

# INNOVATION AND PARTICIPATION ADVISORY GROUP

## Electricity Authority Work Programme Update

This document updates you on the current status of Electricity Authority and Market Development Advisory Group projects relevant to the focus of the Innovation and Participation Advisory Group.

### **Distribution pricing – pricing principles**

- We are finalising our decisions on amending the distribution pricing principles, following consultation.
- The aim is to promote reform of distribution pricing structures, so price signals better reflect the economic cost of network services.
- Efficient prices are one of the key ingredients to facilitate better electricity use and investment decisions, electricity-related services and innovation in networks or network alternatives
- We expect to release amended principles in June.

### **Default distributor agreement**

- We are finalising a proposal to amend Part 12A of the Code to introduce a default distributor agreement (DDA).
- The DDA is designed to promote competition and efficiency in the electricity industry by achieving more standardisation of contracts for distribution services.
- The proposal also includes a default data template, which contains more standardised terms for the exchange of sensitive consumer information.
- We are finalising the proposals following the Court of Appeal decisions on the declaratory judgement.
- We intend to consult in mid-2019.

### **Spotlight on emerging contestable services**

The Electricity Authority (Authority) and the Commerce Commission (Commission) want to establish a shared understanding of the types of circumstances where the participation of distributors in contestable electricity services is in the long term consumer interest, and the circumstances where it is not. A workshop is being scheduled.

### **Participation of new generating technologies in wholesale market**

- The treatment of battery energy storage systems under the Code was clarified in the Market Brief of 29 May 2018
- Subject to the project being added to MDAG's work plan, MDAG is expected to review the Code for inefficient barriers that may limit the ability of new technologies to compete on an equal basis with established technologies
- Initial consideration by the MDAG is likely to start in March

### **Enquiries, reviews and investigations**

- South Island AUFLS trip and subsequent reconnection:
  - Transpower report published
  - Market Performance assisting in compliance process
- Post implementation review of the 2015 wholesale prudential changes approved by Board for publication
- Post implementation reviews of the FTR market, the NMIR and the retail data project are underway
- Looking into 2018 prices and the relationship between wind and price volatility
- Distribution review underway

- Review of spring issues not covered by UTS decision paper is ongoing

## **MARKET DEVELOPMENT ADVISORY GROUP (MDAG)**

- The MDAG is currently working on two projects:
  - Review of spot market trading conduct provisions
  - Participation of New Generation Technology in the Wholesale Market
- The MDAG's next meeting is scheduled for 26 March 2019

### **MDAG – Review of Spot Market Trading Conduct Provisions**

- The MDAG is reviewing clauses 13.5A and 13.5B (trading conduct provisions) of the Code in light of events that have tested those provisions
- The trading conduct provisions apply to offers for energy and instantaneous reserve in the New Zealand wholesale electricity (spot) market
- The project's aim is to ensure the trading conduct provisions are effective in promoting outcomes consistent with workable competition
- The MDAG is currently considering options for promoting good trading conduct by generators and ancillary agents who are pivotal

### **MDAG – Participation of New Generating Technology in the Wholesale Market**

- MDAG has recently commenced investigating the scope of work for this project and is due to hold a brainstorming session at their next meeting on the 7<sup>th</sup> of May.