

MINUTES

Meeting number: 36

Venue: Boardroom, The Electricity Authority, Level 7, 2 Hunter Street, Wellington Central

Time and date: 8.45am until 3.34pm, Wednesday, 4 August 2021

Members Present

- Hon Heather Roy (Chair)
- Barbara Elliston
- Ben Gerritsen
- Gretta Stephens
- Guy Waipara
- Mike Underhill
- Nanette Moreau
- Nathan Strong
- Nigel Clark
- Phil Gibson

Apologies - None

In attendance

Name	Title	Agenda item # attended
<u>Electricity Authority (Authority):</u>		
James Stevenson-Wallace	Chief Executive	#9 (from 10.36am-1.05pm) and #12 (from 1.52pm- 2.21pm)
Andrew Doube	General Manager Market Policy	#12-14 (from 1.52pm- 3.35pm)
Doug Watt	Manager Market Monitoring	#11 (from 1.28pm-1.47pm)
Grant Benvenuti	Principal Advisor Market Policy	#1-2 and (from 8.45 am–8.46am) and #6-17 (from 9.06am 3.35pm)
James Tipping	Chief Strategy Officer	#8-10 (from 9.19am -1.05pm) and #13 (from 2.21pm-2.41pm)
Alistair Dixon	Principal Advisor Market Policy	#9 (from 10.18am – 10.44am)
Simon Becker	Senior Advisor Strategy and Engagement	#13 (from 2.21pm-2.41pm)
Barbara Eibl	Programme Coordinator, Wholesale Markets (Minute taker)	#1-2 and #8-9, 11-14 (from 8.45 am–8.47am and 8.52 am - 10.45am and from 1.20pm- 3.35pm)
James Blake-Palmer	Senior Advisor Market Operations (Secretariat)	#1-2 and #4-17 (from 8.45 am– 8.47 am and from 8.52 am- 3.35pm)
<u>Other:</u>		
Andrew Millar	Manager, Energy Resource and Markets, MBIE	#8 (from 9.17am – 10.18am)

Name	Title	Agenda item # attended
Andrew Hume	Policy Director, Energy Resource and Markets, MBIE	#8 (from 9.17am – 10.18am)
Conrad Edwards	Principal Policy Advisor, MBIE	#8 (from 9.17am – 10.18am)
Maria Hernandez-Curry	Senior Stakeholder Engagement Advisor, Energy Projects and Programmes, MBIE	#8 (from 9.17am – 10.18am)
Adrian Tweeddale	Technical Project Manager, Energy Projects & Programmes, MBIE	#8 (from 9.17am – 10.18am)
David Hunt	Director, Concept	#8-10 (from 9.17am – 1.35pm)
David Katz	Market & Security of Supply Manager, Transpower	#13-14 (from 3.01pm – 3.19pm)
Daniel Crawshay	Operations, Technology and Process Manager, Transpower	#13-14 (from 3.01pm – 3.19pm)
Ramu Naidoo	Principal Market Advisor, Transpower	#13-14 (from 3.01pm – 3.19pm)
Philip Beardmore	Director, Strata Energy Consulting Limited	#13 (from 2.42pm – 2.58pm)
Clive Bull	Director, Strata Energy Consulting Limited	#13 (from 2.42pm – 2.58pm)

The meeting opened at 8.45 am.

Grant Benvenuti, James Blake-Palmer and Barbara Eibl joined the meeting at 8.45am.

1. Attendance and apologies

- 1.1. The Chair welcomed members to the thirty-sixth meeting of the Security and Reliability Council (SRC). A quorum was established.
- 1.2. A brief Health and Safety induction was held for members.

2. Changes to disclosure of interests

- 2.1. The Chair reviewed the interests register and noted changes had been sent to the Secretariat who updated the interests register after the papers had been sent out. These changes have been reviewed by the Chair and did not impact the topics discussed. There were no further changes disclosed.
- 2.2. The Chair approved members to act despite those declared interests.

Grant Benvenuti, James Blake-Palmer and Barbara Eibl left the meeting at 8.47am.

3. Members-only session

- 3.1. The members discussed their priorities for the meeting.

Barbara Eibl and James Blake-Palmer joined the meeting at 8.52am.

4. Minutes of previous meeting

- 4.1. The minutes of the 27 May 2021 meeting were accepted as a true and accurate record.

Mike Underhill moved, and Nanette Moreau seconded. All members approved.

5. Correspondence

- 5.1. The Chair gave an overview of the correspondence including the letter sent to the Authority and the Authority's reply.

