

ANNUAL CORPORATE PLAN 2022/23

Four-monthly progress report
1 November 2022 to 28 February 2023

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EXECUTIVE SUMMARY

The Electricity Authority Annual Corporate Plan 2022/23 four-monthly progress report is the second report against the activity areas in the Annual Corporate Plan and other key areas of work for the 2022/23 financial year. As at 28 February 2023, eight of the nine activity areas published in the Annual Corporate Plan 2022/23 were on track to meet their desired annual outcomes. One activity area under the thriving competition ambition was at risk of not achieving its desired annual outcome.

LOW-EMISSIONS ENERGY

Preparing for a low-carbon future; improving the efficiency of price signals; and ensuring security of supply.

As the regulator of New Zealand's electricity system, our work provides an important platform for the Government's aspirations to achieve 50 percent of all energy consumption coming from renewable sources by 2035, and net zero emissions by 2050. We are working to ensure the transition to low-emissions energy is as efficient as possible while maintaining energy security, system adaptability, and affordable electricity for consumers.

Our activity areas for 2022/23 remain focused on promoting a stable investment environment with robust rules and clear price signals.

THRIVING COMPETITION

Ensuring competition in electricity markets; monitoring market activities; ensuring confidence through monitoring, intervention and enforcement; and reducing energy hardship through improved consumer care.

Market competition is a key enabler to deliver a better energy future – driving progress, affordability, efficiency and valuable outcomes for consumers big and small across New Zealand. We encourage participation and reinforce competition in traditional and emerging markets by putting in place the mechanisms needed to maintain a level playing field – while also considering the long-term opportunities that will lead to better outcomes for consumers.

Our 2022/23 activity areas seek to support and strengthen competition and confidence in electricity markets.

INNOVATION FLOURISHING

Ensuring market settings are conducive to innovation and industry success; utilising data transparency, insights and automation; meeting our obligations under the Electricity Industry Amendment Act 2022.

Innovation and new technology will affect how electricity is generated, distributed and consumed. This will ultimately change the cost and competitive structure of our industry and has the potential to bring enormous benefits to consumers who can more easily choose when and how they use electricity, and engage directly with the market. Increasing investment in distributed energy resources (DER) will give rise to an increase in consumer integration with the power system. We want to empower consumers to benefit from new and emerging technologies in distributed energy by enabling healthy investment and increased innovation to ensure that distribution networks are fit for the future and supportive of competition.

Our 2022/23 activity areas will encourage innovation through regulatory reform, increase data transparency and implement the Electricity Industry Amendment Act 2022.

INTRODUCTION

Our Annual Corporate Plan communicates our activities for 2022/23 that will promote our strategic priorities, address regulatory risks and harms, and deliver sector outcomes. It includes the key development projects we have committed to for the 2022/23 financial year.

The Annual Corporate Plan demonstrates how our work supports delivery against our sector ambitions - thriving competition; low-emissions energy; and innovation flourishing.

At the centre of everything we do, and implicit within these activities, are the associated ambitions of consumer centricity and trust and confidence.

The Annual Corporate Plan represents our public commitment to activities for the coming year that we consider will have the most impact and benefit to New Zealanders. It does not represent everything we will do, given the need to respond to emerging risks throughout the year, but articulates our current priorities and intended targets.

The Annual Corporate Plan 2022/23 is available on our website:




<https://www.ea.govt.nz/about-us/corporate-documents/>

WHAT'S IN THIS REPORT?

This report provides a progress update on the activity areas identified in the Annual Corporate Plan 2022/23, for the four-month period 1 November 2022 to 28 February 2023.

For each activity area, we have provided a summary of the activity's progress against the desired annual outcome. This activity-based reporting provides a greater level of transparency and the opportunity for the Authority to clearly articulate our priorities, their contribution to supporting the Authority to deliver against the sector ambitions, and their intended impact. Where milestones have occurred outside of the four-monthly period, these have been included for context.

A traffic light system indicates the status of each activity area in terms of achieving the overall 2022/23 desired outcomes of the activity area.

-  The activity area is on track to achieve the desired annual outcomes.
-  The activity area is delayed and/or at risk of not achieving the desired annual outcomes.
-  The activity area has/will not achieve the desired annual outcomes.

