Overview of the Authority's regulatory strategy and relevant priorities

Presentation to the NZ Wind Energy Conference

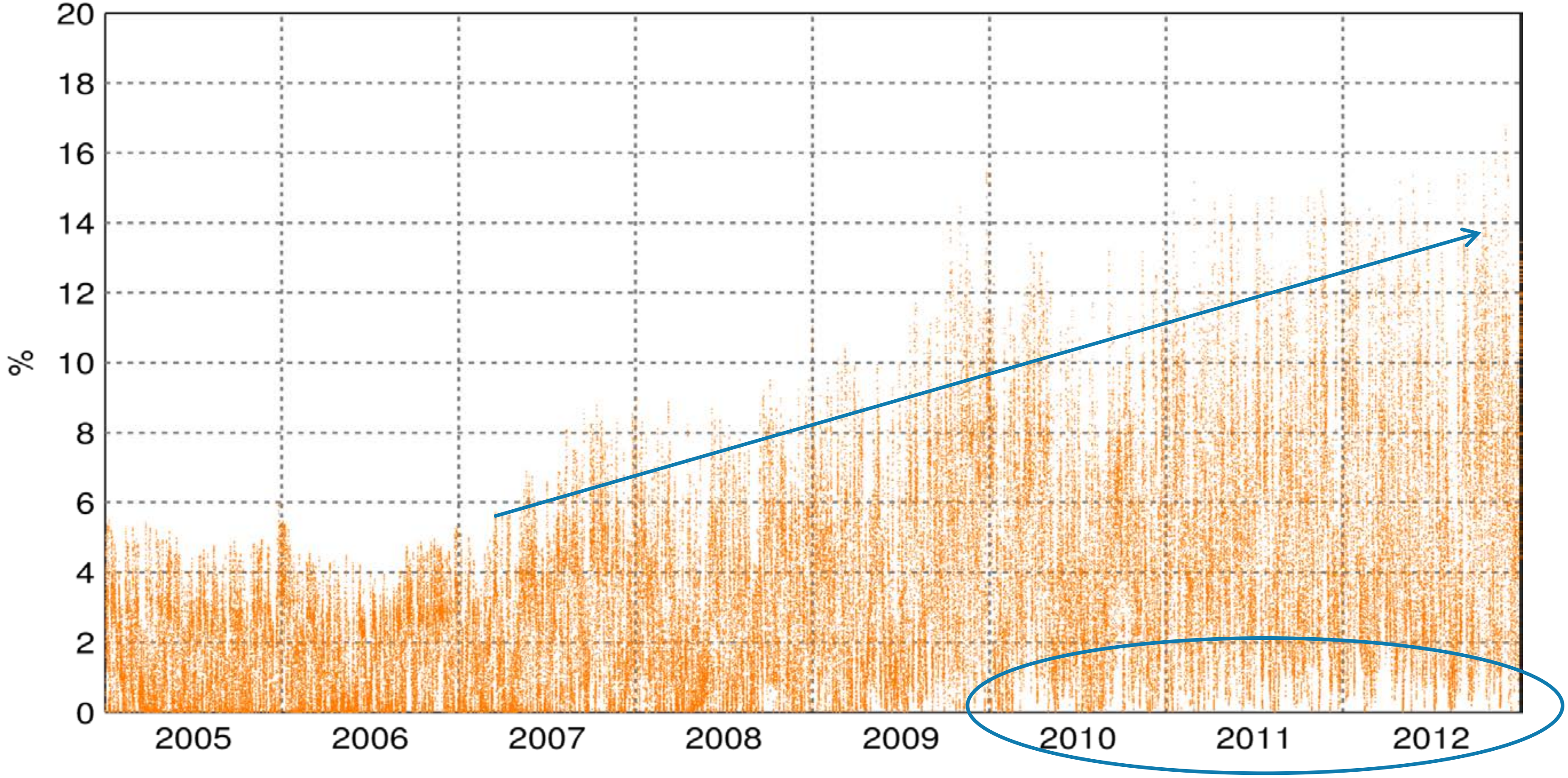
Wellington

21 March 2013

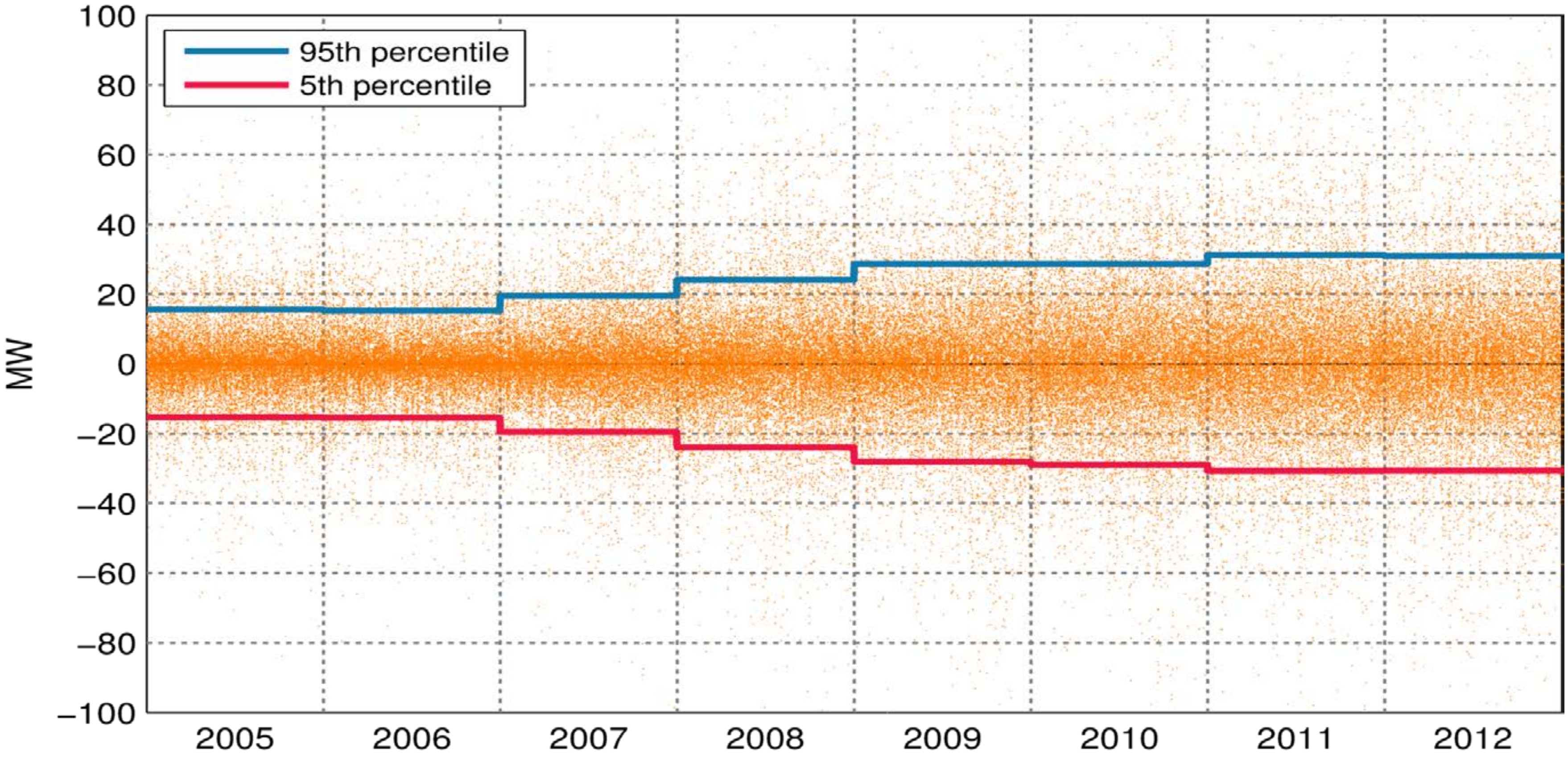
Presentation outline

- Very brief overview of wind generation in NZ
- Overview of the Authority's regulatory strategy
- Items from our work programme of particular relevance to wind generators
- Consultation on our strategic directions for market development