6. Action list and updates

- 6.1. The secretariat provided an update on the action list:
- a) Action item 2 *the secretariat to provide an update from the grid owner about the Hutt Valley and Wairarapa region outage*: the system operator's incident report will be circulated via Diligent to members.
 - b) Action item 3 *the Secretariat to invite the Climate Commissioner's office to an SRC meeting in 2021*: agreed to move this item to the scheduled February meeting in 2022, by which stage the Government's response would be available.
 - c) Action item 4 *the secretariat to investigate providing Diligent Boards for SRC members*: this action is completed. Members were happy with being able to use Diligent.
 - d) Action item 8 *the secretariat to provide regular updates to the SRC regarding the status of the hazards from tree regulations*: agreed to once again note in the advice letter to the Authority.
 - e) Action item 9 *the secretariat to organise a follow up cyber-security survey to be sent to participants*: this action is in progress, the previous questions will be circulated to members for their feedback and potential fine-tuning of questions.
- 6.2. The updates section was discussed, and the following actions are to be completed

1. Action: Secretariat to:

- a) *Sign Barbara up to Energy News*
- b) *Send the Minister's Letter of expectations to members as the link to the page does not contain the latest version.*
- c) *reiterate the review of the Hazards from Trees regulations are a significant issue for the industry and the Authority should inform MBIE this needs urgent attention*

Guy Waipara and Grant Benvenuti joined the meeting at 9.06am.

David Hunt, Andrew Millar, Andrew Hume, Adrian Tweeddale, Conrad Edwards and Maria Hernandez-Curry joined the meeting at 9.17am

James Tipping joined the meeting at 9.19am

7. Register of top security and reliability risks

This item was discussed as part of the strategy and risk session (item 10)

8. Update on NZ Battery Project

- 8.1. The Chair welcomed the MBIE representatives to the meeting and introduced the paper.
- 8.2. The MBIE representatives provided a presentation, covering an update on the scope of the project and progress to date.
- 8.3. Members raised questions and comments to the MBIE representatives including:
 - a) To ensure the best possible solution is recommended, the project should cast for advice, suggestions and ideas from as wide an audience as possible
 - b) Have solutions for storage been considered for the North Island as it currently appears to be focussed on the South Island?
 - c) Who has the mandate to look at seasonal energy storage, firming and other possible 'value adds'?
 - d) Has the flow-on effect to other parts of the market been considered, as possible solutions may have unintended impacts and if implemented it may be too late?
 - e) Does Government have other levers it could pull to get to the same 100% renewables target?
 - f) Is there a good definition of market failure?
 - g) It is important to manage the transition to 100% while balancing the need to manage security of supply and dry year risk against maintaining affordability for consumers that will discourage electrification especially of industrial process heat
 - h) Has the project considered doing an 'expressions of interest (EOI) process to flush out any potential commercial solutions?
 - i) How does the potential of increased demand side response factor into the modelling?
 - j) Engaging with industry shouldn't be understated, it is hugely important the industry doesn't feel incentivised due to disconnect or uncertainty.
 - k) The Authority should encourage the NZ Battery Project team to:
 1. ensure the focus and approach to their work does not result in unintended consequences.
 2. consider whether to run a contested process to flush out potential commercial solutions
 3. consider a range of options and avoid creating the perception that Lake Onslow is considered the only viable option.

Andrew Millar, Andrew Hume, Adrian Tweeddale, Conrad Edwards and Maria Hernandez-Curry left the meeting at 10.18am

Alistair Dixon joined the meeting at 10.18am

9. Update on Future Security and Resilience (FSR – prev. G2) matters being progressed

- 9.1. An Authority attendee introduced the paper and provided an overview of both the MDAG project and the new FSR project.
- 9.2. The FSR is best thought of as a programme of work rather than just a project.
- 9.3. The programme aimed to have a draft report available by October 2021, with industry engagement from November, and a final phase 1 report due December. Phase 2 of engagement is scheduled for February/March 2022. A public announcement on this is scheduled for the week beginning 9 August.
- 9.4. Members raised a question around whether the System Operator settings such as grid owner coverage for plant setting for the future are being considered. The response was affirmative.
- 9.5. Members asked whether slides for presentations could be uploaded to Diligent
- 9.6. The SRC acknowledges the Authority's efforts in progressing the Future Security and Resilience (FSR) project and is interested in receiving regular updates as to how the project streams are progressing.