In addition to the activity areas in the Annual Corporate Plan 2022/23, the Authority may undertake a number of other workstreams throughout the year. Where relevant, updates for other key areas of work (that is, those not included in the Annual Corporate Plan 2022/23) are also provided in this report.

SUMMARY CORPORATE PLAN 2022/23

Purpose

Enhance New Zealanders’ lives, prosperity and environment through electricity

Strategic ambitions

Low-emissions energy

Thriving competition

Innovation flourishing

Strategic impacts

Electrification is a key enabler in the transition to a low-emissions economy.

- Our electricity market settings enable an efficient transition to reliable low-emissions energy in New Zealand.
- Network and market price signals support the lowest overall cost to consumers.

Market competition is a key enabler to deliver a better energy future – driving progress, affordability, efficiency and valuable outcomes for New Zealand.

- New entrants can compete on a level playing field with established participants.
- Market settings enable competition between DER’s and established technology solutions.

Evolution of the electricity system will be achieved through innovation and disruption, with both participants and the Authority thinking beyond the status quo.

- The regulatory system accommodates new business models.
- The availability and transparency of industry data is continuously improved.

Consumer centricity

When decision-making is centred around consumer outcomes more diverse needs can be met, and expectations exceeded.

- Our decisions improve the way the sector meets consumers’ needs.
- Consumers are engaged with through our decision-making processes.

Trust and confidence

High levels of trust and confidence drive action, acceptance, and reduce intervention.

- The Electricity Authority and our actions promote trust and confidence.
- We are active regulators who enhance operational efficiency and reliability.
- We improve compliance and sector conduct.

Statutory objective

To promote **competition in, reliable supply by, and the efficient operation of**, the electricity industry for the long-term benefit of consumers, and to **protect the interests of domestic consumers and small business consumers** in relation to the supply of electricity to those consumers.

PROGRESS AGAINST THE ANNUAL CORPORATE PLAN 2022/23

Low-emissions energy

- Our electricity market settings enable an efficient transition to reliable low-emissions energy in New Zealand.
- Network and market price signals support the lowest overall cost to consumers.

Preparing for a low-carbon future; improving the efficiency of price signals; and ensuring security of supply.

As the regulator of New Zealand's electricity system, our work provides an important platform for the Government's aspirations to achieve 50 percent of all energy consumption coming from renewable sources by 2035, and net zero emissions by 2050. We are working to ensure the transition is as efficient as possible while maintaining energy security, system adaptability, and affordable electricity for consumers. Our activity areas for 2022/23 remain focused on promoting a stable investment environment with robust rules and clear price signals.

The Authority is continuing to progress work in the **preparing for a low-carbon future/supporting New Zealand's transition to low-emissions energy activity area** and has begun implementing phase 3 of the Future security and resilience (FSR) workstream. The Authority has progressed work with the system operator to develop FSR indicators to monitor changes that could affect security and resilience, and to identify issues with Part 8 of the Electricity Industry Participation Code (Code). The Authority is also completing fundamental analysis on future system operation and developing a plan to progress this workstream. The Authority has progressed work to develop high-level options to address risks and opportunities associated with thermal retirement. The Market Development Advisory Group (MDAG) released its options paper *Price discovery in a renewables-based electricity system* on 6 December 2022 and consultation closed on 6 March 2023. Stakeholder submissions and feedback will inform the final options in the MDAG's final recommendations paper. We are continuing work to improve the efficiency of **price signals**:

- a) We have made decisions on three TPM related code amendments.
- b) On 1 November 2022, the Authority achieved a major milestone with the implementation of real time pricing (RTP).
- c) The Authority has prepared for distributors' pricing methodologies, which are published in late March 2023. The Authority expects scorecard assessments will be published in August 2023.

We are continuing our work to ensure the electricity sector manages **security of supply** effectively. The system operator has started collecting individual transition plans from North Island distributors for the extended reserves project. The Authority published a consultation paper on the Security of Supply Forecasting and Information Policy (SOSFIP) on 8 November 2022. Consultation closed on 22 November 2022 and submissions have been considered. The Authority is working with the system operator to finalise the policy.

