Engineering Profession Gives Cautious Welcome to Electricity Changes

The Institution of Professional Engineers New Zealand (IPENZ) today cautiously welcomed the announcement of the creation of the Electricity Commission and associated changes to the Electricity Market. "It is a step in the right direction" said IPENZ Deputy Chief Executive John Gardiner but added "some of the decisions made today are very specific and ideally should have been made by the Commission". What the Government should have done today is set up the framework to make the important decisions, not make them.

Some of the decisions are logical such as the need for modelling and forecasting, as well as the restoration of some management of the short-term demand through ripple control, however others need more analysis.

For example the Minister has decreed that the criteria for dry year reserve are a 1 in 60 year drought. But is this the right number? And what of other risks to the system-volcanic activity in the central North Island, major plant outages and loss of the Cook Strait Cable? Are these addressed by the dry year reserve also and will the geographic spread of reserves reflect these risks? The new Commission should be tasked with evaluating the overall risks and the cost of covering those risks before a decision was made.

IPENZ also welcomes lifting the limits on the development of generation by lines companies-but we ask what analysis was done on the impact of overall system efficiency by a simple declaration of the limit on their investment being 25MW or 10% of their load?

The Commission has a challenging task ahead. It cannot create undesirable market distortions and it also needs to be flexible and innovative. Neither the Commission nor the Government should constrain the type of solution to the challenge of providing an acceptable "dry year reserve". Solutions can come from both demand and supply sides of the market.

"It is important that those appointed to the Commission and its staff has the right balance of skills and technical knowledge required to provide oversight and leadership for what is a very complex system" said Mr. Gardiner. IPENZ looks forward to working with the working with the Government to identify such people.

For further information contact:

John Gardiner
Deputy Chief Executive

0274 395 130 (mobile), 04 474 8932 (office), e-mail jgardiner@ipenz.org.nz