



Electricity Authority Work Programme

Report for the period

1 July 2020 – 31 October 2020



Contents

Executive summary 3

Introduction 5

Committed Projects – status update as at 31 October 2020 6

Glossary and abbreviations 12

Executive summary

The Authority's work programme details the major projects we intend to progress during the 2020/21 financial year. The summary of progress of the first quarter from 1 July 2020 – 31 October 2020 are set out in table 1 below:

Table 1: Summary of Market Development Projects:

Project Name	2020/21 Target Descriptions	Status as of 31 October 2020
Update guidelines of vulnerable and medically dependent consumers to standards (EPR recommendation B6)	Complete the development of updated guidelines.	On track
Improve awareness of Powerswitch and utilities disputes (EPR recommendation C2)	Amend the Code and develop principles based guidance on how retailers and distributors can provide clear and prominent information about Utilities Disputes and Powerswitch.	On track
Streamlined process for customer requests for consumption data (EPR recommendation C3)	Complete phase one (quick wins) by quarter one. Phase two to be confirmed after initial project scoping. Target to be set in Q2 FY2021.	On track
Default distributor agreement (DDA) (EPR recommendations C4 and E3)	Default distributor agreement implemented by all distributors or, where any distributor has not implemented, the Authority considers the matter and decides on further action.	On track
Developing and implementing a pilot scheme targeting non-switching customers to find better deals (EPR recommendation C6)	Complete the project management plan to define the project scope. Additional targets to be set in Q3 2020/21.	On track
Improve availability of wholesale market information (EPR recommendation D1)	Complete first phase of disclosure review, focussed on thermal fuel supplies.	On track
Hedge market enhancements (EPR recommendation D2)	Decide design of enduring market making arrangements Amend the Code to make the current (temporary) backstop mandatory market making provision permanent in Q4-20/21. Commence procurement of commercial market makers.	On track
Make generator retailers release information about the profitability about their retailing activities (EPR recommendation D3)	Obtain data on internal transfer prices from generator-retailers in Q1 FY2021. Present analysis and make recommendations at the November 2020 Board meeting re next steps.	On track
Pro-active monitoring and reporting on wholesale market performance (EPR recommendation D4)	Publish several new reports on EMI by Q4 FY2021, including a report that compares wholesale contract prices with new-generation costs.	On track

Project Name	2020/21 Target Descriptions	Status as of 31 October 2020
Transmission Pricing Methodology implementation	Monitor and assess Transpower's development of proposed TPM.	On track
Distribution price monitoring	Publish scorecards of distributors' pricing and decide next steps to progress distribution pricing reforms.	On track
Examine the security and resilience of the electricity sector (EPR recommendation G2)	Security and Resilience: Consult on issues relating to security and resilience of the electricity sector Batteries offering reserve: Consult on enabling Code amendment. Reliability standards for inverters: Complete investigation of reliability requirements.	On track
Extended Reserves implementation	Consult on 4-block AUFLS Code amendment.	On track
Open networks development programme	Standards development: Publish decisions paper and code amendments for sunset clause for the Hosting Capacity amendments. IPAG review of demand response: IPAG to provide advice to Authority.	At risk
Increasing retail price change transparency	Publish NZIER Cost Index Published on EMI in early 2021 Publish The Retailer Survey externally in April 2021	On track
Review of industry response to COVID-19	Publish Terms of reference/scope published by end Q2 FY2021 Complete Information gathering by end Q3 FY2021 Complete Analysis and draft report by end Q4 FY2021	On track
Review of spot market trading conduct provisions	Board response to MDAG advice (focussed on conduct when generators are pivotal). Further targets to be confirmed following Board response.	On track
Spot market settlement on real time pricing	Complete phase one of the system operator software implementation.	On track

Introduction

This is a progress report against our 2020/21 work programme.¹ 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.

The work programme was developed while responding to the evolving COVID-19 situation. The response focussed on ensuring the Authority was in a position to prioritise key industry issues as a result of COVID-19, including retailer debt issues, and assurances for medically dependent and vulnerable customers.

The work programme is limited to those projects we know we will be carrying on with or re-starting from 1 July 2020. We understand that this work programme will need to evolve and expand through the recovery phase of COVID-19, both as consumers' and participants' needs become clearer, and to better reflect the Authority's new strategy.




