



Electricity Authority Work Programme

Report for the period

1 July 2020 – 30 June 2021



Contents

Executive summary.....	3
Introduction	6
Committed Projects – status update as at 30 June 2021	7
Glossary and abbreviations	15

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 twelve-month period from 1 July 2020 – 30 June 2021 is set out in table 1 below:

Table 1: Summary of Market Development Projects:

Project Name	2020/21 Target Descriptions	Status as at 30 June 2021
Update guidelines of vulnerable and medically dependent consumers to standards (EPR recommendation B6)	Complete the development of updated guidelines.	Achieved
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.	Achieved
Streamlined process for customer requests for consumption data (EPR recommendation C3)	Complete phase one (quick wins) by quarter one. Consult on further enhancements to consumption data by mid-2021.	Achieved
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.	Achieved
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. Implement pilot scheme by mid-2021.	Achieved
Improve availability of wholesale market information (EPR recommendation D1)	Complete first phase of disclosure review, focussed on thermal fuel supplies. Implement first phase of reforms (thermal fuel) Investigate phase two (hydro information) Amended target: Complete implementation of first phase reforms (thermal fuel)	Achieved
Hedge market enhancements (EPR recommendation D2)	Implement 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.	Achieved

Project Name	2020/21 Target Descriptions	Status as at 30 June 2021
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 2020/21. Present analysis and make recommendations at the November 2020 Board meeting re next steps. Obtain Board approval to release the consultation paper on disclosure of internal transfer prices and segmented profitability; conduct consultation; review public feedback on consultation; and complete (if required) Code amendment on mandated disclosure. New target: Obtain Board decision in August 2021 on whether to proceed with proposal to mandate disclosure of internal transfer prices and segmented profitability.	Achieved
Pro-active monitoring and reporting on wholesale market performance (EPR recommendation D4)	Publish a new report on EMI by Q4 2020/21 comparing wholesale contract prices with new-generation costs. New target: Publish a report that compares wholesale contract prices with new-generation costs will be in Q1 2021/22.	Partially achieved
Transmission Pricing Methodology implementation	Monitor and assess Transpower's development of proposed TPM.	Achieved
Distribution price monitoring	Publish scorecards of distributors' pricing and decide next steps to progress distribution pricing reforms.	Achieved
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.	Partially achieved
Extended Reserves implementation	Consult on 4-block AUFLS Code amendment.	Achieved
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.	Partially achieved
Increasing retail price change transparency	Publish NZIER Cost Index Published on EMI in early 2021 Publish The Retailer Survey externally in April 2021	Partially achieved
Review of industry response to COVID-19	Publish Terms of reference/scope published by end Q2 2020/21 Complete Information gathering by end Q3 2020/21 Complete Analysis and draft report by end Q4 2020/21	Achieved

Project Name	2020/21 Target Descriptions	Status as at 30 June 2021
Review of spot market trading conduct provisions	Board response to MDAG advice (focussed on conduct when generators are pivotal). Consult on the proposed trading conduct rule and present a decision paper to the Board in May 2021.	Achieved
Spot market settlement on real time pricing	Complete phase one of the system operator software implementation.	Achieved

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 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 or have been partially achieved		Project milestones and/or deliverables not achieved or not able to be achieved
---	--	---	--	---	--


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 30 June 2021




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.		Target achieved Final guidelines were published 31 March 2021 with an effective date of 1 July 2021. Work is proceeding within participants and the Authority on implementation which includes fact sheets notices, consumer emergency management plan, protocols etc intended to be completed by 31 December 2021. Retailers are also developing a template consumer care policy that the Authority will publish.
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 Code came into force on 1 April 2021.
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. Consult on further enhancements to consumption data by mid-2021.		Target achieved, project continuing into 2021/22 C3 was completed within Q1 2020/21. C3a is on track and continuing into 2021/22. Consultation on further changes to enhance and streamline how consumers access and share their consumption data, is planned for October 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.		Target achieved All distributors have now published DDAs available for use.
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.	Complete the project management plan to define project scope. Implement pilot scheme by mid-2021.		Target achieved, project continuing into 2021/22 Design aspects of the trial and letters are now finalised, and coordination is underway for the letters to be delivered to 40,000 consumers before mid-July. Publication of the trial findings report is planned for October 2021.