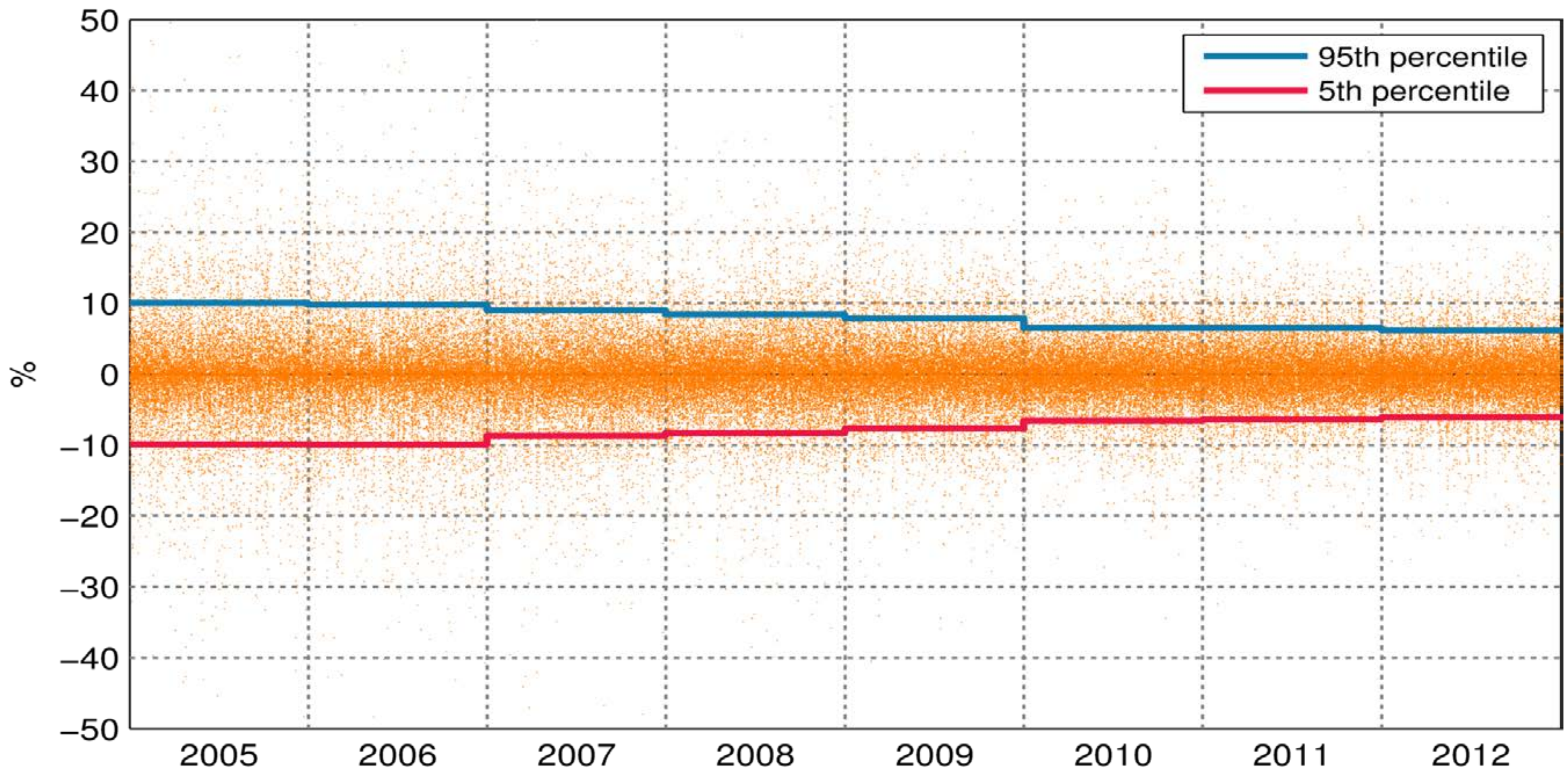
Substantial increase in wind generation as a % of total generation on half-hourly basis and fewer periods with no wind energy



