



Electricity Authority Work Programme

Report for the period

1 July 2019 – 31 October 2019



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Executive summary

The Authority's work programme details the major projects we intend to progress during the 2019/20 financial year. The summary of progress of the first quarter from 1 July 2019 – 31 October 2019 are set out in table 1 below:

Table 1: Summary of Market Development Projects:

Project Name	2019/20 Target Descriptions	Status as of 31 October 2019
Additional Consumer Choice of Electricity Services (ACCES)	Board response to IPAG advice (input services) Quick wins implemented	On track
What's my number and repurposed information campaign	Deliver 2019 campaign If necessary, develop service level standards and contract for integrated powerswitch/WMN service	On track
Participation of new generating technologies in the wholesale market	MDAG publish discussion paper	On track
Open networks development programme	Finalise Open Networks Development Programme	On track
Default Distribution Agreement (DDA)	Implement DDA	On track
Saves and win-backs	Target to be determined	On track
Are there barriers to renewables in the wholesale market?	Finalisation of project plan	On track
Distribution pricing – monitoring distributors adoption of more efficient prices	Finalise monitoring regime. Baseline distributor progress	On track
Hedge market enhancements	Decide design of enduring market making	At risk

Project Name	2019/20 Target Descriptions	Status as of 31 October 2019
Implementation of new wind generation offer provisions	Implement new wind generation offer provisions	On track
Ramping down constrained on payments	Complete removal of constrained on payments for down generation	On track
Review of spot market trading conduct provisions	Board response to MDAG advice (focussed on conduct when pivotal)	At risk
Spot market settlement on real-time pricing	No targets set as yet	On track
Transmission pricing review	Complete consultation and release decision	On track
Wholesale market information disclosure	Target to be determined after scoping paper is taken to Board in February 2020	On track
Extended reserve	Board approval of project reset proposal	On track
Market enhancements omnibus – Part 6 Integration of Hosting Capacity	At least 80% of market enhancements achieve planned process deliverables for the year	On track
Market enhancements omnibus – Part 10 Review		On track
Market enhancements omnibus – Code Review Process		On track
Dispatch Service Enhancement (DSE)	Implement DSE	On track
Switch process review	If necessary, amend the Code for easy to resolve issues	On track

Introduction

This is a progress report against our 2019/20 work programme¹. The work programme is an internal planning document, which sets out our major projects for the coming year. It does not include our business-as-usual activities, minor projects or any discretionary projects that we currently do not have the resources to pursue.




For the 2019/20 year, we have taken a different approach to prioritising the projects included within the Authority's work programme. This is designed to ensure that the Authority's attention is directed to the work that will provide the best possible benefits for both consumers and participants. The Authority is currently in the process of reviewing our current work programme and prioritisation following publication of the Electricity Pricing Review report and the Government's response.

Committed Projects

These are the projects that the Authority has committed resource to this financial year. Committed projects are the highest priority projects for the Authority; i.e. those that make the strongest contribution to our statutory objectives and strategic impacts. Committed projects will have published targets within the work programme, where tangible and quantifiable targets can be identified.


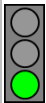

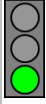
Project status




'Traffic lights' are used in the work programme report to indicate whether project milestones and/or deliverables are on track to be achieved. Unless otherwise stated, the expectation is that all project milestones and/or deliverables in the work programme will be achieved by the end of the financial year.



