

Strategic alignment of SRC activities

Assessing whether the SRC's current and future activities align with the SRC's statutory function

22 October 2015

Background

The Security and Reliability Council (SRC) functions under the Electricity Industry Act 2010 include providing advice to the Electricity Authority (Authority) on:

- the performance of the electricity system and the system operator
- reliability of supply issues.

Between 2012 and 2014 the performance of the SRC's secretariat was assessed via an annual quantitative survey. In 2015, the SRC Chair opted to cease the survey and instead held a series of one-on-one discussions with SRC members followed by a group discussion at the 1 July 2015 meeting.

The Chair summarised the two recurring themes in the SRC members' feedback as:

"[SRC members] would like to see the SRC focus more on strategic security issues particularly in the light of the potential changes the electricity sector will face in the future.

[SRC members] would like more opportunity to discuss security and reliability of supply throughout the whole supply chain so that a customer perspective can be considered as part of their deliberations."

The secretariat found the qualitative feedback more useful and valuable than the previous quantitative surveys. As a first step towards ensuring that we can fulfill the SRC's expectations we have considered how the SRC's recent and planned activities align strategically with the SRC's mandate.

The purpose of this paper is to discuss, at a high level, the strategic issues the SRC might want to consider in order to meet members' expectations and fulfill the SRC's statutory purpose.

The SRC's statutory purpose is to look backward and forward to provide advice on reliability of supply, security of supply and system operator performance

To test whether the SRC's purpose is being fulfilled it is first necessary to understand the purpose in meaningful terms. The Electricity Industry Act 2010 stipulates that the SRC's function 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."

However, the 'performance of the electricity system' is only meaningful to consumers when understood from their perspective – when it manifests as some form of unreliable or insecure supply. This is why the SRC's agendas are broken down in the following three categories:

- reliability of supply (such as planned or unplanned outages or power quality problems)
- security of supply (comprised of energy security and capacity security)
- performance of the system operator.¹

Papers that the SRC receive on these topics tend to examine an issue through one of three time dimensions:

- retrospectively (in the case of post-event reviews or the system operator's annual self-assessment of performance)

¹ The breakdown of the agenda into these three categories was discussed and agreed with the original SRC Chair and members in 2011.

- short-term (such as the National Winter Group that looks at the ability of the power system to operate through the coming winter)
- longer-term (such as the system operator's annual assessment of security of supply).

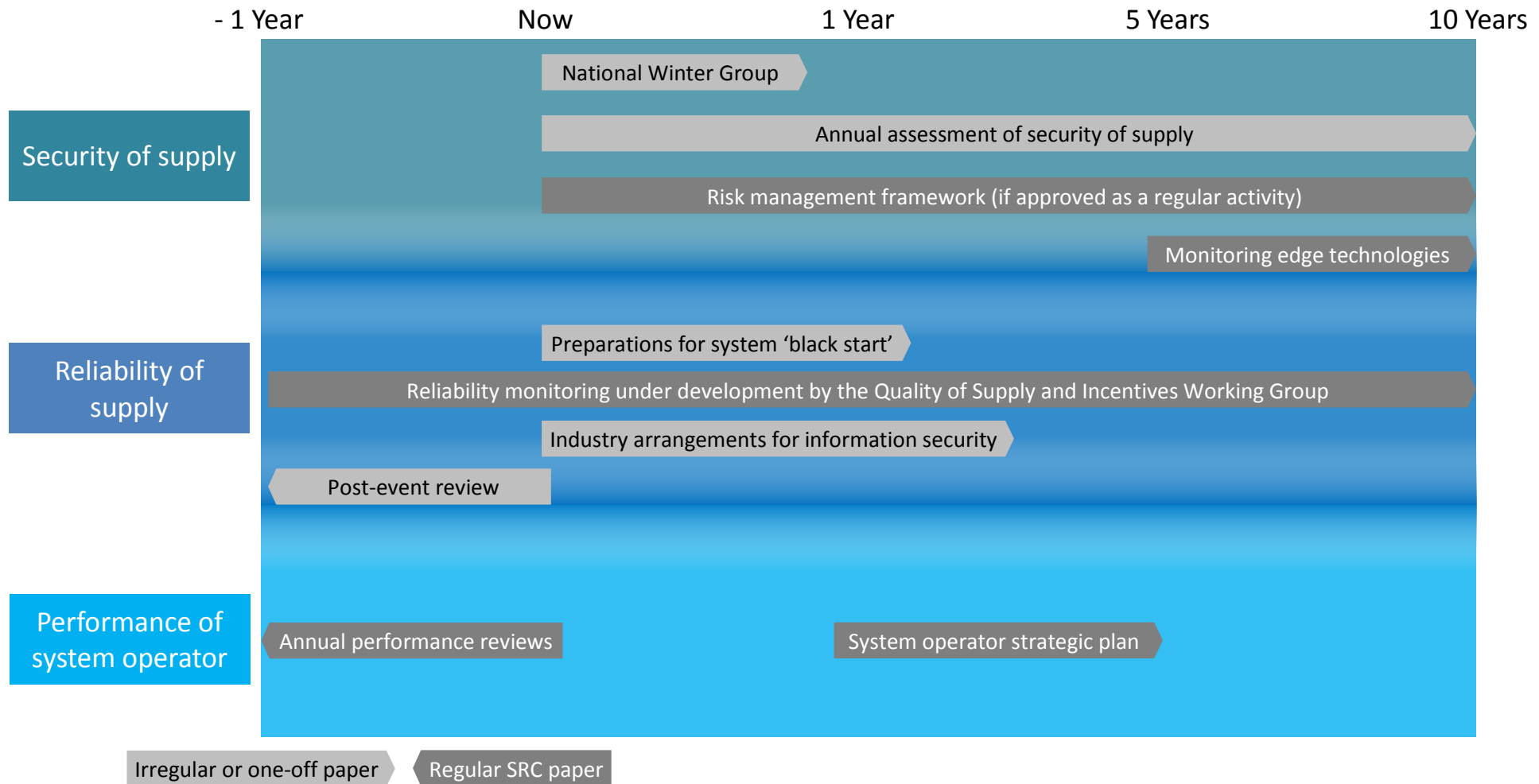
The strategic alignment review highlights the importance of the establishment of improved reliability monitoring