2022/23 Activities | Low-emissions energy

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Preparing for a low-carbon future / Supporting New Zealand’s transition to low-emissions energy: The power system is expected to undergo significant change in the future as new technology is introduced / existing technology retires. More generation capacity will be needed as part of the electrification of the economy – meaning more investment, predominantly in renewable energy, such as wind, solar, hydro and geothermal, and new technologies such as batteries.</p>	<ul style="list-style-type: none"> ▪ FSR phase 3 year 1 <ul style="list-style-type: none"> ○ Review Part 8 of the Code to ensure relevance for new technology, including identifying the standards new technology needs to support the reliability of the power system. ▪ Managing risks of transition <ul style="list-style-type: none"> ○ Identify key triggers when thermal retirement might occur and options to address. ▪ Examining wholesale market operation under 100% renewables (MDAG): <ul style="list-style-type: none"> ○ Support MDAG’s delivery and publication of options paper and recommendations to the Authority. ○ Begin considering MDAG’s recommendations. 	<ul style="list-style-type: none"> ▪ Implementation of phase 3 of the FSR programme underway, with initial policy decisions made. ▪ Complete identification of options to address thermal retirement risks. ▪ Consideration of MDAG recommendations underway. 	<ul style="list-style-type: none"> ● The Authority is progressing implementation of phase 3 of the FSR project through three workstreams: <ol style="list-style-type: none"> a) FSR indicators – the Authority is working with the system operator to develop indicators to monitor changes that could affect security and resilience. The Authority plans to publish the dashboard of indicators in the first half of 2023. b) Review Part 8 of the Code – the Authority has worked with the system operator to identify issues with Part 8 of the Code. The Authority published an issues paper for consultation on 4th April 2023. Consultation closes on 30th May 2023. c) Future system operation – the Authority is completing fundamental analysis on future system operation and developing a plan to progress this workstream. ▪ The Authority has progressed work to investigate the risks associated with the early retirement of thermal plant, risks associated with delayed new investment, and is developing high level options to address these risks and opportunities. ▪ The MDAG released its options paper <i>Price discovery in a renewables-based electricity system</i> on 6 December 2022. The Authority and the MDAG organised several engagement opportunities across the consultation period which closed on 6 March 2023. Stakeholder submissions and feedback will inform the options in the MDAG’s final recommendations paper.

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Price signals: Improving the efficiency of transmission and distribution pricing to send better signals to consumers about the cost of using these networks and promote more efficient investment in DER and networks.</p>	<ul style="list-style-type: none"> ▪ TPM <ul style="list-style-type: none"> ○ Support Transpower's implementation of the new Transmission Pricing Methodology (TPM) on 1 April 2023. ○ Ensure necessary TPM-related Code amendments are in place by 1 April 2023. ▪ RTP ready to go live in Q1-2 2022/23. ▪ Distribution pricing reform <ul style="list-style-type: none"> ○ Assess and address any pricing issues for new and expanded connections. ○ Support distributors with pass-through of new transmission pricing to distribution pricing. ○ Progress analysis of possible regulatory options to drive faster reform. 	<ul style="list-style-type: none"> ▪ The new TPM and related Code amendments implemented by 1 April 2023. ▪ RTP live by Q2 2022/23. ▪ Pass-through of new transmission pricing is consistent with incentives in the TPM. 	<ul style="list-style-type: none"> ● The Authority has made decisions on three TPM-related Code amendments: <ol style="list-style-type: none"> a) The Authority published a decision paper on 15 November 2022 which outlines our decision to amend the Code to provide for the development of a new Settlement Residual Pricing Methodology (SRAM). b) The Authority published a decision paper on 22 November 2022 which outlines our decision to amend the Code to address various technical issues in the TPM identified by stakeholders. c) The Authority published a decision paper on 13 December 2022 which outlines our decision to amend the Code to remove the requirement for distributors to make Avoided Cost of Transmission (ACOT) payments to distributed generators. ▪ RTP successfully went live on 1 November 2022. ▪ The Authority has prepared for distributors' pricing methodologies which are published in late March 2023. The Authority expects scorecard assessments will be published in August 2023.

