

23 October 2024

System Operator  
Transpower  
By email: [system.operator@transpower.co.nz](mailto:system.operator@transpower.co.nz)

## Re: Policy Statement 2024

Meridian Energy appreciates the opportunity to comment on Transpower's 2024 review of the Policy Statement. Our comments on selected aspects of Transpower's proposals are set out below.

### ***Including additional information on the SO's approach to Low Residual Situations***

Our primary point of interest relates to the discussion on 'Further enhancements to the security policy'. We agree with the System Operator (SO) that it would be helpful for information about the approach, triggers and process for managing Low Residual Situations to be more transparently available to participants. Recent low residual events, including the one that occurred on 10 May 2024, have revealed a lack of clear understanding around how the SO will approach such situations. Given the critical security and market implications which can arise, it is important that all participants have a clear and accurate view of the steps that the SO will take to manage Low Residual events.

Following the 10 May event, Meridian wrote to Transpower and the Electricity Authority (EA) setting out our view that there would be merit in considering how industry processes around management of winter peak capacity risks could be formalised in the Code and documents incorporated by reference in the Code. We welcome the SO's request for feedback on this issue in the Policy Statement review and look forward to engaging on this further in the forthcoming review the SO has signalled on managing Low Residual Situations.

As noted in our previous letter, we consider the key processes that may benefit from further formalisation include:

- The specification and use of the SO's low residual generation tools and when low residual situations will be communicated to the industry via a Customer Advice Notice (CAN). Industry and wider stakeholders would benefit from a greater appreciation of the assumptions made in assessing a Low Residual Situation, why the level of 200MW of residual generation is the standard applied, and the extent of any conservatism in the methodology.
- When the SO will trigger a public conservation campaign. In our view, mass communications to customers to save energy should be a last resort once the industry has had an opportunity to respond to the situation and the risk is deemed to remain unacceptable. Further, an over-reliance on calls for voluntary reductions could quickly lead to 'demand response fatigue' amongst consumers and undermine the effectiveness of any individual request. Formal rules could define at what point and in what circumstances the SO will release messaging to the public.

Other matters, such as determination of prices during any mass market demand response and the compensation of customers during such events, would also benefit from greater clarity but are more likely to be the responsibility of the EA.

Prior to any of these matters being detailed in formal documents, our view is there should be an opportunity for a robust discussion around the specific steps and responsibilities relating to the management of Low Residual Situations with industry participants. To begin that process, we suggest that the SO holds conversations with key stakeholders on the Low Residual Situations process to work through industry views. Meridian would be happy to have a discussion with the SO on these matters.

***Use of the term ‘demand management’ and cross-references with the Code***

Meridian supports the SO’s intent in providing greater definition around its processes for demand management as set out in new clauses 74A and 74B in the Policy Statement. We also note the adoption of the new defined term ‘demand management’. The Code and the Policy Statement use various terms with respect to the curtailing of customer demand, including ‘demand management’, an ‘unsupplied demand situation’, and the ‘electrical disconnection of demand’. We note that the use of specific terms may become important in triggering various Code processes, for example, the setting of prices in unsupplied demand situations under Schedule 13.3AA (which refers specifically to the ‘electrical disconnection of demand’). We recommend that the SO consider the intended linkages between the Code and the Policy Statement and whether the terminology adopted in the Policy Statement gives appropriate effect to any cross-references intended.

***Concluding comments***

This submission is not confidential and can be published in full. I can be contacted to discuss any of the points made.

Yours sincerely,

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