Project name	Description	2020/21 Target Descriptions	Status	Comment
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).	<p>Complete first phase of disclosure review, focussed on thermal fuel supplies.</p> <p>Implement first phase of reforms (thermal fuel)</p> <p>Investigate phase two (hydro information)</p> <p>Amended target: Complete implementation of first phase reforms (thermal fuel)</p>		<p>Target achieved, project continuing in 2021/22</p> <p>The Authority's review of thermal fuel disclosures is complete.</p> <p>The relevant Code amendments are now operating, and the first release of an information disclosure platform is complete.</p> <p>Target updated in 12-month report - further review of information disclosure issues is on hold while the Authority concentrates on implementing the remainder of phase one.</p>
Hedge market enhancements (EPR recommendation D2)	Review enduring market making arrangements.	Implement 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>Target achieved, project continuing in 2021/22</p> <p>A mandatory market making backstop was put in the Code in April 2021.</p> <p>Procuring commercial market makers is under way. An RFI was conducted in March 2021, and levy payers were consulted in June 2021. Procurement activities will continue through 2021/22 with an intended commencement of commercial market making in early calendar year 2022.</p>

Project name	Description	2020/21 Target Descriptions	Status	Comment
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.	<p>Obtain data on internal transfer prices from generator-retailers in Q1 2020/21. Present analysis and make recommendations at the November 2020 Board meeting re next steps.</p> <p>Obtain Board approval to release the consultation paper on disclosure of internal transfer prices and segmented profitability; conduct consultation; review public feedback on consultation; and complete (if required) Code amendment on mandated disclosure.</p> <p>New target: Obtain Board decision in August 2021 on whether to proceed with proposal to mandate disclosure of internal transfer prices and segmented profitability.</p>		<p>Target achieved, project continuing in 2021/22</p> <p>The Authority consulted stakeholders in May 2021 on a proposal to require reporting on internal transfer prices and reporting on segmented profitability. The Authority intends to make a final decision on this proposal in August 2021. Following the final decision any required Code amendments will be implemented.</p> <p>Target updated to reflect that the decision timeframe was pushed back to prioritise the Authority's response to the dry year and security of supply risks in the second half of 2020/21.</p>

Project name	Description	2020/21 Target Descriptions	Status	Comment
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.	<p>Publish a new report on EMI by Q4 2020/21 comparing wholesale contract prices with new-generation costs.</p> <p>New target: Publish a report that compares wholesale contract prices with new-generation costs will be in Q1 2021/22.</p>		<p>Target partially achieved, project continuing in 2021/22</p> <p>The project is running behind schedule. A draft report has been produced. Staff are now targeting July for release of the final report.</p> <p>Target updated in 12-month report to reflect the new delivery date.</p>
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.		<p>Target achieved, project continuing in 2021/22</p> <p>Transpower delivered its proposed TPM on the due date of 30 June, consistent with its submissions in the Checkpoint process and having taken account of Authority feedback. The Authority will now consider the proposal.</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>