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Security of supply: Ensuring the electricity sector manages security of supply effectively.</p>	<ul style="list-style-type: none"> ▪ Extended reserves <ul style="list-style-type: none"> ○ Agree the analysis and implementation work to be undertaken by the system operator. ○ Support system operator with the management and coordination plan for the automatic under-frequency load shedding (AUFLS) providers' transition to the 4-block AUFLS scheme. ▪ Security of supply settings <ul style="list-style-type: none"> ○ Progress the Code amendment to adopt the system operator's updated security of supply policy. 	<p>Policy decisions made and implementation underway.</p>	<ul style="list-style-type: none"> ● ▪ Extended reserves <ul style="list-style-type: none"> ○ The system operator has started collecting individual transition plans from North Island distributors. This information will allow the system operator to model the transition in their security tools and support distributors in making the transition to the 4-block AUFLS scheme. ▪ Security of supply settings <ul style="list-style-type: none"> ○ The Authority released a consultation paper on proposed changes to the SOSFIP. Consultation closed on 22 November 2022. The Authority has considered submissions and is working with the system operator to finalise and approve a revised SOSFIP.

Thriving competition

- New entrants can compete on a level playing field with established participants.
- Market settings enable competition between DER's and established technology solutions.

Ensuring competition in electricity markets; monitoring market activities; ensuring confidence through monitoring, intervention and enforcement; and reducing energy hardship through improved consumer care.

Market competition is a key enabler to deliver a better energy future – driving progress, affordability, efficiency and valuable outcomes for New Zealand.

Competition helps ensure New Zealanders have plenty of choice about how they get and use electricity and improves their access to competitive pricing. We encourage participation and reinforce competition in traditional and emerging markets by putting in place the mechanisms needed to maintain a level playing field – while also considering the long-term opportunities that will lead to better outcomes for consumers.

Our 2022/23 activity areas seek to support and strengthen competition and confidence in electricity markets.

Strengthening competition in the wholesale market is a priority for the Authority. For the activity area **ensuring competition in electricity markets**, the Authority received 32 submissions on its Issues Paper on wholesale market competition. Decisions are expected to be published in May 2023. In October 2022, we published an issues paper on wholesale market competition and expect to decide next steps in May 2023. The Authority is working on a decision paper for the FTR market review. We are also proposing to release a separate consultation paper on market conduct, as well as publishing further pricing information about the market in the form of the geographic visualisation of FTR obligations.

The Authority continues to **monitor market activities and outcomes** to lift the level of transparency for participants through reporting improvements, and by broadening the scope of our monitoring following a focus on the wholesale market. Improvements include publishing indicators (as used and signalled in the post implementation review of trading conduct provisions) as part of the quarterly report that covers the final quarter of 2022. We have also developed a new product 'eye on electricity', for a non-expert audience, and are working on a consultation paper about expanding and streamlining our retail monitoring, to be published in the first half of 2023.

To support thriving competition, New Zealand need a stable regulatory environment where participants are held to account to rules designed to provide long-term benefits. In our activity area **confidence in the Authority's role as a regulator** we have implemented our *Compliance Strategy* and are continuing to implement our *Compliance Monitoring Framework* to drive more timely and robust decision-making on enforcement cases. The Authority has updated its strategy and framework to reflect the passing of the Electricity Industry Amendment Act 2022. One compliance case study has been published this year.

2022/23 Activities | *Thriving competition*

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Ensuring competition in electricity markets: Market competition is a key enabler to deliver a better energy future. We're committed to supporting and strengthening competition in electricity markets.</p>	<ul style="list-style-type: none"> ▪ Wholesale market competition review <ul style="list-style-type: none"> ○ Complete implementation of possible remedies to inefficient price discrimination. ○ Continued prioritisation and initiation of workstreams to address focus areas identified in the Monitoring Review of structure, conduct, and performance in the wholesale electricity market review paper. ▪ Improve risk management settings <ul style="list-style-type: none"> ○ Implement commercial market making – commercial 'go live' of market making by Q2 2022/23. ○ Consult on potential enhancements to FTR markets. 	<p>Policy decisions are made and implemented, with the next prioritised Wholesale Market Review workstream underway.</p>	<ul style="list-style-type: none"> ▪ The Authority received 32 submissions on its Issues Paper on wholesale market competition. Decisions are expected to be published in May 2023. ▪ The commercial market making contract went 'live' in Q2 of FY22/23. ▪ The Authority is working on a decision paper for the FTR market review. We are also proposing to release a separate consultation paper on market conduct, as well as publishing further pricing information about the market in the form of the geographic visualisation of FTR obligations.
<p>Increasing monitoring of market activities and outcomes: Proactively monitoring market activities to ensure the market is appropriately responding to challenges such as dry years, fuel shortages and major outages, enabling new technology and innovation, and increased investment in renewables.</p>	<ul style="list-style-type: none"> ▪ Continue to improve our trading conduct monitoring and improving the level of transparency of this work by including commentary in our quarterly monitoring report. ▪ Broaden the scope of our monitoring after a recent focus on the wholesale market <ul style="list-style-type: none"> ○ Undertake initial work on the consumer care guidelines information disclosure which is due to be provided to the Authority by 31 July 2022. 	<p>Monitoring of market activities is continuously improved, increasing transparency, trust and confidence.</p>	<ul style="list-style-type: none"> ▪ The Authority will publish indicators (as used and signalled in the post implementation review of trading conduct provisions) in every second quarterly report starting in the final quarter of 2022 (to be published in 2023). ▪ The Authority has developed a new product ('eye on electricity') for a non-expert audience and has published 12 of these since 1 July 2022. We have met with stakeholders to discuss how we monitor trading conduct. ▪ The Authority is developing a consultation paper on expanding and streamlining our retail monitoring. The paper is due to be published in the first half of 2023.