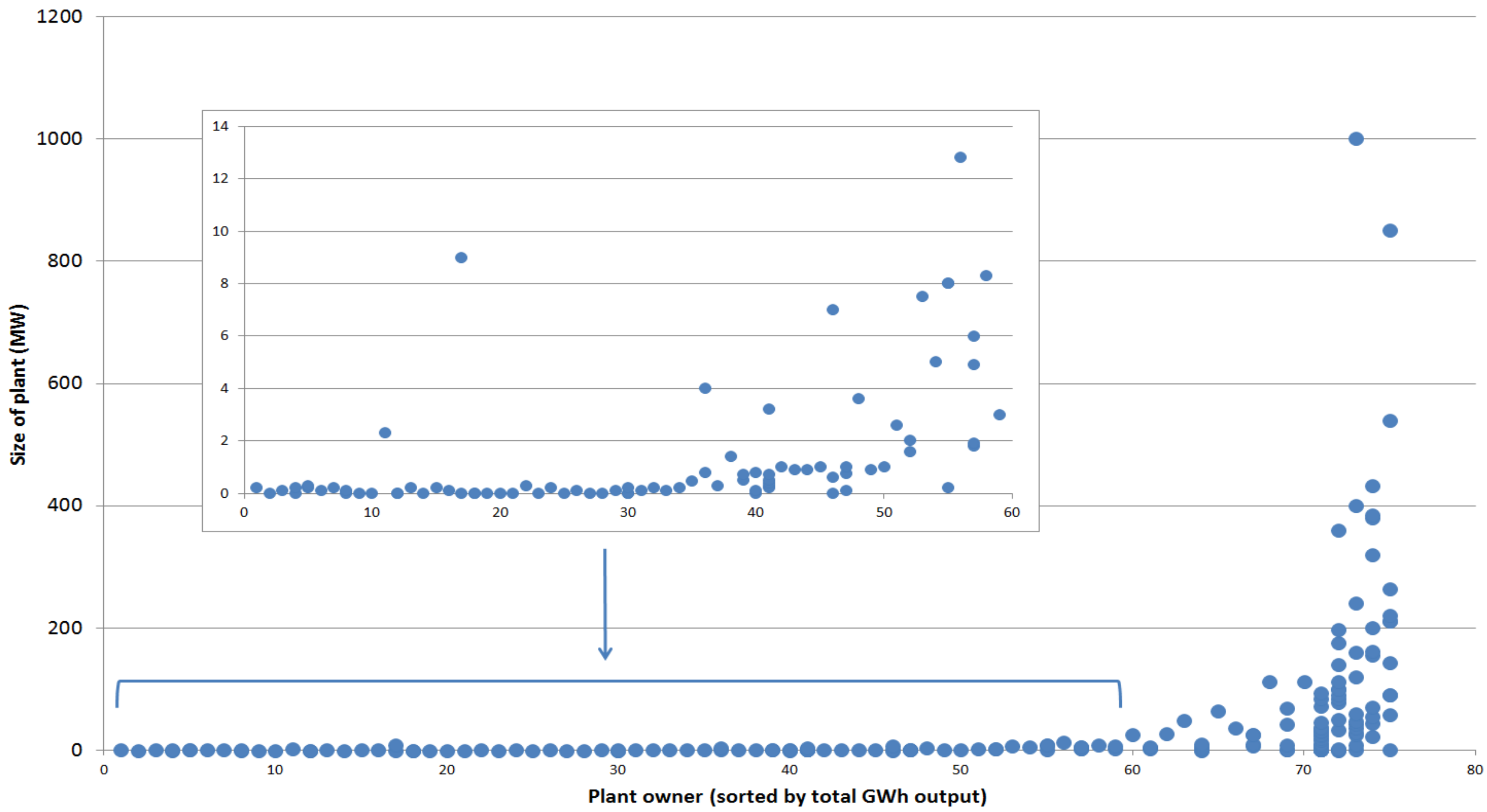
The volatility of wind generation has increased in absolute terms



