

Wind Offer Arrangements

NZ Wind Energy Association Submission

November 2017



Executive Summary

1. NZWEA appreciates the opportunity to make a submission.
2. The Association is supportive of the amendment as it establishes a consistent basis for making offers and the rules around offer volume changes across all types of generation while recognising the intermittent nature of wind generation.
3. NZWEA notes the change to wind offer arrangements is timely given the expected increase in wind energy generation as New Zealand leverages its renewable electricity capability in transitioning to a low carbon economy.
4. Specific comments on the proposed drafting of the amendment have not been provided as Association's members may have differing views on the mechanism for recording changes in plant capability and other aspects of the proposed code amendments.

Response to Questions

Q1. Do you agree the issues identified by the Authority warrant changes to the offer arrangements for wind generation?	<ul style="list-style-type: none">▪ YES.▪ Using price to establish market offers is preferable to adjusting bid volume as a proxy for forecast spot prices.▪ An important market principle is that that wind generation is offered the same flexibility as other forms of generation to submit offers based on factors such as SRMC.▪ Implementing an improved basis for bidding does assist positioning wind for future growth.▪ While recognising the intermittent nature of wind generation, it is appropriate that market rules should be established that subject wind energy to relevant rules about withdrawing generation.
Q2. Do you agree with the objectives of the proposed amendment? If not, why not?	<ul style="list-style-type: none">▪ YES.▪ The proposed amendment will allow wind generators to react to changing power price and windfarm conditions in a timely manner and reduce the incidence of loss making periods.
Q3. Do you agree that an unsignalled generation withdrawal limit of 30 MW allows sufficient wind farm operational flexibility and does not cause unintended consequences for wind farm owners?	<ul style="list-style-type: none">▪ YES.▪ 30 MW will allow enough scope to reduce generation to minimise loss making situations.▪ It is important to also recognise there are factors which may result in a more than 30 MW reduction in the final forecast of generation. The reasons outlined in para 4.2(i) are considered appropriate.

<p>Q4. Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<ul style="list-style-type: none"> ▪ YES. ▪ NZWEA considers the future net present value of the wind offer arrangement may change as wind generation increases in absolute quantity and as a percentage of total electricity generation. ▪ For example, The Ministry of Business and Innovation in their mixed renewables electricity demand and generation scenario has total wind generation of 4,539 GWh's by 2030 which would increase the net benefits of the proposal.
<p>Q5. Do you agree the proposed amendment is preferable to the other option? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.</p>	<ul style="list-style-type: none"> ▪ YES. ▪ Being required to offer at \$0.01 MWh does not reflect the true costs of wind and, when considering the importance of establishing confidence in offer volumes, does enable wind to trade competitively in the market reflecting the SRMC of generation. ▪ The proposed amendment is also more consistent with market rules for other forms of generation and is a more principled approach which recognised the increasing role of wind energy in meeting NZ's electricity demand.
<p>Q6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?</p>	<ul style="list-style-type: none"> ▪ YES. ▪ These amendments will lead to a more competitive market and may promote future new investment in wind generation.
<p>Q7. Do you have any comments on the drafting of the proposed amendment?</p>	<ul style="list-style-type: none"> ▪ NO. ▪ We note that the Association's members may have differing views on the mechanism for recording changes in plant capability and other aspects of the proposed code amendments and have therefore not provided specific comments.

About the NZ Wind Energy Association (NZWEA)

- The NZWEA is an industry association that promotes the development of wind as a reliable, sustainable, clean and commercially viable energy source.
- We aim to fairly represent wind energy to the public, Government and energy sector.
- Our members are involved in the wind energy sector and include electricity generators, wind farm developers, lines companies, turbine manufacturers, consulting organisations and other providers of services to the wind sector.
- By being a member of NZWEA you are assisting the development of wind energy in New Zealand and helping to reduce our greenhouse gas emissions to meet climate change targets.

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