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Confidence in the Authority's role as regulator: Ensuring confidence in the Authority's role as regulator, through education, monitoring, intervention, and enforcement.</p>	<ul style="list-style-type: none"> ▪ Complete implementation of the <i>Compliance Strategy</i>. ▪ Continued implementation of the <i>Compliance Monitoring Framework</i>, including initiating proactive monitoring and compliance activities. ▪ Drive more timely and robust decision-making on enforcement cases through process improvements and raising capability. ▪ Publish recent case studies and reports to industry on trends and outcomes from compliance processes. 	<ul style="list-style-type: none"> ▪ The <i>Compliance Strategy</i> and <i>Compliance Monitoring Framework</i> are fully implemented. ▪ The Authority's education programme is established to implement the VADE (Voluntary, Assisted, Directed and Enforced) compliance operating model. 	<p>●</p> <ul style="list-style-type: none"> ▪ The <i>Compliance Strategy</i> and <i>Compliance Monitoring Framework</i> documents were updated to reflect the passing of the Electricity Industry Amendment Act 2022 and published in December 2022. ▪ Implementation of the <i>Compliance Strategy</i> is complete. Implementation of the <i>Compliance Monitoring Framework</i> will continue into 2023/24. Implementation is underway for several of the high-risk areas for proactive monitoring. Some areas require further methodology to be developed, and this work is underway. ▪ In January 2023 the Authority published one compliance case study. Another case study was drafted, but after consulting with the participant involved, a decision was made not to publish it. ▪ The education programme is being developed to implement the VADE compliance operating model.

Innovation flourishing

- The regulatory system accommodates new business models.
- The availability and transparency of industry data is continuously improved.

Ensuring market settings are conducive to innovation and industry success; utilising data transparency, insights and automation; meeting our obligations under the Electricity Industry Amendment Act 2022.

We want to empower consumers to benefit from new and emerging technologies in distributed energy by enabling healthy investment and increased innovation to ensure that distribution networks are fit for the future and supportive of competition. This will lead to more choice, lower electricity prices, and better value for consumers in the long term.

The transition to low-emissions energy will require large scale and high paced innovation changes. We will reflect this by being proactive, agile, and forward-looking in our regulatory approach. Through the activity area **settings are conducive to innovation and industry success**, we are continuing our work to update the regulatory settings for distribution networks to enable innovation and competition to support the transition. The Authority released an issues paper *Updating the Regulatory Settings for Distribution Networks* on 20 December 2022. We are on track to develop a prioritised list of issues to be progressed over the next 18 months to two years, with some high-priority tasks to begin in the current year.


The **data transparency, insights, and automation** activity area focuses on continuously improving the availability of data to deliver sophisticated and transparent insights in a timely manner. We have automated processes to support our monitoring function and made improvements to our data storage. Work aligning the Authority's vectorised Scheduling Pricing and Dispatch (vSPD) with the system operators Scheduling, Pricing and Dispatch (SPD) before, during and following the introduction of RTP, is almost complete.

The **Electricity Industry Amendment Act 2022** was enacted on 31 August 2022. The Authority developed an implementation programme to address changes required because of the Act. Many aspects of this programme are now complete, with longer term work now part of the Authority's business-as-usual activities.