The projects in this work programme enable us to continue to respond to sector priorities and deliver against our statutory objectives. Commitments to pursuing these projects were made to the Minister in the Authority's response to her letter of expectations for 2020/21; these include the Electricity Price Review programme, and key projects that are continuing from the 2019/20 year.

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.

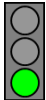
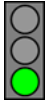
	Project milestones and/or deliverables achieved or on track to be achieved		Project milestones and/or deliverables are at risk		Project milestones and/or deliverables not achieved or not able to be achieved
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¹ The work programme is available on our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

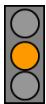
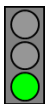
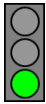
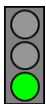
Committed Projects – status update as at 31 October 2020


Project name	Description	2020/21 Target Descriptions	Status	Comment
Update guidelines of vulnerable and medically dependent consumers to standards (EPR recommendation B6)	Update the existing guidelines into a single minimum standard document that is suitable to operate either as a stand-alone guideline, or for regulation by either MBIE, or the Authority.	Complete the development of updated guidelines.		New single guideline co-designed with stakeholders in collaborative workshops. Formal consultation commenced on 29 October. Intent is to publish final guidelines by the end of financial year.
Improve awareness of Powerswitch and utilities disputes (EPR recommendation C2)	Dispute resolution and switching tools give consumers simple and accessible channels to get more information about their electricity options. They empower and enable consumers to make choices and act. This contributes to a more efficient and competitive electricity industry. The level of awareness and dispute resolution tools is low, and the level of awareness of switching tools could be improved.	Amend the Code and develop principles based guidance on how retailers and distributors can provide clear and prominent information about Utilities Disputes and Powerswitch.		Target achieved, implementation continuing to April 2021. Project has progressed as planned with the Board approving Code amendment in August 2020. Changes to be implemented by industry by 1 April 2021. The Authority continues to work with industry and stakeholders to support effective implementation of the changes.
Streamlined process for customer requests for consumption data (EPR recommendation C3)	Provide quick and easy access for consumers to their consumption data.	Complete phase one (quick wins) by quarter one. Phase two to be confirmed after initial project scoping. Target to be set in Q2 FY2021.		Target achieved for phase one, work on phase two underway Final monitoring reports for phase one implemented and moved into business as usual. Phase two of the project is confirmed as EPR C3A: Streamlining access to electricity consumption data. The Authority approved the project management plan in September 2020. Staff intend to release an issues paper which identified near-term options for improving access to electricity consumption data by end of February 2021.

Project name	Description	2020/21 Target Descriptions	Status	Comment
Default distributor agreement (DDA) (EPR recommendations C4 and E3)	Support implementation by all distributors of the default distributor agreement, setting out the terms of service provided by a distributor to the retailers trading on its network. To make available for use the Data Template to support the exchange of some smart meter data. Also, to make available for use two default agreements for a distributor's shareholder trust to pay dividends to beneficiaries on the network.	Default distributor agreement implemented by all distributors or, where any distributor has not implemented, the Authority considers the matter and decides on further action.		Industry are currently implementing the DDA Code change. The five largest distributors are expected to have their DDAs in place mid-December 2020, while the remaining distributors will have theirs in place by February 2021.
Developing and implementing a pilot scheme targeting non-switching customers to find better deals (EPR recommendation C6)	Investigate the feasibility of a developing a pilot scheme to assist consumers in shopping around to find a better deal and help them switch providers.	To be confirmed after initial project scoping. Target to be set in Q4 FY2021.		Target amended to focus on project scoping, with additional targets to follow. Project scope to be completed in the project management plan. Staff are developing and will complete the project management plan by February 2021.
Improve availability of wholesale market information (EPR recommendation D1)	To review the current information disclosure rules to identify gaps or areas for improvements (such as information on thermal fuel supplies).	Complete first phase of disclosure review, focussed on thermal fuel supplies. New target: Commence phase two work, as/if approved by the Board in December 2020.		Target on track, with phase one near completion, new targets for phase two created. In December 2020 the Board will be presented a decision paper including recommendations from the Wholesale market information disclosure review of thermal fuels disclosure, and recommendations for phase two, which include a centralised disclosure website, operational uncertainties, and hydro spill data.