Project name	Description	2020/21 Target Descriptions	Status	Comment
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.		<p>Target achieved, project continuing in 2021/22</p> <p>The Authority published scorecards for distributors' 2020/21 pricing methodologies in February 2021. The Authority is committed to promoting faster reform to distribution pricing, and expects to engage further with the sector on reform later this year (currently targeting September). We expect to publish scorecards for distributors' 2021/22 pricing methodologies at the same time.</p>
Examine the security and resilience of the electricity sector (EPR recommendation G2)	<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>Security and Resilience: Consult on issues relating to security and resilience of the electricity sector</p> <p>Batteries offering reserve: Consult on enabling Code amendment.</p> <p>Reliability standards for inverters: Complete investigation of reliability requirements.</p>		<p>Target partially achieved, project continuing in 2021/22</p> <p>A consultation paper on batteries offering reserve was released on 8 April 2021 and consultation closed on 6 May 2021.</p> <p>The Authority Board approved the draft Code amendment to allow batteries to offer reserves at its June Board meeting. On 30 June 2021 the Authority signed a technical advisory service (TAS) agreement with the system operator for work on the implications of technology and other changes for operation of the grid, and work on problem definition and a multi-year roadmap for future work is scheduled for completion in Q1 2022.</p> <p>This work will include identifying 'quick wins' in relation to the operation of inverter-based technologies in the wholesale market.</p>
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.		<p>Target achieved, project continuing in 2021/22</p> <p>Code consultation is complete with a decision due August 2021. The System Operator data portal is complete and Distributor onboarding is due to start July 2021.</p>

Project name	Description	2020/21 Target Descriptions	Status	Comment
Open networks development programme	<p>Identifying ways of providing for uptake of new technology on distribution networks:</p> <p>Standards development</p> <p>IPAG review of demand response</p>	<p>Standards development: Publish decisions paper and code amendments for sunset clause for the Hosting Capacity amendments.</p> <p>IPAG review of demand response: IPAG to provide advice to Authority.</p>		<p>Target partially achieved, project continuing in 2021/22</p> <p>Completion of the hosting capacity sunset clause Code amendment is now scheduled for completion by end of July 2021.</p> <p>The Authority assisted EECA, Standards NZ and other stakeholders to develop of voluntary standards for in-home and commercial electric vehicle chargers and medium temperature hot water heat pumps. The in-home and commercial EV charger standards have now been published.</p> <p>A further Open Networks hui was deferred from 29 June 2021 to later in the calendar year. The aim of the hui is to facilitate standards for non-network alternatives, this workshop includes the Australian distributed energy exchange, the Aurora non-network alternatives, pilots and trial on EV chargers and microgrids.</p>
Increasing retail price change transparency	<p>Review how the network price changes that took effect on 1 April 2020 passed through into the retail electricity market.</p>	<p>Publish NZIER Cost Index Published on EMI in early 2021</p> <p>Publish The Retailer Survey externally in April 2021</p>		<p>Target partially achieved, project continuing in 2021/22</p> <p>The Cost Index has been drafted and we are working through the publishing process, with the process due to be completed by the end of August 2021.</p>
Review of industry response to COVID-19	<p>At the end of the pandemic period, review the response by industry participants to COVID-19</p> <p>Promoting positive outcomes for end consumers (including adherence to our two letters of expectations)</p> <p>Promoting ongoing reliable operation of the electricity system</p>	<p>Publish Terms of reference/scope published by end Q2 2020/21</p> <p>Complete Information gathering by end Q3 2020/21</p> <p>Complete Analysis and draft report by end Q4 2020/21</p>		<p>Target achieved</p> <p>Interviews complete and final report presented to Authority Board 15 June 2021. Final report due for publication July 2021.</p>

Project name	Description	2020/21 Target Descriptions	Status	Comment
Review of spot market trading conduct provisions	Review trading conduct provisions considering events that have tested these provisions.	<p>Board response to MDAG advice (focussed on conduct when generators are pivotal).</p> <p>Consult on the proposed trading conduct rule and present a decision paper to the Board in May 2021.</p>		<p>Target achieved</p> <p>The Authority consulted on its proposed new trading conduct rule in February 2021 and amended the Code in June 2021 to implement a new trading conduct rule.</p>
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.		<p>Target achieved</p> <p>Phase one software changes were delivered in May 2021 with no issues encountered. Phase two delivery work is underway with target delivery date of March 2022. Engagement sessions and Code amendment review progressing well.</p>

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.
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