	Project milestones and/or deliverables achieved or on track to be achieved		Project milestones and/or deliverables are at risk		Project milestones and/or deliverables not achieved or not able to be achieved
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¹ The work programme is available on our website at <https://www.ea.govt.nz/dmsdocument/25479-201920-work-programme>





Committed Projects – status update as at 31 October 2019




Project name	Description	2019/20 Target Descriptions	Status	Comment
Implementation of new wind generation offer provisions	Pricing and cost allocation This project will implement improvements to offer and dispatch Code provisions for wind generators.	Implement new wind generation offer provisions		<ul style="list-style-type: none"> Implementation completed on 19 September 2019. Project closed.
Dispatch service enhancement (DSE)	Operational efficiencies Amendments to the Code and the Approved Systems Document are needed to enable the systems operator to complete its DSE project.	Implement DSE		<ul style="list-style-type: none"> Software now fully deployed On target for transition from previous system to be completed by December 2020
Ramping down constrained on payments	Pricing and cost allocation Review of whether constrained-on payments should continue to be made when generation is ramping down.	Complete removal of constrained on payments for down generation		<ul style="list-style-type: none"> NZX software in test phase, on track to gazette Code in early 2020 for go-live shortly after.
Transmission pricing review	Pricing and cost allocation A review of the transmission pricing guidelines.	Complete consultation and release decision		<ul style="list-style-type: none"> Consultation on the Transmission pricing methodology: 2019 Issues paper has been completed. 93 submissions and 18 cross-submissions were received. The Authority Board will be hearing oral submissions on 2 December, with further stakeholder engagement likely in 2020 (including in relation to the CBA and pricing to manage network congestion). We are targeting a final decision on TPM guidelines in Q2 2020.


Project name	Description	2019/20 Target Descriptions	Status	Comment
Review of spot market trading conduct provisions	Pricing and cost allocation Review trading conduct provisions considering events that have tested these provisions. Consider any findings from case studies, performance reports and compliance reports.	Board response to MDAG advice (focussed on conduct when pivotal)		<ul style="list-style-type: none"> MDAG is preparing a Discussion paper to go to Board in December 2019. Project timelines to June 2020 are tight.
Extended reserves implementation	Risk and risk management Consider the appropriateness of current measures to minimise disruption of supply in the event of unexpected adverse events.	Board approval of project reset proposal		<ul style="list-style-type: none"> The project reset proposal has been accepted by the Board. We are engaging with the system operator and AUFLS providers in investigation work.
Spot market settlement on real-time pricing	Pricing and cost allocation This project will develop and implement system changes to introduce Code amendments for real-time pricing market service provider systems, to change the way spot prices are calculated and published, so everything is done in real-time.	No targets published as yet, as requirements are with the system operator for development. The Authority are providing project steering only for this phase.		<ul style="list-style-type: none"> Implementation providers have been contracted and detailed requirements analysis and technical system design has started and is progressing to plan.

Project name	Description	2019/20 Target Descriptions	Status	Comment
What's my number and repurposed information campaign	Evolving technologies and business models Promote to consumers the benefits of comparing and switching retailers using a multi-channel advertising campaign – and consider the benefits of continuing WMN in its current form, to determine whether the campaign needs to evolve given innovation in services and products and emerging technologies.	Deliver 2019 campaign. If necessary, develop service level standards and contract for integrated powerswitch/WMN service.		<ul style="list-style-type: none"> The What's My Number winter campaign has been delivered (in market from 27 July - 10 September 2019). Post campaign review paper was presented to the Board at its 14 November Board meeting. The campaign drove 66,504 people to visit the WMN website, with 85% of visitors completing the calculator to check their number, with 81% of those indicating they were checking their number for the first time. When the bulk of the media ran in August, the EMI (Electricity Market Information) system recorded ICP trader switch rates at their highest level since WMN launched in 2011. A trader switch is where a consumer changes their retailer while remaining at their existing address. Development of SLA contract for integrated WMN/powerswitch to be developed as part of Authority's wider EPR work programme.
Switch process review	Operational efficiencies To address known shortcomings that inhibit innovation and implement changes to the switching process in response to emerging retail business models.	If necessary, amend the Code for easy to resolve issues		<ul style="list-style-type: none"> A second consultation (issues and options) has been published and closes 17 December. A workshop was held on 20 November to discuss proposals with industry to ensure that the complex issues are well understood, and to give industry the chance to ask questions. Review submissions, some issues may move to a Code change consultation. Other more complex policy issues may require further consultation.

