

4 June 2020

Dr Brent Layton
Chair
Electricity Authority
PO Box 10041
Wellington 6143

Dear Brent

Advice resulting from the 12 May 2020 meeting of the SRC

The Security and Reliability Council (SRC) is tasked with providing the Electricity Authority (Authority) with independent advice on the performance of the electricity system and the system operator, and reliability of supply issues.

The SRC considered and discussed five papers at its 12 May 2020 meeting. This letter is the SRC's advice arising from those papers.

Industry response to COVID-19

The SRC received a paper from its secretariat about how the electricity sector has responded to the COVID-19 pandemic so far, with a particular focus on security and reliability aspects of the response.

The SRC's advice to the Authority is:

- in general, the reduced demand for electricity has either enhanced or not harmed electricity security
- in terms of electricity reliability, the pandemic has had minor positive and negative impacts. For example, there have been fewer car crashes into electricity assets to cause outages, but response times to outages have generally been longer due to additional safety protocols introduced to minimise pandemic-related risks
- Transpower's management of the National Emergency Management Agency's Lifelines Liaison Electricity Desk has been outstanding, with efficient and clear communication. The SRC thanks Transpower for its response and asks the Authority to relay this to them
- there is an opportunity for the industry to share and reflect on what worked well and what could be improved, and to do this swiftly in case the lockdown level rises again

- the financial impacts of the pandemic are significant for industry participants and their electrical works contractors. The continued availability of these critical workers is important to maintaining reliable supply.

The above matters are the key points of the SRC's advice. To assist the Authority's understanding of this topic, an appendix has been included with this letter setting out other related facts and opinions discussed by the SRC.

Electricity Price Review: A review of security and resilience

The SRC received a paper from its secretariat about progress on the review of security and resilience due to formally start on 1 July 2020.

The SRC's advice to the Authority is:

- the SRC discussed the two engagement options presented by the secretariat: a formal 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. A decision will be made at the 6 August 2020 meeting of the SRC.

National Cyber-Security Centre overview

The SRC received a presentation from the National Cyber-Security Centre (NCSC).

The SRC's advice to the Authority is:

- to expect cyber-security advice from the SRC following the 6 August 2020 meeting
- the NCSC presentation was valuable for the SRC, and we encourage the industry (at both operational and governance levels) to engage with the NCSC.

System operator's annual assessment of security of supply

The SRC received the system operator's annual assessment of security of supply, covering the period 2020-2029.

The SRC's advice to the Authority is:

- the security outlook is satisfactory, though the extra uncertainty about future demand and the future availability of fossil fuels are two key limitations of the system operator's assessment
- 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.

Developing questions for Transpower about its communication of reduced security and outages

The SRC received a paper from its secretariat about the questions the SRC may pose to Transpower to wrap up a series of papers about management and communication of reduced security and power outages. The purpose of the paper was to put the SRC in a position to give advice to the Authority following the SRC's 6 August 2020 meeting. As such, the SRC has no advice for the Authority on this paper.

The SRC is looking forward to meeting again with the Authority Board on 6 August 2020.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H Roy', is positioned above the printed name.

Heather Roy

Chair of the SRC

cc: SRC members, Grant Benvenuti (Authority)

Appendix of other facts and opinions concerning the industry's response to COVID-19

The SRC had a lengthy discussion about the industry's response to the COVID-19 pandemic. This appendix supplements the advice in the main body of this letter.

The supplementary points are:

- One member found the local Civil Defence response has been inconsistent across different regions, which weakens the overall response.
- In relation to financial impact and response:
 - 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
 - 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. In response, at least one lines business has arranged to lock in and pay for future projects to help boost cash flow in the struggling contractors
 - financial woes are common throughout the sector, with several lines companies already in negative equity and looking at further revenue reductions and substantial borrowing costs.
- Pandemic response plans have been enacted for several industry participants. The responses as part of those plans include:
 - pods/bubbles being formed for field crews, control room staff and any other in essential functions
 - assessments of vulnerable workers
 - use of international workers in essential circumstances, but with additional controls in place
 - sharing pandemic response and testing of COVID-19 testing policies in an effort to learn within the industry. Retailers and distributors worked together in their responses
 - there is significant work going into replanning critical works over the rest of the year
 - some overseas projects have ceased and instead there has been a focus towards domestic projects.

- Future risks were discussed, including:
 - 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
 - smaller businesses should be monitored and assisted to make sure they have the same level of preparedness that a larger corporation would, as they don't typically contain in-house expertise. The Authority should be helping encourage this
 - 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. There is a risk of a maintenance backlog if the virus has a second wave
 - energy affordability, smaller provider closures and customer hardship were all mentioned as potential consequences
 - the financial downturn and predicted recession could have negative effects on network investment and management
 - demand-side changes may change the near-future outlook with regards to COVID-19
 - there are risks with double-layering of issues (such as COVID-19 disruption plus storms or earthquakes) which could present especially during lockdown. The industry has given some limited consideration into scenario planning in this regard.

30 June 2020

Hon. Heather Roy
Chair
Security and Reliability Council (SRC)

By email: heatherjroy@gmail.com

Dear Heather

Response to your letter of 4 June 2020

Thank you for your letter of 4 June 2020 that gives the SRC's advice arising from its 12 May 2020 meeting. The Authority Board considered all of the advice at its 23 June 2020 meeting. On behalf of the Authority, I have responded below to most of the advice received.

Industry response to COVID-19

Our Board was pleased to hear of Transpower's success managing the National Emergency Management Agency's Lifelines Liaison Electricity Desk. Our Chair has relayed the SRC's and the Authority's thanks to Transpower.

The SRC's advice highlighted an opportunity for the industry to share and reflect on what worked well and what could be improved with their pandemic response. I have directed my staff to encourage key asset owners to facilitate a forum for sharing of reliability-related lessons.

National Cyber-Security Centre overview

We are supportive of the SRC's advice that the industry engage with the National Cyber-Security Centre, and will await further SRC advice before deciding how best to promote this outcome. Until then, we will consider this advice in the context of our own engagement with them, and in our security assessments of the various market operation service providers.

System operator's annual assessment of security of supply

The SRC advised it 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".

I have directed my staff to liaise with their counterparts at the system operator and the Gas Industry Company to make any improvements to reporting within the existing regulatory framework and report back to my General Manager Market Performance on the extent to which regulation is preventing the SRC's request being met.

Yours sincerely



James Stevenson-Wallace
Chief Executive

28 May 2020

PO Box 57058
Mana
Porirua
5247

Dear Anne,

As your membership with the Security and Reliability Council (SRC) ended on 31 March 2020, SRC members and the secretariat were unable to thank you in person for your contribution to the group. Your colleagues on the SRC appreciated the input you brought from a consumer perspective as well as your consistent engagement in all topics and issues canvassed. I particularly appreciated your input with small to medium business in mind.

Please accept our thanks for your contribution to the SRC over the past three and a half years. We wish you well in your future endeavours.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H Roy', is positioned above the printed name of the signatory.

Heather Roy
Chair

cc: SRC Members, Grant Benvenuti (Electricity Authority)