

Meeting Date: 8 August 2019

ADVICE FROM THE ANNUAL SURVEY OF SRC MEMBERS

SECURITY AND RELIABILITY COUNCIL

During March and April 2019, the Security and Reliability Council (SRC) Chair conducted a survey of the members. The survey responses were synthesised into a letter sent to the Electricity Authority's Chief Executive on 27 May 2019. This paper is an opportunity for the SRC to make any concluding remarks about the content of the letter or the process.

Note: This paper has been prepared for the purpose of the SRC. Content should not be interpreted as representing the views or policy of the Electricity Authority.

Advice from the annual survey of SRC members

Background

The SRC provided a 27 May 2019 letter (Appendix A) to the Electricity Authority, summarising the key themes and suggestions that arose from the Chair's survey of the members.

Surveys of the SRC members have been an annual occurrence for at least six years, though the scope and methodology has evolved over time. This year, the survey occurred earlier in the year and made use of web-based survey tools.

The Chair directed that members have an opportunity to reflect on the advice and the process that led to it. To that end, [a paper](#)¹ was scheduled for discussion at the 20 June 2019 meeting. To keep the meeting running on time, discussion of that paper was postponed.

At the time the paper was postponed, the SRC agreed on an action (now action #5) for the "Chair and secretariat to identify and sort the actions from the annual members' survey for discussion at the next SRC meeting." The Chair and secretariat have completed this action. Accordingly, this paper is an enhanced version of the 20 June paper.

¹ Available from <https://www.ea.govt.nz/development/advisory-technical-groups/src/meeting-papers/2019/src-meeting-20-june-2019/>

The SRC's advice identified possible improvements

The possible improvements identified by the SRC are contained in the left-hand column of the following three tables.

Table 1: Possible improvements for the SRC's secretariat

Possible improvement from survey	Status	Comments
Make things easier for new members by providing induction material on SRC role, regulatory context, current work programme etc	Enduring	The secretariat will seek to improve its induction processes and use of cross-referencing
For context/continuity when an issue has been considered in an earlier SRC paper, provide cross-references to relevant past SRC papers/minutes (and make them available on request)	Enduring	
Provide SRC members with regular updates via email on security and reliability issues emerging between meetings and on the outcomes of advice it has provided to the Authority	Enduring	The secretariat will provide email updates on urgent matters. ² The secretariat would like to know whether the 'outcomes of advice' means the Authority Chair's letters of response to SRC advice
Where it is reasonable to do so in SRC papers: • make better use of executive summaries and/or appendices • avoid or explain complex technical terms, acronyms and abbreviation	Enduring	The secretariat: • needs more guidance about what 'better use of executive summaries and/or appendices' means in practice, if it is to make a useful change in this regard • now uses acronyms sparingly in its papers

Table 2: Possible improvements for the SRC

Possible improvement from survey	Status	Comments
Improve commitment to attending SRC meetings and in person	Enduring	Paragraph 12.9 of the SRC terms of reference states that "Members will strive to attend meetings in person"
Consider including an extra meeting each year	Open	While the SRC's motivation for this seems to have been more regular engagement, there may also be an additional benefit to a fourth meeting if the development of the work programme (agenda item #10) expands the SRC's work.

² If SRC members would like weekly reports regardless of the security of supply situation, they can email system.operator@transpower.co.nz and ask to be subscribed to the 'Security of supply weekly update'. Alternatively, feel free to ask the secretariat to subscribe you.