But volatility has declined relative to installed wind capacity



There are 75 generating entities in NZ (13 are grid-connected)



Our work has been focusing on three key themes

Statutory Objective

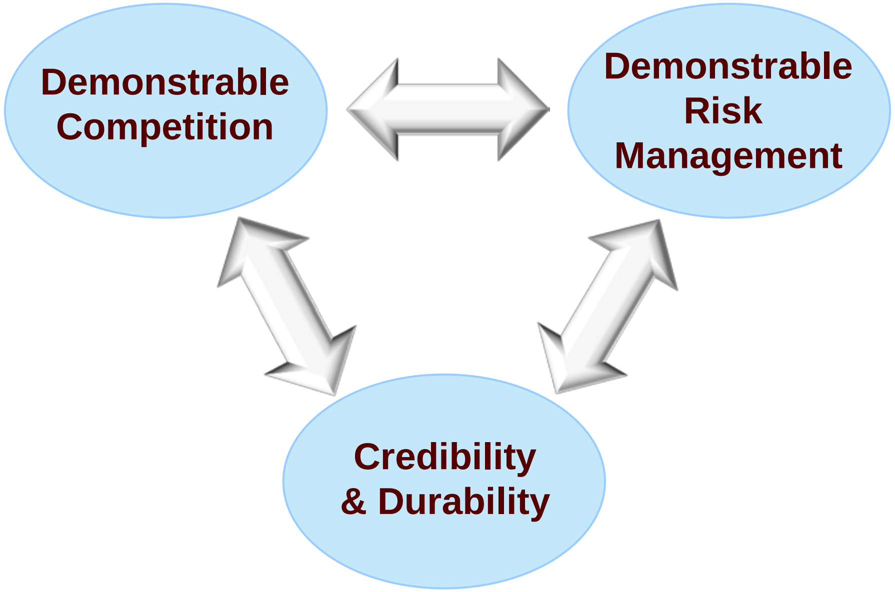
For the long term benefit of consumers

Promote competition	Promote reliable supply	Promote efficient operation

Key Themes

Reduce barriers	Improve market Information & prices	Increase flexibility

Competition and risk management are strategically important



We are working on several items relevant to wind energy

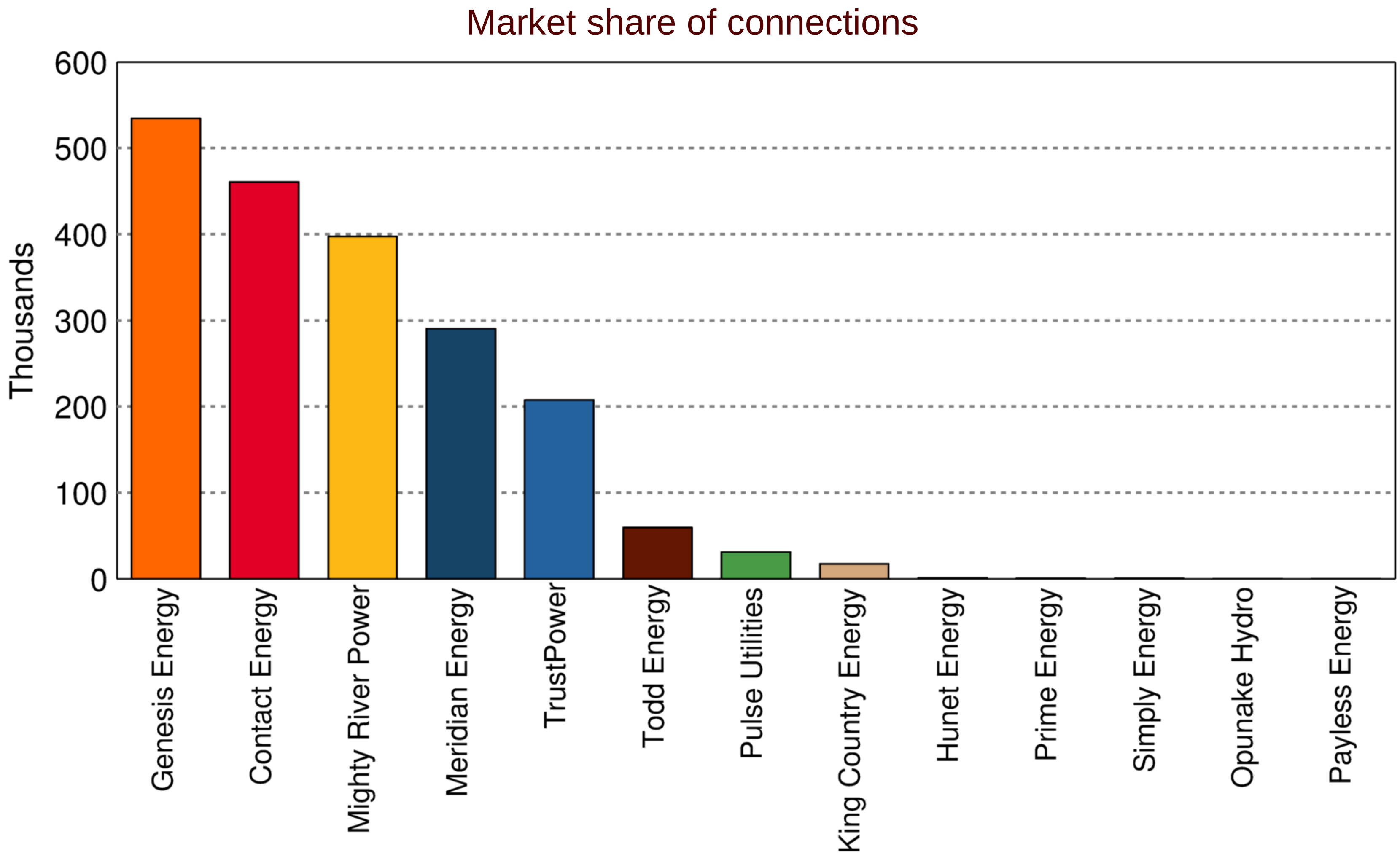
- Review of gate closure timeframe
- The way that wind generation feeds into final pricing
- Introducing narrower frequency keeping bands with MFK
- Arrangements for generator fault ride-through
- Review of distributors' pricing methodologies
- Review of transmission pricing methodology

Seeking feedback on a strategic directions document

- The document
  - Reviews key challenges over next 10 years, covering technology and consumer trends
  - Sets broad directions for market development over next 10 years, which build on our emphasis on promoting competition
  - Outlines more fully the Authority's approach to regulation
- We are seeking stakeholder feedback through to 23 April 2013

