

ANNUAL CORPORATE PLAN 2022/23

Four-monthly progress report
1 July to 31 October 2022

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EXECUTIVE SUMMARY

The Electricity Authority Annual Corporate Plan 2022/23 four-monthly progress report is the first report against the activity areas in the Annual Corporate Plan and other key areas of work for the 2022/23 financial year. As at 31 October 2022, all activity areas published in the Annual Corporate Plan 2022/23 were on track to meet their desired annual outcomes.

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 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. 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 focusing on 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 aim to encourage innovation through regulatory reform, increased data transparency and implementation of the Electricity Industry Amendment Act 2022.

INTRODUCTION

THE ANNUAL CORPORATE PLAN

Our Annual Corporate Plan communicates our intended 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 provides an opportunity to demonstrate how our work supports delivery against our sector ambitions, specifically 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 serves as a channel to articulate our current priorities and intended targets.




The Annual Corporate Plan 2022/23 is available on our website: <https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/our-work-programme/>

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 July to 31 October 2022.

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 further information and supporting 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 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

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.¹

Our **Preparing for a low-carbon future / Supporting New Zealand's transition to low-emissions energy** activity area is targeted towards ensuring the Electricity Industry Participation Code 2010 (Code) supports the new technology required for transition; management of the risks surrounding transition, such as the exit of existing technology; and supporting the Market Development Advisory Group (MDAG) in their investigation into wholesale market operation under 100 percent renewables and responding to their advice. The Authority has begun implementation of phase 3 of the future security and resilience (FSR) workstream which focuses on a review of Part 8 of the Code to ensure it accommodates new technology. MDAG released their options paper *Price discovery in a renewables-based electricity system* on 6 December 2022.

Having decided on a new Transmission Pricing Methodology (TPM), we are continuing our work to improve the efficiency of **Price signals**. The Authority has progressed three TPM-related Code amendments: Notional Embedding Contracts under the new TPM, Settlement Residual Allocation Methodology (SRAM) and some technical amendments to the TPM to provide support to Transpower's implementation of the TPM in April 2023. The Authority has consulted on a further proposed Code amendment (Avoided Cost of Transmission (ACOT)) and is expected to make its decision on the remaining proposal on 13 December 2022.

The Authority had a major milestone with the implementation of real-time pricing (RTP) on 1 November 2022. The Authority has also increased its focus on achieving faster reform of distribution pricing, and in October 2022, released guidance for distributors on pass-through of transmission prices into distribution pricing under the new TPM.


We are also continuing our work to ensure the electricity sector manages **Security of supply** effectively, by progressing Code amendments to adopt the system operator's updated security of supply policy and by supporting the system operator to implement the North Island transition to a 4-block automatic under-frequency load shedding (AUFLS) scheme. On 8 November 2022, the Authority published a consultation paper on the security of supply forecasting and information policy (SOSFIP). On 1 December 2022, the Emergency Management Policy (EMP) was published and came into effect.

¹ Details of the activity areas related to this strategic ambition are set out in the table below.

2022/23 Activities | *Low-emissions energy*

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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 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 identification of the standards new technology needs to meet 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 consideration of 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. 	<p>● The Authority published a paper in August 2022 about the FSR phase 3 workstream. Implementation has started with early engagement on:</p> <ul style="list-style-type: none"> a) FSR indicators – indicators to monitor changes that could affect security and resilience b) review of Part 8 of the Code – review of the extent to which common quality obligations in Part 8 of the Code appropriately accommodate and facilitate technologies c) future system operation – the problems or opportunities with current system operation arrangements that will need to be managed given the expected changes to the electricity system. <p>Analysis has started into the key triggers and the potential timing relating to when thermal retirement might occur.</p> <p>The MDAG released their options paper <i>Price discovery in a renewables-based electricity system</i> for consultation on 6 December 2022.</p>

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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 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. 	<p>● In July 2022 the Authority decided on a TPM-related Code amendment – Notional Embedding Contracts under the new TPM. Consultation papers were released on three other proposed TPM-related Code amendments:</p> <ol style="list-style-type: none"> 1) SRAM in August 2022. The Authority published its decision paper on 15 November 2022 which outlines our decision to amend the Code to provide for the development of a new SRAM. 2) ACOT in September 2022. Submissions have been received in response to this consultation paper. The Authority is assessing these and is expected to make its decision on the proposed amendment on 13 December 2022. 3) TPM correction amendments in October 2022. The Authority published its decision paper on 22 November 2022 which outlines our decision to amend Part 12 of the Code to address issues identified by stakeholders. <p>RTP successfully went live on 1 November 2022. In September 2022, the Authority sent an open letter to distributors setting out its expectations for pricing reform. In October 2022, the Authority released guidance for distributors on pass-through of transmission prices into distribution pricing under the new TPM (as a new appendix to its <i>Distribution Pricing Practice Note</i>), following informal consultation with the Electricity Networks Association (ENA), distributors and other interested parties.</p>