Consider engaging by email on some matters between meetings	Open	This will be suitable for some matters. Note that paragraph 12.2 of the SRC terms of reference state that "The SRC must conduct its business and activities in a manner that is as transparent as practicable."
Time should be provided each meeting as a regular agenda item for members to raise any issues which could threaten security and reliability in the short, medium and longer term. The secretariat should be tasked with reporting back to the next SRC meeting on the items identified	Complete	Will be instituted from the October 2019 SRC meeting
SRC members can take more responsibility for raising matters of concern and be more involved in setting the SRC work programme and agenda	Enduring	Every meeting concludes with an agenda item to reflect on the meeting and decide if future agendas ought to be amended Agenda item #10 is another an opportunity to develop a multi-year work programme
Once a year there should be an opportunity to discuss the current SRC work programme, explore emerging strategic issues, consider these in the context of the SRC role and develop an agreed SRC strategy	Complete	20 June 2019 meeting had one such session. This is one of the 'regular annual papers' on the agenda planning (agenda item #13)
Ensure SRC provides frank advice to the Authority about the system operator where it believes the system operator could have done better	Enduring	The secretariat will also bear this in mind when preparing initial drafts of SRC advice
Ensure the SRC provides frank advice to the Authority about the Authority itself where it believes the Authority could have done better	Enduring	
Encourage a more constructive approach to post event analysis	Complete	The secretariat shared this with the system operator on 12 June 2019 who noted the feedback. Furthermore, the Authority and the system operator have nearly completed development of formal expectations for major event investigations.
Be mindful that Transpower has dual roles, which may be in conflict at times; where relevant seek clarification on the nature of the role(s) and how any conflicts are managed	Enduring	Transpower and the secretariat also need to bear this in mind in order to proactively and clearly explain any conflicts arising

Table 3: Possible improvements for the Authority

Possible improvement from survey	Status	Comments
Consider enhanced interaction between the Authority Board and senior Authority staff and the SRC. Suggestions included: • A formal meeting between the SRC, the Board and senior Authority staff once a year to engage on the security and reliability landscape; possible SRC work programme activities and feedback on SRC performance • Informal lunches with the Board from time to time • Rotating attendance of a Board member at SRC meetings • SRC Chair and Authority Chief Executive to have regular contact when necessary.	Complete	Refer to 17 June 2019 letter from the Authority included in the 20 June 2019 meeting correspondence for full detail. • The Board agreed this is worthwhile. The 8 August 2019 meeting arose from this request. • The Board agreed this is worthwhile. The 8 August meeting includes an informal lunch • The Board declined this request • Board have asked Chief Executive to attend SRC meetings. Chief Executive is available when necessary
Consider need for more specific gas sector expertise on the SRC	Open	The Board did not respond on this point. Authority staff plan on actively seeking candidates with gas sector expertise (and candidates with cyber security expertise) in the late-2019 call for SRC nominations.

Questions for the SRC to consider

The SRC may wish to consider the following questions.

- Q1. Does the SRC wish to have an additional meeting scheduled every year by default?³**
- Q2. Does the SRC have any suggestions for improving the process that was used to gather, summarise and verify members' views?**
- Q3. What further information, if any, does the SRC wish to have provided to it by the secretariat?**
- Q4. What supplementary advice, if any, does the SRC wish to provide to the Authority?**

³ Once final Electricity Price Review conclusions are known, the meeting schedule for the subsequent ~12 months may need to be planned in coordination with that project.

Attachments

The following item is included as an attachment to this paper:

- 27 May 2019 letter from the SRC Chair to the Authority Chief Executive (Appendix A)

27 May 2019

James Stevenson-Wallace
Chief Executive
Electricity Authority
PO Box 10041
Wellington 6143

Dear James

SRC Chair's regular survey of SRC members

The SRC Chair regularly undertakes a survey of SRC members to:

- a) provide an opportunity for SRC members to comment on the SRC's operation, work programme and interactions with the Authority and system operator
- b) identify any issues that have emerged
- c) explore opportunities for improvement
- d) gain insights into members' views on any significant security and reliability issues on the horizon.

This correspondence summarises the key themes and suggestions that emerged from the 2019 survey.

1. Approach to the survey

The SRC Chair undertook the 2019 survey through responses to an agreed set of questions via an e-survey. The individual responses were collated into a tabular summary for each question. Members were given an opportunity to comment on the draft summary, and invited to make any additional comments before finalising this correspondence to the Authority.

2. Key themes that emerged and possible improvements

The key themes that emerged in the SRC survey are set out in the table below. Where relevant, the table also includes some suggestions for improvement.

