a member expressed the view that confidentiality issues in relation to the grid owner should be governed by the Benchmark Agreement or alternative contractual arrangements;
- e. some members commented that the document should be scanned to find any linkages issues with other agreements such as distribution Use of System Agreements;
- f. a member commented that the Connection Code is considered to be one sided (in favour of Transpower) and commented that the outcome that needs to be recorded

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in the Connection Code is how two asset owners safely and securely connect their networks together;

- g. a member suggested that submissions received should be referred to an expert panel of Transpower and connected parties to ensure that the code is given due consideration. This member referred to the so-called use of system distribution agreements which warranted significant development by expert panels to produce model agreements that achieved widespread buy-in from stakeholders; and
- h. members expressed concerns about the retrospectivity of the code. It was suggested that, as was the case when part C was introduced, interim dispensations could be used to deal with retrospectivity issues

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TAG members are to e-mail their views to the TAG administrator by the 16 November 2007.

Nick Crang left the meeting at 12.45 pm.

Ross Weenink joined the meeting at 12.55 pm.

Mike Collis left the meeting at 12.55 pm.

Brent Thomas left the meeting at 1.05 pm.

Laurie Councell joined the meeting at 1.10 pm.

Ray Basher joined the meeting (via audio-conferencing) at 1.08pm.

9. Outage Protocol

This item was presented by Bob Simpson (Grid Asset Manager, Transpower).

Transpower explained that no material changes have been made since the draft Outage Protocol (**OP**) was last presented to the TAG apart from:

- a. Transpower has adopted a short notice outage provision (40 days before hand for outages);
- b. Clause 9.1.2 of the draft Outage Protocol does not allow for DTC to have unplanned outages; and
- c. the Net Benefit Principle is still the same but there is a simplified version of the NBP for short notice outages.

Members considered the questions listed in the consultation paper and agreed with most considerations. Members considered that the rules for outage planning should be workable and not be unnecessarily complex. Some members expressed surprise at the high cost estimates for the universal application of the Net Benefit Test (**NBT**) and considered that application of a NBT should be sensible and justifiable

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Action Point **The TAG administrator** is to e-mail a draft version of the note from the Chair of TAG to the Board for TAG's comments.
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Ralph Matthes joined the meeting at 1.45 pm.

Blair Walter joined the meeting at 1.49 pm.

Steve Jenkins joined the meeting at 1.49 pm.

10. Transmission to enable renewables

This item was presented by Blair Walter (Associate - Renewable Energy, Connell Wagner).

The presentation included, amongst other things:

- a. an overview of the mesoscale modelling (numerical weather prediction model);
- b. an overview of the work that Connell Wagner is doing for the Commission (Project is to produce a map of usable wind resources) ; and
- c. the proposed methodology which will be used for the project.

Following and during the presentation, Members asked a number of questions relating to the transmission to enable renewables project. The discussion included, amongst other things:

- a. A member commented that the Commission needs to clearly set out the difference between the Wind Investigation project and the transmission to enable renewable project for the wind part of the project. The Wind Investigation project is more focused on a real time system operation point of view.
- b. The Commission explained that the information collated will be consulted on;
- c. The information could be used to support the environmental process – which can be considered to be a national issue;
- d. A member commented that you do not want to build transmission lines for things which are not going to happen;
- e. Off-shore wind won't be looked at as the costs are about twice as much as on-shore. Connell Wagner commented that off-shore is exploited widely in Europe because there is not much empty land available and therefore it is difficult to get consent. This does not apply to New Zealand;
- f. The Commission explained the Transpower could use this information to support grid upgrade proposals (GIT can be based on modelled project);
- g. An interesting issue is that under the probability component of the GIT if the scenario probability weighting is 50%, Transpower need to demonstrate there are twice the benefits if economic benefits only occur in one scenario; and

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- h. The Commission commented that the information would be used in developing the SOO market development scenarios.

Tim Densem left the meeting at 2.12pm.

The Chair thanked Blair Walter and Steve Jenkins for the presentation and attending the meeting.

11. General business

There were no items of general business.

The Chair thanked Members for their participation and attendance and advised that the next scheduled meeting of the TAG was 13 December 2007.

The TAG meeting was closed at 2.30 pm.

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Summary of Action Points

No.	Issue	Action / Comment	Due Date
1.	Previous minutes	The TAG administrator is to finalise and publish the draft minutes of the meeting held on 20 September 2007.	Completed
2.	Matters arising	The TAG administrator is to circulate possible meeting dates for next year prior to the 13 December 2007 TAG meeting.	Completed
3.	Matters arising	TAG members to provide feedback by e-mail on the suggested dates to the TAG administrator.	Completed
4.	HVDC	The TAG administrator is to summarise the view of TAG members and circulate.	Completed
5.	HVDC	The TAG administrator is to allocate time for further discussion on this item at the 13 December 2007 meeting.	Completed
6.	Interconnection Service Measures	The TAG administrator is to e-mail a draft version of the note from the Chair of TAG to the Board for TAG's comments.	Completed
7.	Interconnection Service Measures	TAG members are to e-mail their views to the TAG administrator by the 16 November 2007.	Completed
8.	Connection Code	The TAG administrator is to e-mail a draft version of the note from the Chair of TAG to the Board for TAG's comments.	Completed
9.	Connection Code	TAG members are to e-mail their views to the TAG administrator by the 16 November 2007.	Completed
10.	Outage Protocol	The TAG administrator is to e-mail a draft version of the note from the Chair of TAG to the Board for TAG's comments.	Completed
11.	Outage Protocol	TAG members are to e-mail their views to the TAG administrator by the 16 November 2007.	Completed