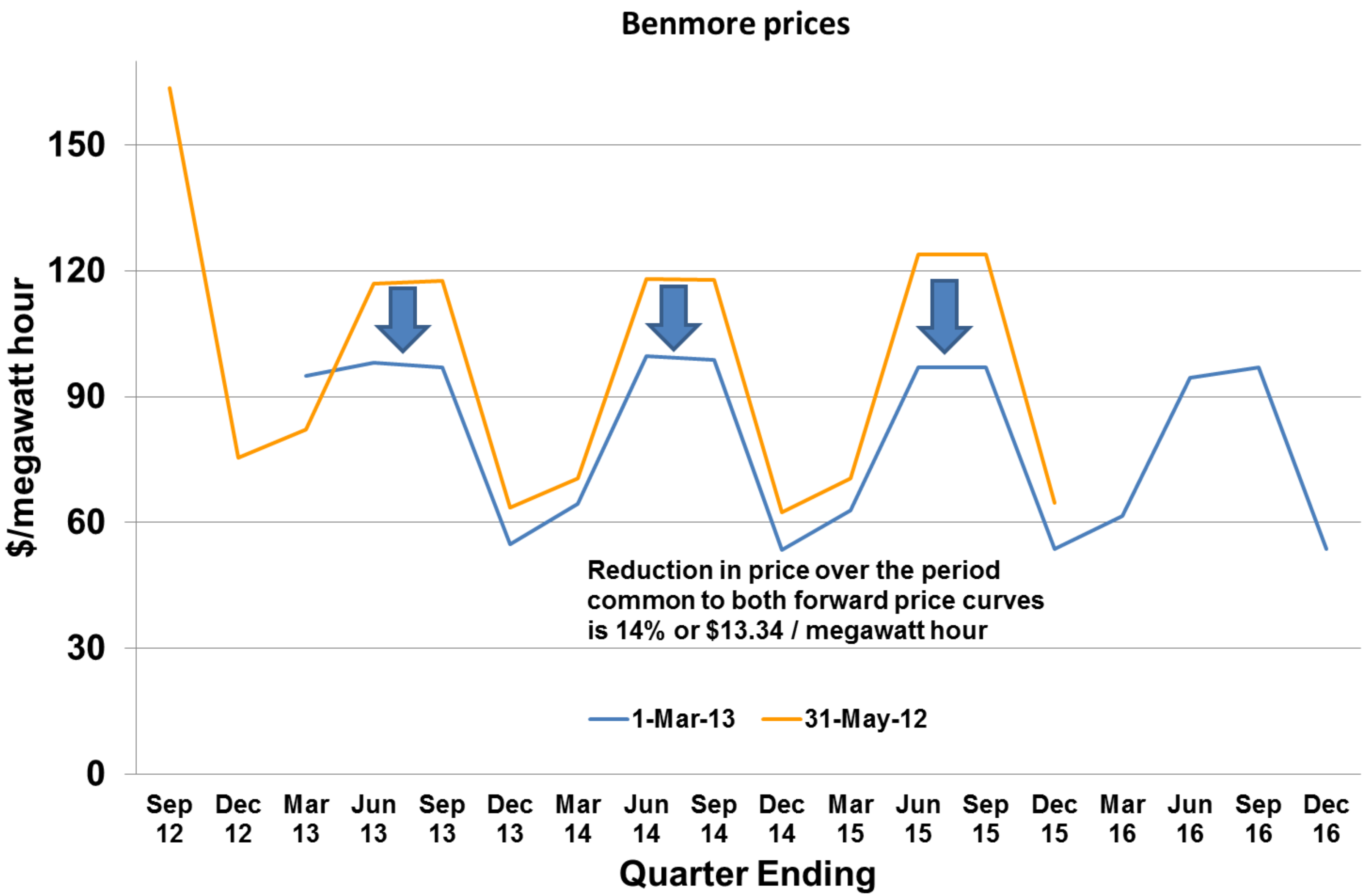
Appendix

New Zealand has 15* independent electricity retailers (22 brands)