2022/23 Activities | *Innovation flourishing*

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Settings are conducive to innovation and industry success: Ensuring market settings are conducive to innovation and industry success through a proactive, agile, and forward-looking regulatory approach.</p>	<ul style="list-style-type: none"> ▪ Updating the regulatory settings for distribution networks <ul style="list-style-type: none"> ○ Continue programme to identify issues affecting the distribution sector and options to address the issues. ○ Identify preferred options based on urgency, value, ability to implement and net benefit to consumers. ○ Progress the open networks development programme. 	<p>A package of preferred options is ready for implementation.</p>	<p>● The Authority released an issues paper <i>Updating the Regulatory Settings for Distribution Networks</i> on 20 December 2022. Consultation closed on 28 February 2023, however, it was extended for submitters to 14 March 2023, reflecting the resource pressure created by Cyclone Gabrielle. We are on track to develop a prioritised list of well-understood issues to be progressed over the next 18 months to two years, with some high-priority tasks to begin in the current year.</p>

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Data transparency, insights, and automation: Continuously improving the availability of data to deliver sophisticated and transparent insights in a timely manner.</p>	<ul style="list-style-type: none"> ▪ Reformulate data models to apply and deliver insights in a timely manner <ul style="list-style-type: none"> ○ Automate the Jade model to update data monthly. ○ Update the vSPD model for RTP implementation, to support alignment with the increased number of datasets in system operator’s SPD. ▪ Continued cost optimisation and process improvements <ul style="list-style-type: none"> ○ Improving data governance, structures and oversight through data cataloguing, documentation, and awareness across the Authority. 	<p>Models and processes will be continuously improved to deliver increased automation, more timely insights, and greater transparency.</p>	<ul style="list-style-type: none"> ● The weekly running of the Jade model to support trading conduct monitoring has now been fully automated. ▪ Several new tables have been provisioned in the Delta Lakehouse since November 2022 to support the work of Monitoring and Compliance, most notably those having to do with RTP and the de-anonymized orders and trades on the ASX of New Zealand electricity futures and options. ▪ The process of transforming and enriching data made available via the Delta Lakehouse continues to be migrated at pace into our improved and standardised framework. This framework was developed to align with our data governance approach. ▪ Work aligning vSPD with SPD before, during and following the introduction of RTP is almost complete. The formulation documents for the final phase of RTP (dispatchable demand) to be deployed in April 2023 have been received (as of 3 March 2023) and the work to implement these changes is underway.

Activity Area	Annual focus	22/23 desired outcome	Progress at 28 February 2023
<p>Electricity Industry Amendment Bill: Ensuring the Authority meets our obligations under the Electricity Industry Amendment Bill when it comes into effect.</p>	<ul style="list-style-type: none"> ▪ Identify the changes required for the Authority to comply with the Electricity Industry Amendment Bill when it comes into effect. ▪ Establish an implementation plan to address required changes. 	<p>Implementation of required changes is underway.</p>	<p> The Electricity Industry Amendment Act 2022 was enacted on 31 August 2022. The Authority developed an implementation programme to address changes required because of it. Many aspects of this are now complete such as legal analysis of how the changes affect the Authority; incorporating the new Part 6A into the Code; and updates to policies, procedures, guidelines, and web content to ensure alignment with the Act. Longer-term work, such as considering updates of the arms-length rules and implementing changes to the <i>Compliance Monitoring Framework</i>, is being transferred from the implementation project team into business-as-usual for the relevant business units.</p>

OTHER KEY AREAS OF WORK

In addition to the activity areas in the Annual Corporate Plan 2022/23, the Authority is working to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. The Authority is progressing work that contributes to the Government's Emissions Reduction Plan and Energy Strategy and major regulatory reform to support the transition to a low-emissions economy.

The Authority actively engages with industry stakeholders and participants and as at 28 February 2023, a number of consultations were completed or underway, some of which have included additional ways for participants to engage, such as online information sessions, as well as offering opportunities to meet directly with relevant teams.

RESPONDING TO THE EVENTS OF 9 AUGUST 2021

On 9 August 2021, approximately 34,000 customers experienced an electricity cut without warning on one of the coldest nights of the year. Several reviews followed, including by the Authority, Transpower and MBIE. All recommendations from those reviews are now complete and/or part of business-as-usual operations. The Authority is also pursuing various initiatives to help ensure preparedness for winter 2023.

