

Major Electricity Users Group verbal submission

These are transcribed notes from a verbal submission from Karen Boyes on behalf of the Major Electricity Users' Group (MEUG).

Introduction

MEUG welcomes the engagement with the Authority to date. We are happy to see the proposed demand flexibility roadmap and the Authority's change in view about compensation for consumer participation in demand side response. We consider the roadmap is a particularly useful way to piece the work together. It reflects that there are a lot of tools and approaches that can be considered to harness demand-side flexibility.

MEUG supports the ERS

We consider the ERS has a role to play in promoting demand-side flexibility as one part of the broader roadmap. We recognise that the ERS is one of many of the items that will be on the road map and does not address all aspects of demand flexibility.

The ERS reflects Transpower's findings in recent publications and the period of increased system risk we are observing, particularly the shortage of residuals in the system where we've got under 200MW.

We have had some discussions with Simply Energy and the Authority about how we progress the wider roadmap work. We are still keen to see where the roadmap is going, understand when it will be finalised, and whether there is a chance for more MEUG involvement.

Some MEUG members queried the interaction between the ERS and existing mechanisms

Members who discussed this consultation paper at a recent MEUG meeting were concerned about how the additionality principle was going to affect who could participate in the scheme. A lot of the larger electricity users are already involved in the ancillary services market, and we agree with Simply Energy's view that participation in these services is usually a gateway to participating in wider demand-side flexibility. Members also questioned how the ERS will sit relative to participants' rolling outages plans.

We question whether parties could come in and out of ancillary services and what would participants get from being involved in the scheme rather than in other ancillary services.

We also ask for more details on what benefits there could be from participating in the ERS, and whether there might be ways for load to participate in both.

We suggest it would be useful to have an updated diagram showing where the ERS sits in the context of all existing mechanisms (including ancillary services, rolling outages plans and bilateral agreements).

Members query whether the scheme provides enough incentives to shift participants' behaviours

We understand the scheme is well designed for the system, but we question whether it does enough to encourage participation because the ERS is supposed to be called on extremely infrequently. We are currently uncertain how many members may actually look to get involved in the ERS, given the proposed settings.

We still have the question of how many MW the Authority will require for the scheme, or the level of demand side response that is sought as a whole for the system.

This is why, while we support the ERS, we would like to see some more evidence or work on other options to take load off the system.

MEUG supports the use of a tender and agrees with the low-cost approach to get involved

However, we need more details on the tender to fully understand what the offer is.

We recommend that the Authority and the System Operator review the ERS after the first couple of tenders when they see the interest that comes out of the market, to understand if it is operating effectively or needs further refinement. This is particularly relevant since the lack of industrial and commercial consumers experience with Dispatchable Demand mechanisms to date.

Members wanted more details on the penalty regime and service standards

We understand that when providing a service, providers need to meet defined performance standards to ensure reliability.

We recommend having low or no penalties to first encourage participation, while monitoring performance of ERS participants.

We are interested in seeing how the penalty regime for demand response aligns with those applied to other market services. We see consistency in expectations and enforcement as important for fairness and market confidence.

Members are interested in taking part in demand response

We call for a clearer roadmap to support bilateral arrangements and explore further market mechanisms, including paid demand flexibility

We note that in paragraph 2.20 the Authority states that there is not the case for new paid demand flexibility. We would welcome more details on the reasoning behind this statement, particularly in relation to roadmap actions and potential Code amendments (eg, the Energy Link proposal).

Next steps and engagement

We reiterate the importance of understanding the broader roadmap and the Authority's contingency plans if participation or volume falls short.

We have called for a workshop in the past and are keen to continue to engage with the Authority to understand what role MEUG members can play in the next roadmap steps.