

## MINUTES

Meeting number: 31

Venue: Electricity Authority Zoom Virtual Meeting Room

Time and date: 9.32 am until 1.11 pm, Tuesday, 12 May 2020

### Members Present (all by videoconference)

- Hon Heather Roy (Chair)
- Barbara Elliston
- Tracey Hickman
- Nanette Moreau
- Greg Skelton
- Nathan Strong
- Guy Waipara

### Apologies

- Vince Hawksworth
- Greta Stephens

### In attendance (all by videoconference)

| Name                                             | Title                                       | Agenda item # attended                         |
|--------------------------------------------------|---------------------------------------------|------------------------------------------------|
| <b><u>Electricity Authority (Authority):</u></b> |                                             |                                                |
| James Stevenson-Wallace                          | Chief Executive                             | #1-2, #4-9 (from 9.32–9.40 am, 9.49-11.27 am)  |
| Grant Benvenuti                                  | General Manager Market Performance (Acting) | #1-2, #4-13 (from 9.32–9.40am, 9.49 am-1.11pm) |
| Michelle Heise                                   | Manager Market Operations (Acting)          | #1-2, #4-13 (9.32-9.40 am, 9.49 am-1.11 pm)    |
| Callum McLean                                    | Senior Adviser Market Operations            | #1-2, #4-13 (9.32-9.40 am, 9.49 am-1.11 pm)    |
| Bobby Stringer                                   | Market Operations Coordinator               | #1-2, #4-13 (9.32-9.40 am, 9.49 am-1.11 pm)    |
| Joey Au                                          | Principal Advisor                           | #8-9 (10.19-11.27 am)                          |
| <b><u>Other:</u></b>                             |                                             |                                                |
| Jonathan Pawley                                  | Engagement Manager, NCSC                    | #10 (11.28am-12.07pm)                          |
| Steve Torrens                                    | Senior Analyst, Transpower                  | #11 (12.29-12.46 pm)                           |
| Leigh Westley                                    | SO Market and Business Manager, Transpower  | #11 (12.29-12.46 pm)                           |

*The meeting opened at 9.32 am*

### 1. Attendance and apologies

- 1.1. The Chair welcomed members to the thirty-first meeting of the Security and Reliability Council (SRC).

- 1.2. The Chair welcomed Nanette Moreau to the SRC as a consumer representative. Nanette was invited to give a brief introduction to the members.
- 1.3. The Chair announced Gretta Stephens would be joining the SRC as an industrial consumer representative.
- 1.4. The Chair noted Barbara Elliston has been reappointed.
- 1.5. Apologies were received from Vince Hawksworth and Gretta Stephens. A quorum was established.

## 2. Changes to disclosure of interests

- 2.1. The Chair reviewed the interests register. It was noted Nathan Strong had provided a change in interests and Nanette Moreau would provide her interests to the secretariat.
- 2.2. The Chair approved members to act despite those declared interests.

*James Stevenson-Wallace, Grant Benvenuti, Callum McLean, Michelle Heise, Bobby Stringer and Nathan Strong left the meeting*

## 3. Meeting planning

- 3.1. The members discussed their priorities for the 12 May 2020 meeting.
- 3.2. It is noted that Nathan Strong could not take part in the meeting planning due to a technical issue. He was invited to provide any requests to the Chair privately.

*James Stevenson-Wallace, Grant Benvenuti, Callum McLean, Michelle Heise, Bobby Stringer and Nathan Strong joined the meeting*

## 4. Previous minutes

- 4.1. The minutes of the 12 March 2020 meeting were accepted as a true and accurate record.

*Barbara Elliston moved, Greg Skelton seconded*

## 5. Correspondence

- 5.1. The Chair gave an overview of the correspondence.
- 5.2. It was noted the SRC has not yet received a response on the last letter of advice from the Authority.
- 5.3. Given no-one had known the previous meeting would be Anne Herrington's last with the group, the SRC agreed the Chair should write to Anne Herrington expressing their thanks.

**1. Action:** Secretariat to draft a letter of thanks to Anne Herrington

## 6. Register of top security and reliability risks

- 6.1. The Chair introduced the agenda item and invited comments from the members.

6.2. Members commented that:

- a) Multiple members were concerned about long-term economic fallout due to COVID-19, with energy affordability, smaller provider closures and customer hardship all being mentioned as potential consequences. If New Zealand experiences a “second wave” the economic impacts will be even greater and there doesn’t appear to be much planning around this possibility.
- b) The financial downturn and predicted recession could have negative effects on network investment and management.
- c) There is a risk of a maintenance backlog if the virus has a second wave.
- d) The combination of extreme weather events and pandemic pressures could create disruption.
- e) There seems to be a disconnect between government and the system operator on where the generation is coming from for the next 10 years, specifically when it comes to gas.
- f) The increase in renewables may present challenges when it comes to consistent supply, integrated standards and ‘dry-year’ firming. If NZAS departs then likely thermal retirements makes firming an immediate problem, and there is too much focus on the supply side rather than the demand.
- g) COVID-19 disruption is leading to a reprioritisation of works which may have knock on effects.
- h) Cyber security remains a significant and constant threat, especially in terms of NZ being prepared for a big event.
- i) There is a risk to retailers amidst increased regulatory uncertainty.
- j) There are some demand-side changes that may change the near-future outlook with regards to COVID-19.