Undesirable trading situation (UTS)

Alongside the review of the 9 August 2021 event, the Authority investigated the claim of an UTS made by Haast Energy Trading Limited and Electric Kiwi Limited (later joined by Flick Energy Limited (Flick Electric) and Switch Utilities Limited). The Authority released its final decision on 28 June 2022 and concluded that there was no UTS. Haast Energy Trading Limited and Electric Kiwi Limited appealed against the Authority's decisions on the claimed UTS and pricing error claim. The Court granted an application by the Appellants that prices for the affected trading periods remain interim until the appeals have been determined. The substantive hearing on the appeals occurred on 27 and 28 February 2023. It is likely the judgment of the Court will not be available until late May or June 2023.

System operator investigation

On 12 April 2022, the Authority decided to lay a formal complaint with the Rulings Panel against Transpower as the system operator in relation to the following alleged breaches of the Code:

7.1A(1)	Code	Reasonable and prudent system operator
80	Policy Statement	Demand allocation methodology
3	Technical Code B of Schedule 8.3	Planning to minimise the impact of a grid emergency
5(1A)		Issue an island shortage situation (ISS) notice following electrical disconnection of demand

This matter has been settled by the parties and is currently before the Rulings Panel to be finalised.

WINTER 2023

The system operator has expressed concerns about the outlook for winter 2023. Referring to its Security of Supply Assessment published in June 2022, the system operator suggested that under certain scenarios the winter capacity margin could fall under the security

standard in the Code as early as 2024. A further market insights report, published in November 2022, expressed concern with the power system's ability to meet winter demand peaks through winter 2023.

The Authority opened consultation on 25 November 2022 on 11 potential options to address the winter 2023 peak demand issue while protecting the long-term interests of consumers. The focus of consultation was on options that are timely, minimise the risk of unintended consequence, provide positive benefits to consumers relative to risks, and support the transition towards a less carbon-intensive future.

Consultation closed on 16 December 2022 and the 29 submissions received have been published on the Authority website.

A Decision paper was published on 9 March 2023. In that paper, the Authority confirmed which options it was progressing for winter 2023 and which options were being considered as part of the Authority's work programme for potential implementation for winter 2024. Further decisions on options to progress for Winter 2023 were made by the Authority on 31 March 2023.

Three options have confirmed for implementation:

- Option A – improved information regarding headroom in the supply stack
- Option B - Provide forecast spot prices under demand sensitivity cases
- Option D - System operator review of wind offers based on external forecast

The following options require further work:

- Option E: Clarify availability and use of 'discretionary demand' control (such as ripple control). This option requires an amendment to the Electricity Industry Participation Code.
- Option G: Selectively increase existing ancillary service cover at times to offset increased uncertainty in net demand

REVIEW OF THE FORECASTING PROVISIONS FOR INTERMITTENT GENERATORS IN THE SPOT MARKET

The Authority has initiated a project to review the forecasting provisions for intermittent generators in the spot market.

The Authority is concerned that uncertainty in forecasts ahead of real time affects other participants' trust and confidence to make consumption and generation decisions in response to forecast schedules. Adverse consequences for consumers include risks to security of supply and inefficiency.

This work also aligns with suggestions in MDAG's options paper, and recommendations in the Phase two review of the 9 August 2021 grid emergency, and ensures regulatory settings are fit for purpose as we transition to a 100 percent renewable electricity system.

The Authority intends to publish an Issues and Options Paper in the first half of 2023 to consult on the problem definition and possible policy solutions.

REVIEW OF THE AUTHORITY'S CONSULTATION CHARTER AND FEEDBACK PROCESSES

The Authority has reviewed its consultation charter to make the charter more accessible and to specifically include non-industry participants such as small businesses and domestic

consumers. The latter is in response to the Authority's additional statutory objective which came into effect in December 2022.

While the consultation charter was being reviewed, the Authority has also taken the opportunity to review and streamline the Code amendment request process, establish a new advisory group, update the charter and terms of reference for the advisory groups and review the amendment processes for the documents incorporated by reference.

The Authority is now consulting on proposed changes to the:

- a) consultation charter
- b) advisory group documents
- c) structure and makeup of the new advisory group
- d) code for documents incorporated by reference.

Consultation closed on 21 March 2023 and was extended to 4 April 2023 for submitters affected by cyclone Gabrielle.