2. Action:

Secretariat to arrange for presenters' Powerpoint presentations to be added to Diligent prior to meetings, where possible

Alistair Dixon left the meeting at 10.44am.

10. Strategy session – (includes agenda items – 7. Register of top security and reliability risks – 16. The SRC's forward work programme)

- 10.1. The Chair introduced the strategy session, noting the request for members to prepare for the session by thinking about:
 - a) whether there is anything in the SRC's strategic themes that needs updating; and
 - b) the top 3 issues the SRC should focus on over the next 2-3 years
- 10.2. The Chair noted the overall aim is to ensure the SRC's approach is fit for purpose in providing advice to the Authority board.
- 10.3. The Authority's Chief Strategy Officer talked through the current overarching themes and how they came about.
- 10.4. David Hunt outlined a PEST (Policy, Economic, Social and Technology) analysis of factors affecting security and reliability, seeking the SRC's input.
- 10.5. Members' comments included:

- a) There needs to be consideration of where the consumer fits in, to increase knowledge and reduce confusion about options and realistic solutions.
- b) Misrepresentation and scaremongering in social media spreads exceedingly fast and can impact security.
- c) There is consumer confusion about the current policies and how consumers should be prepared for security of supply situations.
- d) Water allocation and climate change present issues that are more value-related than security-related.
- e) There should be a stronger focus on the demand-side, and incentives are needed.
- f) The Covid-19 implications cannot be understated and there is a level of naivety about the impact of Covid variants getting a hold in New Zealand.
- g) As noted by the Infrastructure Commission, there is risk of project management skills shortages, as people move away from the electricity industry into other fields. This is especially so in the leadership area and builds over time as other areas get prioritised. MIQ settings were noted as a factor in this.
- h) Climate change is impacting lives directly, for example the recent flood events in the South Island's West Coast communities.
- i) The SRC needs to be wary of its core role and avoid slipping into other areas (such as pricing, retail issues etc), instead focusing on security and reliability.

Breakout sessions

- 10.6. The members then broke into groups to consider their top three issues before reporting back to the wider group.
- 10.7. Comments and emerging themes from members and attendees were;
 - a) Cyber security measures are essential and need to consider both sides of the bowtie (before and after incident) to be effective and broaden the set of available solutions. This may require further standards being set. The industry needs to take a "defend and restore" approach to cyber security to minimise disruption and get back up when things fall over.
 - b) The industry needs to ensure it is resilient to chaotic weather events
 - c) Gas security-of-supply (robustness) is driven by fuel information.
 - d) A system thinking approach is needed – ensuring there is a well-considered road map that supports an efficient transition to a low carbon future. This needs to involve an integrated system plan, including standards and forward scenario modelling.
 - e) Focus on consumers and ensure the industry provides the necessary information to help them understand the context of the sector. The learnings should flow into industry communications with consumers to

reduce the social media menace of high levels of poor-quality information.

- f) There needs to be a just and reliable transition to a low-emissions economy with clear timeframes, standards, supported by robust gas system performance and high levels of reliability maintained.
- g) The incentives are there to do the right thing, with or without the NZ Battery project.
- h) There is a lack of trust that the industry is able to meet the government's expectation, so there is a need for persuasion. With the SRC's diverse backgrounds and interests, commonality (a combined voice) brings strength to contentious issues.

3. Action:

Secretariat to add, to the overarching themes, a purpose statement to more explicitly reflect the SRC's aims to positively impact consumers through its work. The wording is "*to ensure reliable and secure energy for consumers*"

4. Action:

Secretariat to make the following changes to the table 'Top security and reliability risks':

- a) Move L1 (impact of increased climate and weather-related outages) to medium term.
- b) Combine P6 (live line work) with M8 and leave as persistent
- c) Move L9 (market confidence affected by high prices) to s10

The meeting broke for lunch at 1.05 pm and reconvened at 1.20 pm.

