

Delivering the SRC Charter - Proposed SRC output programme

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Discussion and approval

11 August 2011

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Recommendations

1. It is recommended the Security and Reliability Council (SRC) agree to the following programme of regular outputs, consistent with its statutory function:
 - (a) December meeting: SRC report to the Authority Board on the performance of the system operator;
 - (b) April meeting: SRC report to the Authority Board on reliability of supply, including energy and capacity adequacy; and
 - (c) August meeting: SRC report on the performance of the electricity system.

Rationale

2. The Electricity Industry Act 2010 (Act) states the function of the SRC is to provide independent advice to the Authority on
 - (a) the performance of the electricity system and the system operator; and
 - (b) reliability of supply issues.
3. The proposed programme of outputs is consistent with this statutory function.

Next steps

4. Preparation of the first SRC report on the performance of the system operator (to be drafted by the SRC's secretariat for review and approval by the SRC at its December 2011 meeting).

Timing and resourcing of the proposed reports

5. The system operator provides an annual review of its performance to the Authority at the end of September. The timing of the proposed SRC report into the performance of the system operator for the December (or equivalent) meeting allows the SRC's secretariat to reference this self review in the preparation of the report. It will also ensure that the SRC fulfils its review requirements as per paragraph 8(b) above.
6. Under the Code the system operator is required to publish its annual security of supply assessment, looking at least 5 years ahead, by 31 January each year.¹ The timing of the proposed SRC report into reliability of supply for the April (or equivalent) meeting would allow it to reference this assessment. It will also ensure that the SRC fulfils its specific requirements as per paragraph 8(a) and (d) above.

¹ As per section 1.2 of the Security of Supply Forecasting and Information Policy (SOSFIP).

7. The third report, on the performance of the electricity system, proposed for the August (or equivalent) meeting aligns with the third 'limb' of the SRC's scope.
8. Drafts of each of the reports will be prepared by the SRC's secretariat for review and approval by the SRC. These draft reports will draw on expertise external to the Authority as and when required.

Interaction with the Authority Board

9. The final reports will be provided to the Board of the Authority for consideration and made available to industry participants.
10. The SRC should consider whether high level summaries of these reports should also be prepared for communication to the general public. The Authority Board is likely to favour this approach.
11. Under the SRC's terms of reference the chair may, as required, attend Authority Board meetings to present the SRC's advice (at 5.1). Given the terms of reference also anticipate the SRC meeting with the Authority Board on an annual basis (at 7.3), it may be that the presentation of one of these reports could be aligned with this meeting.

Other SRC activities

12. In addition to completing these reports the Electricity Authority (Authority) also expects the SRC to advise on the performance of the electricity system and the system operator, and on reliability of supply issues, identified by the SRC and/or the Authority.

Background

13. The Authority's Charter about advisory groups (Charter) notes that the SRC is expected to take a strategic view,² looking both forward and backward,³ but is to avoid duplicating the Authority's role in assessing the day-to-day performance of the electricity system and system operator.⁴ The Charter also makes it clear that the SRC will not generally be involved in the development of the Code or market facilitation measures,⁵ but instead is to provide independent, authoritative, strategic advice that will help the Authority achieve its strategic objectives.
14. As well as describing the SRC's function, the Charter includes some specific activities that the SRC is expected to undertake:
 - a) the review of the system security assessments prepared by the system operator (3.4);
 - b) the review of the system operator's performance against its security of supply functions (3.4);
 - c) the receipt of six-monthly reports on the performance of the electricity system and system operator (3.7); and
 - d) consideration of the system operator's medium- to longer-term forecasting of security of supply no more than once every six months (3.7).

² At 3.1.

³ At 3.4 – 3.5, noting in particular that in respect to reliability of supply issues the emphasis is on looking forward 1 – 10 years.

⁴ At 3.6.

⁵ Clause 3.2 of the Charter notes that the Act does not provide for the SRC to have Code-making capability but notes at 4.3 that the Authority may from time-to-time seek the SRC's advice on Code amendment proposals.

15. The terms of reference expand on the expected activities of the SRC, identifying that as part of fulfilling the SRC's function the Authority may seek the SRC's advice on the following:
- the system operator's performance including against its principal performance obligations, security of supply function and any other function of the system operator important to the performance of the electricity system and/or reliability of supply;
 - system operation issues and/or security of supply issues identified by the Authority or brought to the Authority's attention;
 - industry development needs and priorities relating to the system operations (for input into the Authority's industry development work plan and the joint development programme to be agreed by the Authority and the system operator);
 - system security assessments and security of supply forecasts prepared by the system operator; and
 - any other matters that the Authority considers to be within the function of the SRC as set out in the Act