Of particular note is the intention to hold an SRC strategy session in the near future, to address a number of issues that emerged in the survey. The aims of the strategy session would be to:

- brief new members (and remind existing members) about the SRC role and regulatory context
- undertake a "scanning" exercise on the potential security and reliability issues existing now and emerging on the horizon in New Zealand and internationally (drawing on SRC survey feedback (see list of issues attached as appendix 1), Authority/System Operator reports, the SRC's previous strategy session in 2018 and other relevant material)

- consider possible security and reliability issues that arise from the Electricity Pricing Review final report and the responses to the report's recommendations from Government and the Authority
- explore the implications for the SRC's work programme, membership, terms of reference, how it undertakes its role, and how it interacts with Authority Board/staff and with the System Operator
- establish an agreed SRC strategy and associated next steps.

The table of key themes and possible improvements is set out here. For ease of comparison, the table follows the same format as the previous SRC member survey conducted in 2017.

Area	Key themes	Possible improvements
SRC membership and meetings	1. The SRC is working well as a team and provides a very good forum for considering security and reliability issues. The SRC is well-served by its Chair. 2. The SRC membership provides a good mix of skills and experience, and members interact well with one another in a collaborative and co-operative way. 3. Gas issues play an increasingly important role in security of supply for electricity, and additional expertise might be useful 4. The nature of the SRC role and the complexity of issues it considers, often over multiple meetings, can pose a barrier for members when they first join. 5. It can be challenging if member(s) are unable to attend an SRC meeting in person at the last minute and join via video or teleconference, or put in a late apology and do not attend at all. 6. The length of time between meetings can be a problem, particularly for issues that develop quickly over time (eg an emerging security situation) or that span multiple meetings. 7. The relative infrequency of meetings can make it difficult for members to maintain currency with emerging security of supply issues and/or outcome of advice it has provided to the Authority.	Consider need for more specific gas sector expertise on the SRC. Make things easier for new members: • provide induction material on SRC role, regulatory context, current work programme, etc • for context/continuity when an issue has been considered in an earlier SRC paper, provide cross-references to relevant past SRC papers/minutes (and make them available on request) Improve commitment to attending SRC meetings, and in person. Consider including an extra meeting each year and/or engaging via email on some matters between meetings. Provide SRC members with regular updates via email on security and reliability issues emerging between meetings and on the outcomes of advice it has provided to the Authority. <i>* See also improvements listed below in the area of SRC work programme and agenda.</i>

Area	Key themes	Possible improvements
SRC work programme and agenda	8. The balance between looking backwards (eg reviewing the performance of the system, major events), and looking forwards (eg emerging issues) is perhaps now tilted too much towards looking backwards, particularly given significant technology shifts and the transition to a low-carbon future. 9. Members consider the SRC's ability to fulfil its role and add value are somewhat constrained by the way its work programme and agenda are set by the Authority. 10. At times the SRC work programme and agenda feel like a 'box-ticking exercise' for the Authority, rather than the SRC adding real value. 11. Members identified a range of potentially significant threats to security and reliability (in the short term and looking further ahead), and consider there would be significant benefit in discussing these and other threats as a group. (attached as an appendix) 12. The SRC needs to be aware of emerging security and reliability issues systemic to other jurisdictions and/or unique to New Zealand. 13. Establishing an agreed SRC strategy would help drive a work programme and agenda relevant to the SRC brief, ensure the SRC is fulfilling its role, and provide the Authority with more meaningful, actionable advice.	Time should be provided each meeting as a regular agenda item for members to raise any issues which could threaten security and reliability in the short, mid and longer term. The Secretariat should be tasked with reporting back to the next SRC meeting on the items identified. Members can take more responsibility for raising matters of concern. Once a year there should be an opportunity to discuss the current SRC work programme, explore emerging strategic issues, consider these in the context of the SRC role and develop an agreed SRC strategy. SRC members should be provided with opportunities to be more involved in setting the SRC work programme and agenda. Hold an SRC Strategy Session in the near future (refer section 2 above)
SRC support	14. The SRC is well-served by the Secretariat, which provides timely papers and facilitates information flows when asked. 15. SRC papers are generally clear, comprehensive and well-written, although some have been overly long and/or contain complex technical language, acronyms and abbreviations (particularly those from Transpower). 16. The use of presentations at SRC meetings is helpful. <i>* see also the comments on work programme and agenda (above) which are also relevant here.</i>	Where reasonable to do so in SRC papers: • make better use of executive summaries and/or appendices • avoid or explain complex technical terms, acronyms and abbreviations