Doug Watt joined the meeting at 1.28pm

11. Various measures of reliability

11.1. An Authority attendee introduced the paper.

11.2. Members discussed the paper. Comments included:

- a) whether the Authority knew the causes for spikes within some of the graphs
- b) Whether there is data available for the range (max and min) and/or statistical analysis such as the standard deviations in addition to the averages in the SAIDI and SAIFI data
- c) The impact of weather-related events as the frequency and extremes of these events are becoming more pronounced due to climate change
- d) It is great to have the statistics but there is a need to have meaningful data especially for consumers

- e) There may be a need to allow for wider voltage ranges to be used, as the current standards are for old technologies and new/future technologies have not been considered
 - f) Some EDBs are exploring the issue of LV voltage monitoring although there is no common solution yet. There is also a need to monitor other power quality measures and compare EDBs
 - g) There is quite a gap in what data is measured.
- 11.3. When asked what different data the SRC would like to see in future versions of the report, members noted an interest in weather-related trends, and they'd like where possible to see a move away from averages. They'd also like the report to be more consumer centric.
- 11.4. Members' believed that distributors should be strongly advised to put in place low voltage power quality monitoring, at least voltage but also consider harmonics and other power quality disturbances.
- 11.5. Members' believed that the Commerce Commission should be encouraged to publish additional analysis for SAIDI and SAIFI, such as maximum and minimums, and standard deviations. the Commerce Commission should also be encouraged to publish more information on weather related unplanned outages (such as types of events, frequency of events, counts of affected customers and restoration times.

Doug Watt left the meeting at 1.47pm

Andrew Doube and James Stevenson-Wallace joined the meeting at 1.52pm

12. Dry Year Risk review

- 12.1. Authority staff introduced the paper and asked the SRC members for their thoughts on options (whether the Authority would engage an external company such as Martin Jenkins to undertake the review or whether the SRC wanted to complete the review). The Chair noted an external reviewer will give the necessary independence. Members had discussed concern around whether the SRC was the right body to manage a review, resourcing and SRCs ability to meet timings, given the review is scheduled between the last meeting of 2021 and the first meeting of 2022. It was agreed the SRC would scrutinise the scope of the review and critically assess the final draft.
- 12.2. Members raised concerns the review may only be looking at the existing tools which may mean it does not see what is missing (eg demand response, including at scale)
- 12.3. Members suggested the review should consider options such as paying large industrials to cut back on demand and provide a monetary incentive to do so.
- 12.4. Members suggested a re-frame, as the Dry Year was only one of the four causes of the event noted.

12.5. Members also commented on the Scope provided:

a) The review should look at the extent to which the system operator had prepared all the tools it has available.

b) Paragraph 2.3 noted:

The purpose of the system/regime is: to ensure the electricity supply to consumers is resilient in the event of a dry year. That is, higher prices are welcomed as a means of rationing to ensure we get through the dry year including promoting efficient operation in the event of dry-year scarcity and efficient investment in generation and demand response to manage dry years.

Members, regarding the comment “higher prices are welcomed”, agreed there should be price signals, but how high? the review should look at if prices actually incentivised demand response. Authority staff noted other work is being done on price-related aspects so there’s a need to avoid duplication.

c) Paragraph 3.5 noted:

[the review will cover] the regulatory arrangements for the provision of relevant thermal fuel information (gas, coal, diesel and future fuels such as hydrogen)

Members’ asked – is this about accessibility? Authority staff responded that there is a need for certainty not ambiguous or anecdotal information on fuel position. The collection of the information is commercially sensitive nature so it would only be for the Authority’s use and not shared wider.

d) Paragraph 3.10 noted:

[the process will] review the communications for consistency (across agencies) and effectiveness. This should include a media sentiment review to assess how the messaging is being portrayed in public.

Members noted commentators’ role is worth examining thoroughly

e) Paragraph 3.12 noted:

[the process will] review the customer compensation scheme (CCS) settings (e.g., eligibility criteria), to ensure it will achieve its intended purpose if the alignment review of the CCS [to assess whether the customer compensation scheme (CCS) aligns with the regime’s purpose (as a tool to incentivise prudent fuel conservation)] confirms it should be retained.

Members asked – is the customer compensation scheme (CCS) the best tool? While the amount is impactful, it is not a driving force for generators, given the wholesale risk is bigger

f) Paragraph 3.13 noted:

[the review will] assess the system operator's internal review of its own performance, and separately review the system operator's performance. It is intended this review will be separate from the BAU annual review of system operator performance.

Members asked – is there an opportunity to get a different pair of eyes on this i.e., a review of the system operator's self-review?

5. Action:

Andrew Doube and Grant Benvenuti to update the scope and SRC's terms of reference and provide this to the SRC

James Stevenson-Wallace left the meeting at 2.21 pm.

James Tipping and Simon Becker joined the meeting at 2.21 pm.

