



# **Electricity Authority Work Programme**

**Report for the period**

**1 July 2020 – 28 February 2021**



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## 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 in the eight-month period from 1 July 2020 – 28 February 2021 is set out in table 1 below:

**Table 1: Summary of Market Development Projects:**

Project Name	2020/21 Target Descriptions	Status as of 28 February 2021
Update guidelines of vulnerable and medically dependent consumers to standards (EPR recommendation B6)	<b>Complete</b> the development of updated guidelines.	On track
Improve awareness of Powerswitch and utilities disputes (EPR recommendation C2)	<b>Amend</b> the Code and <b>develop</b> 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)	<b>Complete</b> phase one (quick wins) by quarter one. <b>Consult</b> on further enhancements to consumption data by mid-2021.	On track
Default distributor agreement (DDA) (EPR recommendations C4 and E3)	Default distributor agreement <b>implemented</b> 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)	<b>Complete</b> the project management plan to define the project scope. <b>Implement</b> pilot scheme by mid-2021.	On track
Improve availability of wholesale market information (EPR recommendation D1)	<b>Complete</b> first phase of disclosure review, focussed on thermal fuel supplies. <b>Implement</b> first phase of reforms (thermal fuel) <b>Investigate</b> phase two (hydro information)	On track
Hedge market enhancements (EPR recommendation D2)	<b>Implement</b> the Authority's decision on the future direction of market making services, including by amending the Code to include a backstop mandatory market making obligation and commencing procurement of commercial market makers.	On track
Make generator retailers release information about the profitability about their retailing activities (EPR recommendation D3)	<b>Obtain data</b> on internal transfer prices from generator-retailers in Q1 2020/21. Present analysis and <b>make recommendations</b> at the November 2020 Board meeting re next steps. <b>Obtain</b> Board approval to release the consultation paper on disclosure of internal transfer prices and segmented profitability; conduct consultation; <b>review</b> public feedback on consultation; and <b>complete</b> (if required) Code amendment on mandated disclosure.	On track

Project Name	2020/21 Target Descriptions	Status as of 28 February 2021
Pro-active monitoring and reporting on wholesale market performance (EPR recommendation D4)	<b>Publish</b> a new report on EMI by Q4 2020/21 comparing wholesale contract prices with new-generation costs.	On track
Transmission Pricing Methodology implementation	<b>Monitor</b> and <b>assess</b> Transpower's development of proposed TPM.	On track
Distribution price monitoring	<b>Publish</b> scorecards of distributors' pricing and <b>decide</b> next steps to progress distribution pricing reforms.	On track
Examine the security and resilience of the electricity sector (EPR recommendation G2)	<b>Security and Resilience: Consult</b> on issues relating to security and resilience of the electricity sector Batteries offering reserve: <b>Consult</b> on enabling Code amendment. Reliability standards for inverters: <b>Complete</b> investigation of reliability requirements.	At risk
Extended Reserves implementation	<b>Consult</b> on 4-block AUFLS Code amendment.	On track
Open networks development programme	<b>Standards development: Publish</b> decisions paper and code amendments for sunset clause for the Hosting Capacity amendments.  IPAG review of demand response: IPAG to <b>provide</b> advice to Authority.	On track
Increasing retail price change transparency	<b>Publish</b> NZIER Cost Index Published on EMI in early 2021 <b>Publish</b> The Retailer Survey externally in April 2021	On track
Review of industry response to COVID-19	<b>Publish</b> Terms of reference/scope published by end Q2 2020/21 <b>Complete</b> Information gathering by end Q3 2020/21 <b>Complete</b> Analysis and draft report by end Q4 2020/21	On track
Review of spot market trading conduct provisions	<b>Board response</b> to MDAG advice (focussed on conduct when generators are pivotal). <b>Consult</b> on the proposed trading conduct rule and present a decision paper to the Board in May 2021.	On track
Spot market settlement on real time pricing	<b>Complete</b> phase one of the system operator software implementation.	On track

## Introduction

This is a progress report against our 2020/21 work programme.<sup>1</sup> 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 knew we would be carrying on with or re-starting from 1 July 2020. We understand that this work programme will continue to evolve and expand through the recovery phase of COVID-19, as both 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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<sup>1</sup> 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 28 February 2021



Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Update guidelines of vulnerable and medically dependent consumers to standards (EPR recommendation B6)</b>	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.	<b>Complete</b> the development of updated guidelines.		<p>Technical consultation on the final draft guidelines opened on 23 February and closes on 9 March 2021. We intend to publish final guidelines by the end of March, with the guidelines coming into effect on 1 July 2021.</p> <p>We also intend to complete further work on the total package, including fact sheets, notices, consumer emergency management plan, protocols, etc. by 31 December 2021.</p>
<b>Improve awareness of Powerswitch and utilities disputes (EPR recommendation C2)</b>	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.	<b>Amend</b> the Code and <b>develop</b> principles based guidance on how retailers and distributors can provide clear and prominent information about Utilities Disputes and Powerswitch.		<p><b>Target achieved, implementation continuing to April 2021.</b></p> <p>The Code amendment comes into force on 1 April 2021. The Authority is working with industry and stakeholders to support effective implementation of the changes.</p>
<b>Streamlined process for customer requests for consumption data (EPR recommendation C3)</b>	Provide quick and easy access for consumers to their consumption data.	<p><b>Complete</b> phase one (quick wins) by quarter one.</p> <p><b>New target: Consult</b> on further enhancements to consumption data by mid-2021.</p>		<p><b>Target achieved; new target added following phase two (EPR C3a) confirmation</b></p> <p>Phase one is completed, with phase two (EPR C3a) is underway. Consultation on further changes to enhance and streamline how consumers access and share their consumption data, is planned for mid-2021.</p>


Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Default distributor agreement (DDA) (EPR recommendations C4 and E3)</b>	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 <b>implemented</b> by all distributors or, where any distributor has not implemented, the Authority considers the matter and decides on further action.		All distributors except one have DDAs in place and available for use. The Authority has been notified that some distributors and traders are already using DDAs to contract for distribution services. One small distributor is delayed in implementing their DDA but is updating the Authority with progress.
<b>Developing and implementing a pilot scheme targeting non-switching customers to find better deals (EPR recommendation C6)</b>	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.	<b>Complete</b> the project management plan to define project scope.  <b>New target:</b> Implement pilot scheme by mid-2021.		<b>New target confirmed, following project scoping</b>  The Authority is investigating the use of behavioural insights to design and trial the use of letters to consumer, as done in the UK, to help consumers switch and find better deals.

Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Improve availability of wholesale market information (EPR recommendation D1)</b>	To review the current information disclosure rules to identify gaps or areas for improvements (such as information on thermal fuel supplies).	<p><b>Complete</b> first phase of disclosure review, focussed on thermal fuel supplies.</p> <p><b>New target: Implement</b> first phase of reforms (thermal fuel)</p> <p><b>New target: Investigate</b> phase two (hydro information)</p>		<p><b>Target updated with further targets to follow after phase one</b></p> <p>The first phase of the disclosure review focusing on thermal fuel supplies has largely been completed. The Board approved the decision paper which was published in January 2021 and the Code amendment will come into effect on 1 April 2021. Staff are now working on building the software platform to support the Code amendment. Staff will commence work on phase two, which focuses on hydro information, as wider Authority priorities allow.</p>
<b>Hedge market enhancements (EPR recommendation D2)</b>	Review enduring market making arrangements.	<p><b>Decide</b> design of enduring market making arrangements. Further targets for detailed design and implementation of any changes to be confirmed following board decision.</p> <p><b>New target: Implement</b> the Authority's decision on the future direction of market making services, including by amending the Code to include a backstop mandatory market making obligation and commencing procurement of commercial market makers.</p>		<p><b>Target amended following Board decision</b></p> <p>Implementation of the Board's decision to make the now expired provision for a mandatory market making backstop permanent, is underway, and is planned to come in to force by the end of April 2021.</p> <p>Procurement of commercial market makers is under way with an RFI open until 12 March. Planning for the next stages of the project is underway, which includes consultation on the levy.</p>








Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Make generator retailers release information about the profitability about their retailing activities (EPR recommendation D3)</b>	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.	<p><b>Obtain data</b> on internal transfer prices from generator-retailers in Q1 2020/21. Present analysis and <b>make recommendations</b> at the November 2020 Board meeting re next steps.</p> <p><b>New target: Obtain</b> Board approval to release the consultation paper on disclosure of internal transfer prices and segmented profitability; conduct consultation; <b>review</b> public feedback on consultation; and <b>complete</b> (if required) Code amendment on mandated disclosure.</p>		<p><b>Target achieved; further targets added</b></p> <p>Data on internal transfer prices (ITP) and segmented profitability reporting were obtained from generator-retailers. Staff analysed the data and preliminary recommendations were presented to the Board in November 2020.</p> <p>(Note: At its March 2021 meeting, the Board approved consulting on proposals to require reporting on internal transfer prices and reporting on segmented profitability. The consultation paper will be released later in March.)</p>
<b>Pro-active monitoring and reporting on wholesale market performance (EPR recommendation D4)</b>	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.	<p><b>Publish</b> a new report on EMI by Q4 2020/21 comparing wholesale contract prices with new-generation costs.</p>		<p><b>Target amended</b> to provide a more specific deliverable and refined focus for the project.</p> <p>New target is on track for completion by 31 March 2021</p>

Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Transmission Pricing Methodology (TPM) implementation (EPR recommendation E1)</b>	To implement the new transmission pricing methodology guidelines.	<b>Monitor</b> and <b>assess</b> Transpower's development of proposed TPM.		<p>The Authority is providing support to Transpower as it develops a proposed TPM, via an agreed phased Checkpoint process. Good progress continues to be made by Transpower.</p> <p>A legal challenge (judicial review) to the TPM decision was lodged by Trustpower in July 2020. The challenge will be heard in October 2021.</p>
<b>Distribution price monitoring (EPR recommendation E2)</b>	Monitoring distributors' adoption of more efficient prices following the distribution pricing review.	<b>Publish</b> scorecards of distributors' pricing and <b>decide</b> next steps to progress distribution pricing reforms.		<p>The Authority published scorecards for the distribution pricing methodologies and roadmaps for all 29 distributors on 23 February 2021. The Authority has also been actively involved in responding to community concerns about Aurora Energy's regional distribution pricing (in the context of Aurora's application to the Commerce Commission for a new price path).</p> <p>The Authority will be initiating the distribution pricing scorecard process for the 2021 distribution pricing methodologies and roadmaps after they are published on 1 April.</p>

Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Examine the security and resilience of the electricity sector (EPR recommendation G2)</b>	<p>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.</p> <p>Batteries offering reserve: To develop requirements for batteries offering reserve when injecting into the power system.</p> <p>Reliability standards for inverters: To develop reliability standards to ensure the secure operation utility-scale inverter-based generating technologies.</p>	<p><b>Security and Resilience: Consult</b> on issues relating to security and resilience of the electricity sector</p> <p><b>Batteries offering reserve: Consult</b> on enabling Code amendment.</p> <p><b>Reliability standards for inverters: Complete</b> investigation of reliability requirements.</p>		<p><b>Target expected to be partially achieved.</b></p> <p>A consultation paper on batteries offering reserve is expected to be released in April/May 2021. Investigation of reliability standards for inverters will follow this work.</p> <p>Given the potential cross-over of the EPR-G2 project with the NZ Battery Project,<sup>2</sup> the Authority will focus the G2 project on the technological changes for system stability. As an initial step, the Authority is seeking advice from the system operator on what changes may be required. The Authority will decide on next steps, including consultation, once it has considered this advice.</p> <p>The Authority will sequence the relevant parts of its G2 response – relating to long-term management of dry-year risk – after the first stage of the NZ Battery Project has been completed by early 2022. This approach will avoid unnecessary duplication of analysis and engagement effort by stakeholders. This will not impact on the Authority's ongoing role of oversight of dry year risk management, which will continue to be a high priority.</p>
<b>Extended Reserves implementation</b>	<p>Review the current AUFLS arrangements to safeguard electricity supply in the event of a significant disruption to the grid.</p>	<p><b>Consult</b> on 4-block AUFLS Code amendment.</p>		<p>Code consultation is targeted for mid-April 2021 with the System Operator capital development scheduled for completion in early June.</p>

<sup>2</sup> <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/low-emissions-economy/nz-battery/>

Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Open networks development programme</b>	Identifying ways of providing for uptake of new technology on distribution networks:  Standards development  IPAG review of demand response	<b>Standards development: Publish</b> decisions paper and code amendments for sunset clause for the Hosting Capacity amendments.  <b>IPAG review of demand response:</b> IPAG to <b>provide</b> advice to Authority.		<b>Target was at risk at 31 October, is now on track.</b>  Completion of the hosting capacity sunset clause Code amendment has been delayed due to resourcing constraints created by COVID-19.  Development of voluntary standards for electric vehicle chargers and medium temperature hot water heat pumps (led by EECA but assisted by Standards NZ, the Authority, and stakeholders) has progressed, with draft standards being produced.  A further Open Networks forum is being developed for May/June 2021.
<b>Increasing retail price change transparency</b>	Review how the network price changes that took effect on 1 April 2020 passed through into the retail electricity market.	<b>Publish</b> NZIER Cost Index Published on EMI in early 2021  <b>Publish</b> The Retailer Survey externally in April 2021		We have finished recoding the NZIER Cost Index data and will publish the results to the end of 2020 on EMI. Data will be manually updated while we work to build a more permanent, automated solution.  Delivery of the Retailer Survey has been delayed, but the survey is currently underway, and the report will be published before 30 June 2021.
<b>Review of industry response to COVID-19</b>	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	<b>Publish</b> Terms of reference/scope published by end Q2 2020/21  <b>Complete</b> Information gathering by end Q3 2020/21  <b>Complete</b> Analysis and draft report by end Q4 2020/21		The review's scope was published on the Authority's website on 19 January 2021. A consultant has been appointed to undertake an information gathering survey and collate the results in a report. The information gathering is on track to be complete by the end of April, with a draft report by the end of June 2021.

Project name	Description	2020/21 Target Descriptions	Status	Comment
<b>Review of spot market trading conduct provisions</b>	Review trading conduct provisions considering events that have tested these provisions.	<p><b>Board response</b> to MDAG advice (focussed on conduct when generators are pivotal).</p> <p><b>New target:</b> Consult on the proposed trading conduct rule and present a decision paper to the Board in May 2021.</p>		<p><b>Target achieved; further targets added following Board response</b></p> <p>The Board approved a consultation paper proposing a new trading conduct rule at its February 2021 meeting. The consultation paper was released on 9 February and is open until 23 March. Staff have briefed the Minister's office emphasising the importance of this reform to the Authority's wider policy objectives. A decision paper will be presented to the Board at the May meeting.</p>
<b>Spot market settlement on real time pricing (RTP)</b>	Implement the service provider systems changes needed for real-time pricing so that spot prices are calculated and published in real-time.	<b>Complete</b> phase one of the system operator software implementation.		Phase one deliverables are entering final test phase and user acceptance testing has started. Detailed planning for phase two development is underway. Development of the industry engagement sessions and the RTP Code amendment review are both progressing.

## Glossary and abbreviations

A detailed glossary is available at [www.ea.govt.nz/glossary/](http://www.ea.govt.nz/glossary/)

<b>AUFLS</b>	Automatic under-frequency load shedding. Part of the reserve management system.
<b>Authority</b>	Electricity Authority.
<b>Code</b>	Electricity Industry Participation Code 2010.
<b>Consumer</b>	Any person who is supplied with electricity other than for resupply.
<b>DDA</b>	<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>
<b>EECA</b>	Energy Efficiency and Conservation Authority.
<b>EMI</b>	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 <a href="https://www.emi.ea.govt.nz/">https://www.emi.ea.govt.nz/</a>
<b>EPR</b>	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 <a href="https://www.ea.govt.nz/consumers/the-electricity-price-review-epr/">https://www.ea.govt.nz/consumers/the-electricity-price-review-epr/</a>
<b>Extended reserve</b>	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.
<b>IPAG</b>	Innovation and Participation Advisory Group. For more details see <a href="https://www.ea.govt.nz/development/advisory-technical-groups/ipag/">https://www.ea.govt.nz/development/advisory-technical-groups/ipag/</a>
<b>MBIE</b>	Ministry of Business, Innovation and Employment.
<b>MDAG</b>	Market Development Advisory Group. For more details see <a href="https://www.ea.govt.nz/development/advisory-technical-groups/mdag/">https://www.ea.govt.nz/development/advisory-technical-groups/mdag/</a>
<b>MOSP</b>	Market operation service provider. For more details see <a href="https://www.ea.govt.nz/operations/market-operation-service-providers/">https://www.ea.govt.nz/operations/market-operation-service-providers/</a>
<b>NZIER</b>	New Zealand Institute of Economic Research.

<b>RTP</b>	Real Time Pricing. For more details see <a href="https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/spot-market-settlement-on-real-time-pricing/">https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/spot-market-settlement-on-real-time-pricing/</a>
<b>Service providers</b>	See MOSP. We contract third parties to manage the electricity system (system operator) and market services, as described in Part 3 of the Code.
<b>TPM</b>	Transmission Pricing Methodology. For details more see <a href="https://www.ea.govt.nz/operations/transmission/transmission-pricing/">https://www.ea.govt.nz/operations/transmission/transmission-pricing/</a>
<b>UoSA</b>	Use-of-system agreement. Agreements between distributors and retailers. We are working on a possible default agreement – see DDA.

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