

Views on the electricity “supply security” package

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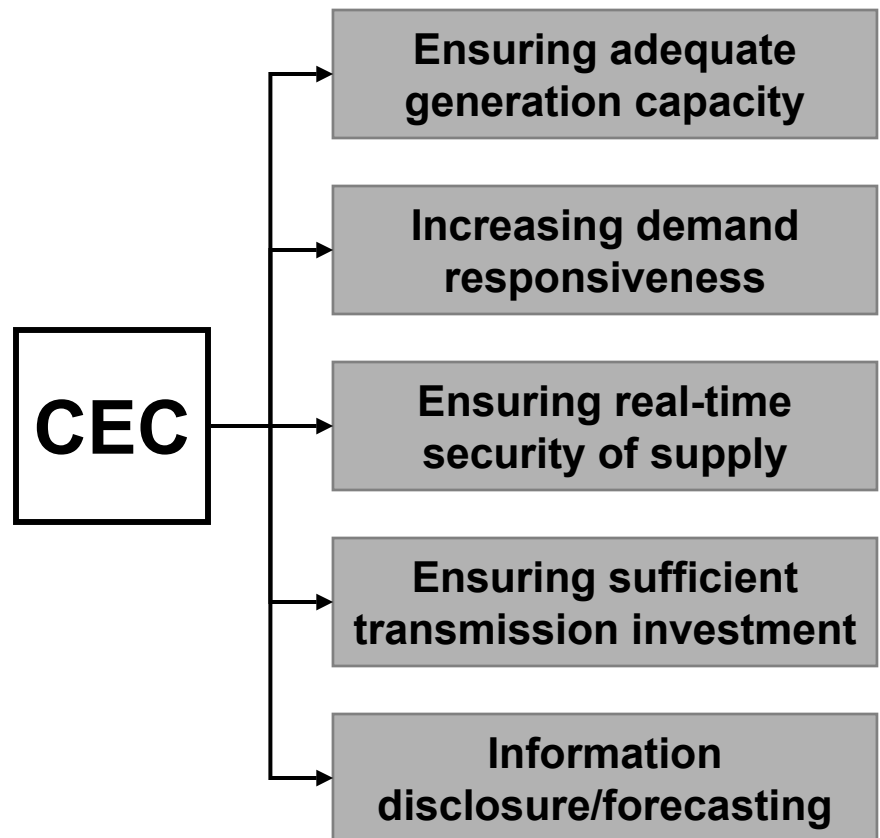
Reform package

- **Transpower welcomes the setting up on the Electricity Commission**
- **Fully independent governance**
 - ☑ acting in the public interest
 - ☑ able to set market rules
- **Statutory powers to mandate compliance with the rules**



Security of Supply

- **Crown Electricity Commission (CEC) has wide ranging powers**
- **Mandate to ensure security of supply**
- **One element is to ensure adequate generation capacity**



Market design

- **Resource adequacy is an issue for many competitive electricity markets**
- **Not aware of any proven successes**
- **Objective should be to improve market function**
 - ☑ effective governance
 - ☑ hedge products
 - ☑ demand-side response



Key issues for Transpower

- **Arrangements for real-time security**
 - ☑ review system operator (and other service provider) arrangements
 - ☑ efficient and practical dispatch of reserve generation

- **Transmission investment**



Transpower's focus is new investment

- **Clear need for substantial new investment**
 - ☑ maintain high-level of reliability and security
 - ☑ meet anticipated long-term load growth
 - ☑ connect new generation
- **Major grid enhancement program under investigation**
 - ☑ increased core-grid voltage
 - ☑ more than NZ\$1 billion - and possibly significantly more



Current road-blocks

- **Regulation is the only answer to provide the right conditions and remove the current road-blocks**

- **Two requirements for Transpower to invest**
 - ☑ an acceptable commercial framework

 - ☑ alleviating access and planning restrictions



Regulatory clarity

- **Commerce Commission must explicitly recognise “industry arrangements” in its regulatory determinations**
- **Commerce Commission has to date been reluctant to rely on the industry EGB arrangements**
- **The emergence of the Electricity Commission removes this concern**
- **Transpower will be actively seeking integration under a fully statutory set of arrangements**



Regulating investment in transmission

- **Clear regulatory framework for transmission investment**
 - ☑ enforcement of the transmission pricing methodology
 - ☑ regulatory clarity

- **Effective processes**
 - ☑ so that timely grid investment occurs

- **Cost effective implementation**
 - ☑ avoiding duplication of roles and resources



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