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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 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>	<p> The system operator is starting the 2-4-block transition planning process with industry. This should be completed by June 2023.</p> <p>As at 31 October 2022, two policy documents were in need of updating. The first, EMP, has been approved and published and came into effect on 1 December 2022. For the second, SOSFIP, a further consultation paper was published on 8 November 2022.</p>



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 key priority for the Authority. The activity area ***Ensuring competition in electricity markets*** continues the review of competition in the wholesale market, and the workstreams and policy decisions arising from the review. The Authority published a consultation document on inefficient pricing discrimination in August 2022, and expects policy decisions, including potential Code amendments and implementation in early 2023. In October 2022, the Authority published an issues paper on wholesale market competition and expects to have decided on next steps in early 2023. Bold Market Making NZ Limited was selected as the commercial provider for market-making following a procurement process, and the commercial market-making scheme went live on 1 September 2022.

We will also continue our work ***Monitoring market activities and outcomes*** to proactively monitor the market, lifting the level of transparency for participants through reporting improvements, and broadening the scope of our monitoring following a strong focus on the wholesale market. In October 2022, the Authority published a post-implementation review of the trading conduct provisions and continues to publish quarterly monitoring reviews.

Supporting thriving competition, is the need for a stable regulatory environment where participants are held to account to rules designed to provide long-term benefit. Our activity area ***Confidence in the Authority's role as a regulator*** continues the implementation of our *Compliance Strategy* and *Compliance Monitoring Framework*, which were published on 5 July 2022, to drive more timely and robust decision-making on enforcement cases. The Authority has reviewed the strategy in light of changes stemming from the Electricity Industry Amendment Act 2022.

2022/23 Activities | *Thriving competition*

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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 financial transmission rights (FTR) markets. 	<p>Policy decisions are made and implemented, with the next prioritised Wholesale Market Review workstream underway.</p>	<p>● A consultation document on inefficient price discrimination was published on 18 August 2022, submissions closed on 31 October 2022. Policy decisions, including potential Code amendments, and implementation are expected in early 2023. An Issues Paper on wholesale market competition was published on 12 October 2022 and submissions close on 14 December 2022. Decisions on next steps are expected in early 2023. Information papers responding to submissions on the 2021 monitoring review, a post implementation review of trading conduct rules, and an investment survey were also published. Commercial market-making went live on 1 September 2022. Initial consultation on review of FTR contracts is complete. The review is ongoing.</p>
<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 strong 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>	<p>● A post implementation review of the trading conduct provisions was published in October 2022. This post implementation review used some of the same indicators used in the structure, conduct and performance review in 2021. In the post implementation review we signalled that these indicators will be regularly published. This analysis will be included in future quarterly monitoring reports. An initial paper was discussed by management on 30 August 2022 outlining the options for broadening our scope of monitoring in the retail market.</p>

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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 compliance operating model. 	<p> The <i>Compliance Strategy</i> was published on 5 July 2022, and has since been reviewed in light of changes stemming from the Electricity Industry Amendment Act 2022. Compliance framework proactive monitoring is being developed for implementation. The Authority's compliance team have made significant inroads into the backlog of cases, and are working to further improve timeliness. Two case studies are expected to be published before the end of 2022. One is on Metering Equipment Provider (MEP) and retailer obligations for meter accuracy, and one is in relation to a generator who effectively managed a breach using proactive emergency planning and communications.</p>



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 focusing on 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 match 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. Throughout the reporting period, the Authority developed a comprehensive draft issues paper and expects to release it on 20 December 2022. The Authority has had a high-level of engagement with the sector and has enhanced its relationship with the Commerce Commission resulting in a much greater understanding being reached on the respective responsibilities of each agency.

Supporting this, **Data transparency, insights, and automation** will continuously improve the availability of data to deliver sophisticated and transparent insights in a timely manner. This enables increased deployment of distributed energy resources and supports consumers' ability to control their energy use and participate in new ways. The Authority's Jade data model is now running on a weekly basis to support trading conduct monitoring. The Authority has made major updates to the vectorised Scheduling Pricing and Dispatch (vSPD) model to accommodate RTP. The Authority has also made updates to a range of reports and datasets published on the EMI website due to RTP.

The **Electricity Industry Amendment Bill** will ensure the Act, which governs the Authority and the Code, provides an effective regulatory framework for the electricity industry in view of rapidly evolving technologies and business models. The Bill was enacted on 31 August 2022, and the Authority has developed an implementation programme to address changes required stemming from the Act.