To review strategic alignment, the secretariat has created a matrix out of the three agenda categories and the time dimension (Figure 1). Current or expected SRC papers are overlaid on this matrix to provide a visualisation of the coverage provided by SRC papers.

When interpreting Figure 1, be aware that:

- the colour-coding of the overlaid papers indicates whether they are regularly recurring papers or not
- the direction of the arrow of the overlaid papers indicates whether their content is retrospective or forward-looking in nature
- the secretariat has considered the topics raised in previous papers to the SRC but these are only included if they are expected to come up again
- papers that deal with two of the three agenda categories are displayed at the relevant boundary areas, such as on the security:reliability boundary in the case of papers relating to edge technologies
- while the total area of the matrix illustrates a range of *possible* SRC activities, it does not mean that the SRC ought to have coverage in all of these areas. For example, providing advice on how the system operator *has performed* is necessarily a retrospective exercise.

Figure 1 – Matrix of possible SRC activities overlaid with actual activities



Visualising the SRC's activities in this way allows for the following key observations:

- There is a gap in the coverage of longer-term reliability of supply. This is not unexpected as the challenge associated with monitoring reliability at an industry-wide level has been a recurring topic in SRC papers. This highlights that much is riding on the work of the Electricity Networks Association's Quality of Supply and Incentives Working Group (QoSI) to develop a robust set of quality measures. While the Authority's Market Monitoring team is seeking to improve on the existing retrospective reporting of reliability, this would be greatly enhanced by the QoSI establishing new quality measures.
- The establishment of a risk management framework could provide a regular, planned approach to the consideration of any security and reliability risks that emerge as the industry changes.
- Security of supply reporting is fairly comprehensive. There has never been security of supply papers that report retrospectively on what happened, but this could conceivably occur in the wake of a security of supply emergency. Such a paper could also examine the performance of the system operator's management of the emergency.
- There is no coverage expected for system operator performance more than five years into the future, though this does not appear problematic as it is beyond the timeframe where performance expectations can be reasonably forecast. The 1 July 2015 meeting was the first time the system operator's strategic plan has been presented to the SRC; this was well received and recurring presentation will help to round out the coverage of papers that the SRC receives.

The SRC is being asked to consider whether it is satisfied that the papers it receives provide a full breadth of coverage against the SRC's purpose

The SRC may wish to consider the following questions.

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| Q1. | Does the SRC have any concerns about whether the papers it receives provide appropriate coverage when compared to the SRC's purpose? |
| Q2. | Are there any areas that the SRC would like to explore that are not captured in the activity matrix, or areas that it would like to see greater or lesser focus? |
| Q3. | Does the SRC wish to have regular reporting on the alignment of its activities and purpose? If so, would the SRC prefer to receive this reporting at every meeting, or annually? |
| Q4. | What advice, if any, does the SRC wish to provide to the Authority? |