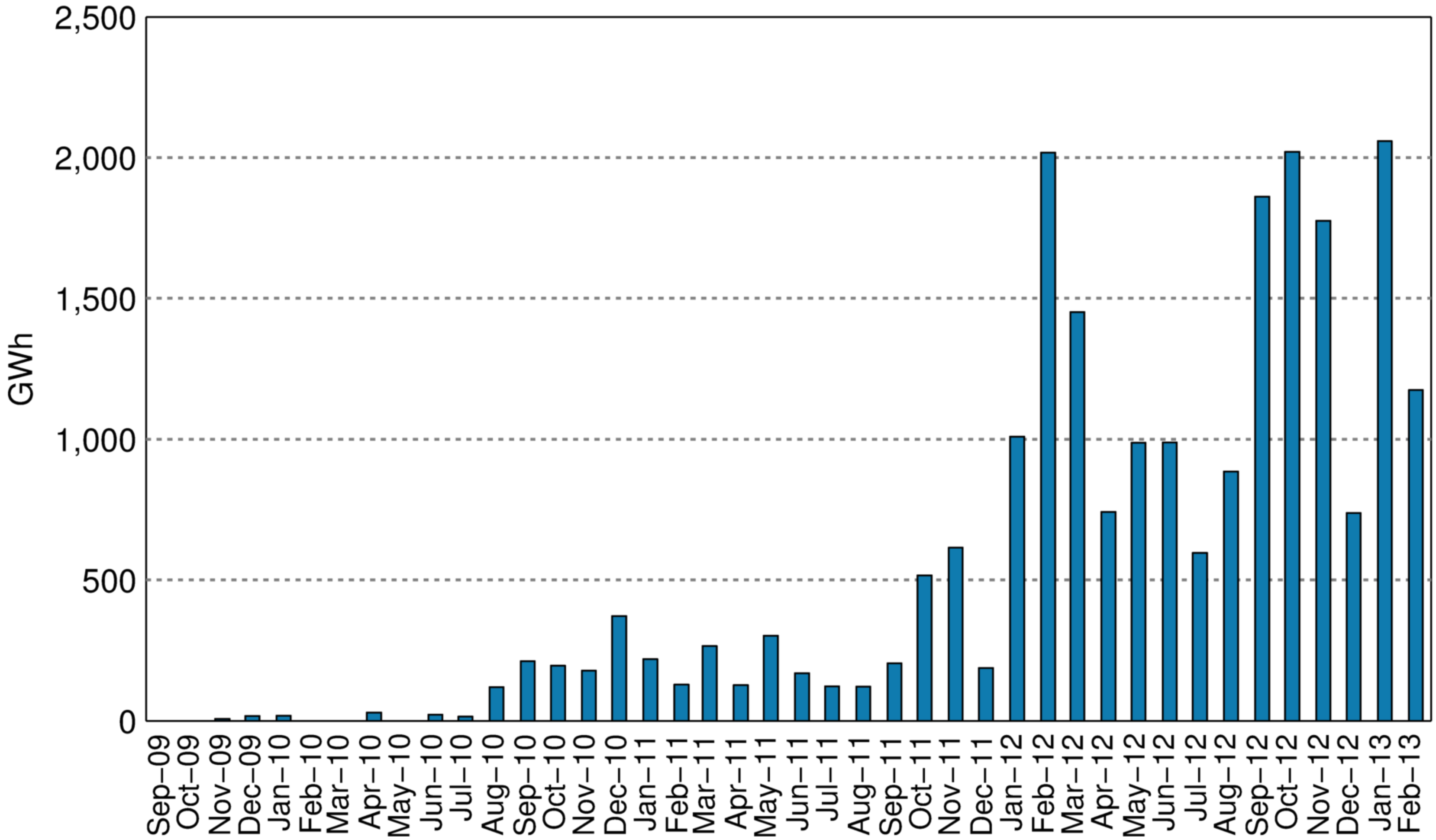


*Energy Direct and K Power are not shown as they contract out management of their ICPs in the registry

Large falls in futures prices over last nine months



Futures trading volumes increased significantly in 2012



Retail market concentration (HHI) has continued to fall rapidly