Area	Key themes	Possible improvements
SRC interaction with the Authority	17. The relationship is professional, with mutual respect. 18. Members value the attendance of the Authority CEO at SRC meetings. 19. The SRC's regular correspondence with the Authority Board provides an effective means of maintaining regular formal interaction, but is insufficient on its own. 20. Members have limited opportunities to interact with Authority Board members directly, and consider that more regular Board interaction would benefit both parties. 21. Members would appreciate more feedback on SRC performance, how SRC advice has been received and acted on, and the outcomes of that action. 22. Members would appreciate an opportunity to engage with the Authority Board and/or senior Authority staff on developing the SRC work programme.	Suggestions for enhanced interaction with the Authority Board and senior Authority staff include: • a formal meeting between the SRC, the Board and senior Authority staff once a year to engage on the security and reliability landscape, possible SRC work programme activities and feedback on SRC performance • informal SRC lunches with the Board from time to time • rotating attendance of a Board member at SRC meetings Ensure SRC provides frank advice to the Authority about the Authority itself where it believes the Authority could have done better.
SRC interaction with the System Operator	23. The System Operator's interaction and engagement with the SRC is generally very good, and the SRC values this highly. 24. The SRC is kept well-informed, and appreciates the openness with which System Operator staff engage. 25. The SRC's interaction and advice may at times risk being overly polite, to avoid offending the System Operator. 26. Post event assessment has, at times, created tension/defensiveness between the Authority and Transpower, arguably compromising the quality of self-reflection and learning 27. Areas where SRC can add value is providing an independent view on matters where the System Operator/Authority have conflicting positions or the status quo needs challenging. 28. There is a risk of confusion between Transpower's dual roles as System Operator and grid owner, particularly in post-event reviews.	Ensure SRC provides frank advice to the Authority about the System Operator where it believes the System Operator could have done better. Encourage a more constructive approach to post event analysis Be mindful that Transpower has dual roles, which may be in conflict at times; where relevant, seek clarification on the nature of the role(s) and how any conflicts are managed.

Yours sincerely



Hon Heather Roy
SRC Chair

cc: Grant Benvenuti, Electricity Authority
Callum McLean, Electricity Authority

Appendix 1 – list of threats to security and reliability identified in SRC member survey

SRC members were each invited to list what they considered to be the most significant threats to security and reliability of supply in the short term from a major system impact, and from multiple localised system impacts. Members were also invited to list what they considered to be the most significant threats in the future, particularly those driven by new technology.

SRC members' responses are collated and summarised below (in no particular order).

(a) Significant threats to security and reliability of supply in the short term from a major system impact, and from multiple localised system impacts:

- traditional dry year
- other weather-related events (eg storm)
- N-security interruptions
- terrorism
- seismic interruption (eg earthquake on Alpine Fault or Hikurangi trench causing widespread disruption to transmission, distribution and generation)
- cyber security breaches
- thermal fuel shortages (eg gas)
- transition to a low emissions economy without considering the infrastructure/societal and market dynamics may result in major impact that causes intervention
- no debate on the economics v security trade off
- public panic or lack of information

(b) Significant threats in the future, particularly those driven by new technology:

- change in general
- new technology can be both a threat and an opportunity (and/or part of the solution)
- poorly designed policies to achieve higher renewables (also a threat to affordability)
- inherent fluctuations in a system with high levels of renewables, especially if the country moves to 100% renewable
- cyber security
- extreme weather events
- a very decentralised system with very complicated interactions that aren't fully understood
- system complexity (the system is becoming increasingly difficult to understand)
- widespread use of non-compliant distributed energy technology
- focusing on the impacts of technology that will take decades to impact fully v the transitions around thermal fuels in the next ten years
- regional system outage where the people affected are unable to get power to address a life-threatening situation, or avoid long term economic damage