Project name	Description	2019/20 Target Descriptions	Status	Comment
Market enhancements omnibus – Part 6 Integration of Hosting Capacity	Operational efficiencies This project includes a suite of non ‘sector-shaping’ market enhancement initiatives. This will include initiatives such as operational or fit-for purpose reviews, the annual Code review programme and enhancements to the current market.	At least 80% of market enhancements achieve planned process deliverables for the year.		<ul style="list-style-type: none"> A Code amendment proposal has been consulted on and submissions are being analysed. Workshop was held on 19 November to discuss proposals with industry to ensure that the policy issues are well understood, and to give industry the chance to ask questions. A recommendation will be made to the Board early in 2020.
Market enhancements omnibus – Part 10 Review				<ul style="list-style-type: none"> The final decision paper was approved by the Board at its November 2019 meeting. The Code amendments are due to come into force in February 2020. Two amendments (out of the original 33) have been removed as submissions have shown further work and another consultation is required for these. They will be included in a future Code review programme. Gazette notices need to be formulated and published.
Market enhancements omnibus – Code Review Process				<ul style="list-style-type: none"> Consultation for Code review programme #4 closed 5 November. Submissions are currently being considered.
Saves and win-backs	Consumer choice and competition A project to consider whether changes to the Code are required in response to the post-implementation review of the ‘saves’ Code provisions. It is important that new entrant retailers have a level playing field for competing for customers, and that saves, and win-backs do not impede efficient competition.	Target to be determined		<ul style="list-style-type: none"> Consultation released on 5 November 2019; submissions closed on 3 December 2019. Depending on submission nature and volume, we will seek a final decision from the Board in late December 2019 or February 2020. There will be a substantial implementation phase for the monitoring aspect of this project. Implementation (monitoring) phase not currently budgeted but will be included in Q2 reforecast.

Project name	Description	2019/20 Target Descriptions	Status	Comment
Default distributor agreement (DDA)	Consumer choice and competition A review to consider amending the Code to introduce a default distributor agreement, to set out the terms of service provided by a distributor to the retailers trading on its network.	Implement DDA		<ul style="list-style-type: none"> This project is closely aligned with EPR recommendation C4: Make distributors offer retailers standard default terms for network access and E3: Ensure distributors have access to smart meter data on reasonable terms. We are targeting an in-principle decision on the DDA in February 2020. We are also considering how best to get further technical input from stakeholders.
Additional Consumer Choice of Electricity Services (ACCES)	Evolving technologies and business models This project will investigate the benefits of enabling additional consumer choice of electricity services and any barriers that may prevent this choice. The project will effectively allow for the un-bundling of service offerings.	Board response to IPAG advice (input services) Quick wins implemented		<ul style="list-style-type: none"> The Quick wins decision is expected before the end of 2019. IPAG advice is likely to be considered by the Board in February 2020.
Open networks development programme	Evolving technologies and business models This programme will be identifying ways of providing for uptake of new technology on distribution networks.	Finalise Open Networks Development Programme		<ul style="list-style-type: none"> Current workstreams are: <ul style="list-style-type: none"> Technical standards development: ongoing through 2019/20, comprising industry seminars with distributors. First report back is due in March 2020. Access to data.
Participation of new generating technologies in the wholesale market arrangements	Evolving technologies and business models Investigate any barriers in the Code to the efficient operation of new generating technologies in the wholesale market (e.g. offer, dispatch, spot price arbitrage and ancillary service market participation)	MDAG publish decision paper		<ul style="list-style-type: none"> MDAG has decided to make recommendations for further work to the Board directly, likely in February 2020.