6.3. Attendees commented that:

- a) Managing multiple bubbles in crews and offices may be problematic and needs to be finessed.
- b) The definition of an “essential service” needs further clarity.
- c) Deferred maintenance could lead to issues in time.
- d) Climate change and renewable focus could be impacted due to post-pandemic investment jitters.
- e) General sector investment may wain in the face of increased economic hardship.

## 7. Action list and updates

7.1. The Chair summarised the action list and invited comments.

- a) Members commented that distributed energy resource (DER) standards were an issue and there is a risk of EVs overloading low-voltage networks.
- b) The Chair invited a response from James Stevenson-Wallace who commented the Authority has work planned in the next financial year that improves the arrangements with respect to one of the relevant standards.

*Joey Au joined the meeting*

## **8. Industry response to COVID-19**

- 8.1. The Chair introduced Joey Au and commented that he has been diverted from the security and resilience review to the COVID-19 response. On request from the Chair, James Stevenson-Wallace gave an update on:
  - a) general market conditions.
  - b) regulatory considerations within the context of the pandemic.
  - c) the signalling that will happen around any trader default situations and of the debt management considerations the Authority was making.
- 8.2. The Chair invited comments from the members.
- 8.3. Members commented:
  - a) Efforts were being made by some lines companies to offer support packages and price relief to commercial and industrial customers to ensure businesses come out the other side.
  - b) Several members praised the Transpower response, commenting their management of the National Emergency Management Agency's Lifelines Liaison Electricity Desk has been well executed and communication has been efficient and clear.
  - c) There has been a negative impact on the contractors used by lines companies, as some of them have been forced to make cuts due to lack of work. Despite that, Wellington Electricity arranged to lock in and pay for future projects to help boost cash flow in the struggling contractors.
  - d) Financial woes are strewn throughout the sector, with several lines companies already in negative equity and looking at further revenue reductions and substantial borrowing costs.
  - e) Pandemic response plans have been enacted for several industry participants. Aspects of those plans include pods being formed for field crews, and assessments of vulnerable workers.
  - f) One member found the Civil Defence response has been inconsistent across different territorial local authorities, which weakens the overall response.
  - g) Some overseas projects have ceased and instead there has been a focus towards homegrown versions.

- h) Customer care has been a key concern, especially in the context of medical dependency and vulnerable consumers. It is essential to keep an eye on this whilst the economic downturn continues.
  - i) International workers were used in essential circumstances but with additional controls in place.
  - j) Additional efforts were made to protect the integrity of control room staff and those in essential functions.
  - k) There is a focus on sharing pandemic response and testing of COVID-19 policies in an effort to learn within the industry. Retailers and distributors worked together in their responses.
  - l) Smaller businesses should be monitored and assisted to make sure they have the same level of preparedness a larger corporation would, as they don't typically contain in-house expertise. The Authority should be helping encourage this.
  - m) With the country starting to exit lockdown there is a risk of complacency and the lockdown level rising once again. The industry needs to be prepared for this and how it may need to respond differently if this were to happen.
  - n) There is significant work going into replanning critical works over the rest of the year. There have been some unintended side benefits of lockdown which has reduced the amount of usual maintenance required, which will help ease the workload (such as reduced number of car crashes into power poles).
  - o) There are risks with double-layering of issues (such as COVID-19 disruption plus storms or earthquakes) which could present especially during lockdown. Some limited consideration has gone into scenario planning in this regard.
- 8.4. James Stevenson-Wallace advised he would follow up with the Ministry of Business, Innovation and Employment about lessons learned from the pandemic response.
- 8.5. The SRC agreed to provide advice to the Authority capturing the above themes and concerns, with more detail provided than usual.

**2. Action:** Longer letter of advice to be written to the Authority, capturing key themes discussed in Item 8.

*The meeting had a break at 11.05 am and reconvened at 11.12 am*

## **9. Electricity Price Review: A review of security and resilience**

- 9.1. It was noted a fuller scope for this meeting was intended but the project lead was redirected to the Authority's COVID-19 response.
- 9.2. The Chair invited the members to discuss whether a formal working group or informal attendance of Authority workshops would be best for the project, and who would like to be involved.