13.a Understanding consumers (behaviours and expectations))

- 13.1. Authority staff introduced the paper and took members through a presentation that included the Authority's strategic reset, initial steps that have been taken (including an assessment of the Authority's approach) and the establishment of the Consumer Advisory Council (CAC)
- 13.2. Members noted any proposed work should start as soon as possible.
- 13.3. In response to the question whether the CAC is the right organisation, staff noted it is the equivalent of the group, Energy Consumers Australia (ECA). The Chair considered CAC is the right organisation and the SRC were not aware there was a better body to do it. Utilities Disputes will be able to share data too, as they see direct what issues are affecting consumers.
- 13.4. Member's noted hardship questions are important, and staff noted the CAC can answer hardship questions.
- 13.5. The Chair again noted it was not appropriate to conduct the SRC's own workstream.
- 13.6. Members asked whether the good work done by the industry to reduce vulnerability during lockdown was continuing. Authority staff noted disconnection rates were down during lockdown and had not returned to pre-lockdown levels since.
- 13.7. Members noted they did not need further information at this stage. They were positive about the Authority's engagement with consumers and will wait to see how work with the CAC progresses.

James Tipping and Simon Becker left the meeting at 2.41 pm.

Clive Bull and Philip Beardmore joined the meeting at 2.42 pm and left at 2.58 pm.

13.b Understanding consumers (value placed on avoiding supply interruptions - the value of lost load or VoLL)

- 13.8. Philip Beardmore and Clive Bull introduced the paper which was taken as read. A high-level discussion occurred with members raising points including:
- a) The uptake of solar/BESS was a good anecdotal measure of how consumers value avoiding interruptions to supply.
 - b) Members asked if participants should be compelled to use certain methodologies.
 - c) It was noted the duration of the power outage was not included in the calculations
 - d) The information from the USA suggests their VOLL is a lot lower than elsewhere – the explanation given was the USA uses a different technique for the calculation
 - e) A member noted when they had recently engaged with Transpower on a system upgrade, Transpower had previously calculated a range of VoLLs for different consumer types
 - f) The SRC should repeat its previous advice that the VoLL specified in the Code should be reviewed, and consideration should be given to including a range or several different VoLLs that apply to different customer types

David Katz, Daniel Crawshaw and Ramu Naidoo joined the meeting at 3.01 pm and left at 3.19 pm

13.c Understanding consumers (Demand for electricity)

- 13.9. Transpower representatives provided a presentation giving an overview of the current methods of demand forecasting used and the changes which are being implemented.
- 13.10. Discussion noted that new technologies and climate change will make demand forecasting a lot more uncertain in the future.
- 13.11. Some actions being taken were to add variables to account for uptake in distributed energy resources (DER), temperature, EV charging, and batteries, as examples of 'behind the meter' factors impacting demand.
- 13.12. Members' acknowledged the work being done by the system operator to better assess demand, particularly getting external input.

6. Action:

The secretariat to give the system operator feedback about the difference between the paper prepared for the meeting and the way information is presented at the meeting.

14. Purpose and scope of next meeting's substantive papers

- 14.1. The Chair introduced the paper. The Members discussed the purpose and scope of each paper for the October meeting.
- 14.2. **Reliability and resilience of the gas industry:** Members noted the list of speakers (OMV, Todd, GIC, First Gas and John Kidd from Enerlytica) and suggested extending an invite to MBIE. Members raised whether the GIC is giving any thought to the 100% renewables target. Members would like the following included in papers or presentations from participants:
 - a) Year ahead forecasts – outages and production as well as the outlook further ahead.
 - b) an indication of the gas industry's interest in the government's move to 100% renewable energy, zero carbon targets and how they are incorporating these into their business plans
 - c) from MBIE, an indication to the direction of the Governments response to the Climate Change Commission's report (likely at a special meeting).
- 14.3. **Security of supply annual assessment:** Members discussed the need for this to include gas, climate change, 100% renewables, EV's.
- 14.4. **Annual self-review of system operator performance:** Members again expressed the wish to include what went wrong and what lessons have been learned.
- 14.5. **Draft report on dry year risk review:** Members encouraged revising the scope to include the discussion as noted in item 12 above. Members look forward to an update on how the review is progressing at the time of the October meeting and providing any advice the Authority requests.

7. Action:

The secretariat to:

- a) invite MBIE to the October meeting to share its view on gas industry reliability and resilience.
- b) circulate the cyber security survey questions approved at the October 2020 SRC meeting.
- c) consider whether the NZ Generation Balance paper could be dealt with in the updates section, instead of a standalone paper.
- d) Consider whether Commerce Commission input is needed at the May 2022 meeting to report on the level of industry preparedness, as noted in distributors' asset management plans

The meeting ended at 3.35 pm.

Draft