Project name	Description	2020/21 Target Descriptions	Status	Comment
Hedge market enhancements (EPR recommendation D2)	Review enduring market making arrangements.	Decide design of enduring market making arrangements Further targets for detailed design and implementation of any changes to be confirmed following board decision. New target: Amend the Code to make the current (temporary) backstop mandatory market making provision permanent in Q4-20/21. New target: Commence procurement of commercial market makers.		Target achieved with Board decision confirmed, new targets created for the remainder of 2020/21 On 6 August 2020 the Authority decided to pursue a commercial approach to market making as a long-term goal, supported in the interim (possibly several years) by concurrent mandatory and commercial market making schemes. Implementation of the Board's decision to make the current (temporary) backstop mandatory market making provision in the Code permanent is underway and is planned to come in to force in Q4-20/21. Procurement of commercial market makers planning is under way.
Make generator retailers release information about the profitability about their retailing activities (EPR recommendation D3)	Investigate the internal transfer pricing of large generator-retailers, and the feasibility of making generator-retailers report separately on the financial performance of their retailing and generation/wholesale operations using a common (and regulated) set of reporting rules.	Obtain data on internal transfer prices from generator-retailers in Q1 FY2021. Present analysis and make recommendations at the November 2020 Board meeting re next steps.		Data from generator-retailers has been received. Analysis of the data, and recommendations on next steps will be presented to the Board in November 2020 (covered in the next four-month period, 1 November 2020 – 28 February 2021).
Pro-active monitoring and reporting on wholesale market performance (EPR recommendation D4)	Underlying the EPR recommendation D4 is a concern that the wholesale market doesn't always perform effectively for the long-term benefit of consumers. An enduring and evolving programme of pro-active wholesale market performance monitoring and reporting is being developed. As well as presenting technical reports on the EMI website, the programme envisages regular commentary targeting a broad range of audiences.	Publish several new reports on EMI by Q4 FY2021, including a report that compares wholesale contract prices with new-generation costs.		Target amended to provide a more specific deliverable and refined focus for the project. Work is underway - Staff are sourcing and analysing data and developing the methodology to produce the report.

Project name	Description	2020/21 Target Descriptions	Status	Comment
Transmission Pricing Methodology (TPM) implementation (EPR recommendation E1)	To implement the new transmission pricing methodology guidelines.	Monitor and assess Transpower's development of proposed TPM.		The Authority is providing support to Transpower as it develops a proposed TPM, via an agreed phased Checkpoint process. Good progress is being made with the first Checkpoint process largely completed on 2 October. A legal challenge (judicial review) to the TPM decision was lodged by Trustpower in July. The challenge will be heard in October 2021.
Distribution price monitoring (EPR recommendation E2)	Monitoring distributors' adoption of more efficient prices following the distribution pricing review.	Publish scorecards of distributors' pricing and decide next steps to progress distribution pricing reforms.		Work has recommenced on our review of the distribution pricing methodologies and roadmaps published on 1 April 2020 (previously paused following our reprioritisation of work in response to the COVID-19 lockdown). We expect to discuss scorecards with individual distributors in November and December (covered in the next four-month period, 1 November 2020 – 28 February 2021). The scorecards will then be published.
Examine the security and resilience of the electricity sector (EPR recommendation G2)	Investigate and report back on the impacts of technology and other changes on the long-term security and resilience of New Zealand's electricity supply. Batteries offering reserve: To develop requirements for batteries offering reserve when injecting into the power system. Reliability standards for inverters: To develop reliability standards to ensure the secure operation utility-scale inverter-based generating technologies.	Security and Resilience: Consult on issues relating to security and resilience of the electricity sector Batteries offering reserve: Consult on enabling Code amendment. Reliability standards for inverters: Complete investigation of reliability requirements.		The Authority is developing an issues paper for release mid-2021 which will investigate the impact of technology and other changes on the long-term security, reliability and resilience of New Zealand's Electricity supply. Staff intend to release a consultation paper on batteries offering reserve for release in mid-2021. Staff have also started work on reliability standards for inverters.
Extended Reserves implementation	Review the current AUFLS arrangements to safeguard electricity supply in the event of a significant disruption to the grid.	Consult on 4-block AUFLS Code amendment.		AUFLS Code amendment under development, targeting February Board meeting for approval to consult February 2021. Transpower capital development underway. Engagement with affected stakeholders is ongoing.