Project name	Description	2019/20 Target Descriptions	Status	Comment
Distribution pricing: monitoring distributors adoption of more efficient prices	Pricing and cost allocation This project will implement and operate the monitoring framework developed as part of the Distribution pricing review.	Finalise monitoring regime Baseline distributor progress		<ul style="list-style-type: none"> Monitoring regime has been completed. The baseline report is due to be published mid-November 2019.
Are there barriers to renewables in the wholesale market?	Pricing and cost allocation This project investigates whether there are any impediments in the wholesale market to achieving the Government's commitments relating to renewable electricity generation.	Finalisation of project plan		<ul style="list-style-type: none"> Project closely aligned to EPR recommendation G2: Examine the security and resilience of electricity supply. Currently developing project scope and problem definition.
Hedge market enhancements	Pricing and cost allocation Project to progress the hedge market recommendation resulting from the Authority's review of winter 2017: <ul style="list-style-type: none"> investigate and make on-going enhancements to the hedge market investigate the value of further development of exchange traded (ASX) products Evaluation of incentive-based arrangements for market making Review of hedge disclosure website	Decide design of enduring market making		<ul style="list-style-type: none"> This project is aligned with EPR recommendation D2: Introduce mandatory market-making obligations unless the sector develops an effective incentive-based scheme, but there is inherent time/quality tension in adjusting market making settings. Initial engagement with stakeholders in November and December 2019, with further consultation expected in March 2020. Targeting May 2020 for a decision on high level design of enduring market making arrangements. Project timelines are tight.

Project name	Description	2019/20 Target Descriptions	Status	Comment
Wholesale market information disclosure	Pricing and cost allocation A project to identify any gaps in the Authority's power to require further information disclosure (such as contract fuel supplies) and strengthen disclosure rules to include information on the availability of generation fuel.	Target to be determined (likely Feb 2020)		<ul style="list-style-type: none"> This project is closely aligned to EPR recommendation D1: Improve availability of wholesale market information. We have engaged on related MBIE, GIC and PEPANZ consultations, and the system operator review of POCP. We have initiated the Authority-led aspects of this work now that the GIC led work has reached an appropriate point.

Glossary and abbreviations

A detailed glossary is available at www.ea.govt.nz/glossary/

AUFLS	Automatic under-frequency load shedding. Part of the reserve management system.
Authority	Electricity Authority.
Code	Electricity Industry Participation Code 2010.
Consumer	Any person who is supplied with electricity other than for resupply.
DDA	Default distribution agreement. The relationship between a distributor and retailers is set out in a distribution agreement (also known as a use-of-system agreement (UoSA)). The UoSA is important for retail competition and efficiency. We are considering whether to introduce a default distribution agreement to achieve the benefits from more standardisation of use-of-system agreements. The Authority considers that more standardisation of use-of-system agreements will enhance retail competition and lead to more efficient operation of the electricity industry.
DER	Distributed energy resources. DERs include traditional distributed generation, batteries, micro-grids and 'prosumer' situations
DR	Demand response.
Extended reserve	Extended reserve is a means by which to manage situations where the frequency of New Zealand's electrical system falls too far below 50 Hertz without the fall being arrested by normal existing reserve products. Extended reserve responds if the frequency continues to fall after the normal reserve products have responded to prevent such a drop-in frequency that could lead to catastrophic power system failure. Currently the only mechanism available is AUFLS, which automatically disconnect blocks of load at specified frequency and time settings.
ICP	Installation control point. An ICP is a physical point of connection on a local network or an embedded network that the distributor nominates as the point at which a retailer will be deemed to supply electricity to a consumer. Each ICP is assigned an ICP identifier, which has the attributes set out in clauses 1 to 6 of Schedule 11.1 of the Code.
MOSP	Market operation service provider. For details see www.ea.govt.nz/operations/market-operation-service-providers/
Service providers	See MOSP. We contract third parties to manage the electricity system (system operator) and market services, as described in Part 3 of the Code.
UoSA	Use-of-system agreement. Agreements between distributors and retailers. We are working on a possible default agreement – see DDA.

END