- 9.3. Members commented that they hoped the scope would be tightened in this iteration.
- 9.4. The SRC agreed to provide advice to the Authority that:
  - a) No formal decision has been made on whether it will formally request a working group be formed, or who will be involved. However, the group did discuss the two options presented by the secretariat: an SRC working group or the less formal approach of participation by some SRC members in Authority-convened workshops. There was more support for the less formal approach.
  - b) Further decisions will be made at the August SRC meeting.

*Joey Au and James Stevenson-Wallace left the meeting and Jonathan Pawley joined the meeting*

### 10. National Cyber-Security Centre overview

- 10.1. The Chair invited the board and secretariat to introduce themselves to Jonathan Pawley.
- 10.2. The NCSC representative gave a presentation using prepared slides.
- 10.3. The Chair invited questions from the members.
- 10.4. Members asked the NCSC representative various questions around the topic including how close the NCSC works with major auditors, what rating he would give the energy sector at present and where the line is drawn in defining an incident.
- 10.5. A member requested the presentation be circulated to all members.
- 10.6. The members discussed the composition and potential audience of the proposed SRC cyber-security survey.

*Jonathan Pawley left the meeting*

- 10.7. The SRC agreed the secretariat should:
  - a) work with the NCSC to create the survey.
  - b) widen the pool of organisations to be surveyed and identify target recipients within each company.
  - c) share the draft survey with the SRC for feedback.
  - d) report back on survey results at the next SRC meeting in August.

**3. Action:** Secretariat to have the cyber-security survey results available for the August meeting of the SRC.

*Steve Torrens and Leigh Westley joined the meeting*

### 11. System operator's annual assessment of security of supply

- 11.1. System operator representatives gave an overview of the assessment.

- 11.2. The secretariat notes that because of the 1 April 2020 regulatory deadline for this report the pandemic could not be accounted for in the system operator's demand forecasts and that those forecasts are highly material to the results.
- 11.3. Members asked system operator representatives various questions about the assessment including whether the big government projects will have an impact on supply and demand, how thermal retirement affect margins and when they will know whether the demand figures are appropriate or not.
- 11.4. Members asked for further information about the assessment's assumptions about the contribution of renewables and future conversions of residential gas to electricity.
- 11.5. The SRC agreed to provide advice to the Authority that:
  - a) The SRC is satisfied with the information provided (within the limits that it has).
  - b) The assessment highlights a recurring theme of the gas and electricity sectors being treated more separately than is appropriate. The SRC would like better supply forecasts from the gas sector and for the Authority and system operator to augment the annual assessments to help stakeholders understand how forecast security aligns (or not) with central government 'zero-carbon' goals.

**4. Action:** Secretariat to provide further information about the assessment (contribution of renewables and future conversions of residential gas to electricity).

*Steve Torrens and Leigh Westley left the meeting*

## **12. Developing questions for Transpower about its communication of reduced security and outages**

- 12.1. The secretariat explained part of the associated action was not completed due to the pandemic, but this discussion should help ensure this topic can be wrapped up at the August SRC meeting.
- 12.2. The secretariat noted the information in brackets in paragraph 2.2.4 and 2.2.5 should have been removed.
- 12.3. Members made various comments around the proposed questions including it was expected that the scope of the questions be beyond just communication, and if they should be asking about risk allocation by doing certain works and how that is discussed in the design and planning stages.
- 12.4. Members commented the uncertainty around whether a specific span incident had occurred before the Wellington incident had not been addressed.

12.5. The SRC directed its secretariat that:

- a) the SRC would like to have additional questions beyond just communications added, particularly around security and the unanswered span query. It also needs to cover the identified gap in risk planning - when does a plan change so that n-security doesn't occur (ie consideration of cost to customers).
- b) the revised questions should be sent out to members along with the minutes from this meeting.
- c) there needs to be a timeframe given with an aim to complete this at the next SRC meeting.

**5. Action:** Secretariat to circulate revised questions amongst members along with Meeting 31 minutes.

### 13. The SRC's work programme for 2020-23

- 13.1. The secretariat noted the top priority would be cyber-security given it wasn't covered as thoroughly as planned in today's meeting.
- 13.2. The secretariat noted the August SRC meeting was supposed to be with the Authority Board and there was discussion about whether this is viable if there are gathering restrictions in place due to COVID-19.
- 13.3. There was discussion about whether all the items on the work programme are essential.
- 13.4. The SRC directed its secretariat to:
  - a) move forward with the cyber-security focussed meeting and for the survey to be completed for the next meeting.
  - b) revise meeting 32 finish time to 4pm to reflect a fuller schedule.
  - c) review and rationalise the work programme.

**6. Action:** Review and rationalise the work programme.

**7. Action:** Extend meeting 32 finish time until 4pm.

*The meeting ended at 1.11 pm*