Project name	Description	2020/21 Target Descriptions	Status	Comment
Open networks development programme	Identifying ways of providing for uptake of new technology on distribution networks: Standards development IPAG review of demand response	Standards development: Publish decisions paper and code amendments for sunset clause for the Hosting Capacity amendments. IPAG review of demand response: IPAG to provide advice to Authority.		Target partially achieved, deferred due to Medically Dependent and Vulnerable Customers work Staff have been working with MBIE, Standards New Zealand and EECA on EV charger standards and medium-temperature hot water heat pump standards. The Authority has deferred the Standards Development work due to our ongoing work on Medically Dependent and Vulnerable Consumers.
Increasing retail price change transparency	Review how the network price changes that took effect on 1 April 2020 passed through into the retail electricity market.	Publish NZIER Cost Index Published on EMI in early 2021 Publish The Retailer Survey externally in April 2021		The work to rebuild the NZIER cost index in a way that we can easily maintain it is on track to be completed by early 2021. The survey is also on track to be completed by April 2021.
Review of industry response to COVID-19	At the end of the pandemic period, review the response by industry participants to COVID-19 Promoting positive outcomes for end consumers (including adherence to our two letters of expectations) Promoting ongoing reliable operation of the electricity system	Publish Terms of reference/scope published by end Q2 FY2021 Complete Information gathering by end Q3 FY2021 Complete Analysis and draft report by end Q4 FY2021		Project on track, with development of the terms of reference/scope underway, for publishing by the end of Q2 2021.
Review of spot market trading conduct provisions	Review trading conduct provisions considering events that have tested these provisions.	Board response to MDAG advice (focussed on conduct when generators are pivotal). Further targets to be confirmed following Board response.		In December 2020 the Board will be presented with the MDAG recommendations paper. Staff are supporting the MDAG to deliver this paper. The Authority will decide next steps and a process for responding to the MDAG recommendations in December.

Project name	Description	2020/21 Target Descriptions	Status	Comment
Spot market settlement on real time pricing (RTP)	Implement the service provider systems changes needed for real-time pricing so that spot prices are calculated and published in real-time.	Complete phase one of the system operator software implementation.		Approval to move to formal software implementation phase given at the August Authority Board meeting. Transpower implementation activities for Phase one started. Industry engagement activities have started with the first virtual seminar held on 20th October. Further sessions have been planned to proceed on a monthly basis. Work is progressing on reviewing the RTP Code amendment.

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	<p>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.</p> <p>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.</p>
EECA	Energy Efficiency and Conservation Authority.
EMI	Electricity Market Information. The EMI website is the Authority's avenue for publishing data, market performance metrics, and analytical tools to facilitate effective decision-making within the New Zealand electricity industry. For more details see https://www.emi.ea.govt.nz/
EPR	Electricity Price Review. An independent review of electricity prices commissioned by the Minister of Energy and Resources in April 2018. A number of projects in our work programme relate to recommendations from this review. For more information see https://www.ea.govt.nz/consumers/the-electricity-price-review-epr/
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.
IPAG	Innovation and Participation Advisory Group. For more details see https://www.ea.govt.nz/development/advisory-technical-groups/ipag/
MBIE	Ministry of Business, Innovation and Employment.
MDAG	Market Development Advisory Group. For more details see https://www.ea.govt.nz/development/advisory-technical-groups/mdag/
MOSP	Market operation service provider. For more details see https://www.ea.govt.nz/operations/market-operation-service-providers/
NZIER	New Zealand Institute of Economic Research.

RTP	Real Time Pricing. For more details see https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/spot-market-settlement-on-real-time-pricing/
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.
TPM	Transmission Pricing Methodology. For details more see https://www.ea.govt.nz/operations/transmission/transmission-pricing/
UoSA	Use-of-system agreement. Agreements between distributors and retailers. We are working on a possible default agreement – see DDA.

END