2022/23 Activities | *Innovation flourishing*

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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 clearly 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> A considerable amount of policy development took place throughout the period resulting in a comprehensive draft issues paper being developed. The Authority expects to release the issues paper on 20 December 2022. Consultation on the issues paper is expected to close at the end of February 2023 (to allow for the Christmas and New Year period) and will enable the first stages of a long-term work programme to be set out, with the high-priority projects to be progressed immediately. Throughout the period we have had a high level of engagement with the sector; both organised groups and individual businesses, particularly businesses which are at the leading edge of innovation in the sector and therefore provide valuable insights into the regulatory challenges. The relationship with the Commerce Commission was enhanced during the period, with a much greater understanding being reached on the respective responsibilities of each agency.</p>

Activity Area	Annual focus	22/23 desired outcome	Progress at 31 October 2022
<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>	<p> The Jade model is now running on a weekly basis to produce marginal water values to support trading conduct monitoring. the water values are published on the EMI website.</p> <p>Major updates to vSPD have been made in recent months to accommodate RTP. Since RTP went live on 1 November 2022, vSPD is performing perfectly.</p> <p>A lot of data ingestion processes, EMI reports, and datasets published on the EMI website pertaining to pricing and dispatch have required updating due to RTP. Most of these have been successfully completed.</p>
<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 Bill was enacted on 31 August 2022. The Authority has developed an implementation programme to address changes required stemming from the Electricity Industry Amendment Act 2022. 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 required, such as considering updates of the arms-length rules and implementing changes to the Compliance Framework, is being transferred from the implementation project team into BAU work 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 undertaking a number of key workstreams to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. The Authority's progressing with workstreams contributing to the Government's Emissions Reduction Plan and Energy Strategy, and continuing work on addressing the recommendations from the reviews of the events of 9 August 2021, to continue to enable confidence in the market.

The Authority is committed to actively engaging with industry stakeholders and participants and as at 31 October 2022, a number of consultations were completed or underway, some of which have included additional ways for participants to engage, such as online information sessions.

The Authority commissioned an independent provider to undertake a stakeholder perception survey in June and July 2022. The research involved interviews with stakeholders from across the sector. The Authority published the survey findings in full in October 2022. The stakeholder perception survey highlighted a number of areas for improvement since 2018, and also identified opportunities for growth in the Authority's communication and engagement with stakeholders and consumers. The Authority is working through actions to address feedback.

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. In response, the Authority used its statutory powers under section 16(1)(g) of the Electricity Industry Act 2010 to launch a two-phase review into the outages, seeking assurance for consumers that any systemic and process issues that led to the disconnection would be corrected.

The phase one report *Immediate assurance review of the 9 August 2021 demand management event* was published on 10 September 2021. Phase one of the review found shortcomings in the system operator's response and included a number of recommendations for the system operator. Transpower has completed the majority of the recommendations.

Phase two of the Authority's section 16 review was published in April 2022. The phase two review was wider in scope and provided a summary of the various investigations, observations and recommendations which have been conducted by the Authority, Transpower and MBIE. The phase two review focused on lessons that can be learnt from the event for the Authority, lines companies, the system operator, generators, retailers, and direct connect consumers.

MBIE's investigation

Many of the recommendations in MBIE's report relate to the Authority – either in its role in determining the regulatory settings or in its role overseeing Transpower. The Authority has been working closely with Transpower and most of the recommendations have been actioned. It is important to note that MBIE's report endorsed the recommendations from other reports including the Authority's phase one review.

Undesirable trading situation

Alongside the review of the 9 August 2021 event, the Authority investigated the claim of an undesirable trading situation (UTS) made by Haast Energy Trading Limited and Electric Kiwi Limited, and later joined by Flick Energy Limited (Flick Electric) and Switch Utilities Limited (Vocus NZ). 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 has since appealed against the Authority's decisions on the claimed UTS and pricing error claim. The Appellants applied for an order that prices for the affected trading periods remain interim until the appeals have been determined. The substantive

hearing on the appeals will be on 27 and 28 February 2023. The High Court has made orders to grant the relief sought by the Appellants to hold prices interim until the substantive hearing on the appeals is determined.

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	Planning to minimise the impact of a grid emergency
5(1A)	Schedule 8.3	Issue an island shortage situation (ISS) notice following electrical disconnection of demand

This matter is currently before the Rulings Panel.

AUTHORITY VISION FOR THE FUTURE

The Authority has been working on a ‘vision for the future’ to highlight to consumers and industry participants what a decarbonised future electricity system could look like and articulate the Authority’s role in this transition. Our vision is for a low carbon, efficient, dynamic, and secure electricity system that empowers consumers to maximise the benefits of electricity.

The Authority and electricity sector have a critical role to play in the transition to a low-emissions energy system. Our collective focus will be on decarbonising the sector, reducing reliance on fossil-fired generation, and supporting innovation in the market – all without compromising the security or affordability of electricity supply for consumers in New Zealand. The vision document outlines four key focus areas which have been linked to our six existing workstreams under the Energy Transition Roadmap. This is to ensure all our work drives our vision forward as we continue to respond to the needs of the system, perform our statutory objectives to the highest standard, and protect the needs of consumers big and small. This vision has been shared with stakeholders and was published on the Authority website on 18 November 2022.

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. The Authority opened consultation on 25 November 2022 on a potential range of measures to protect the long-term interests of consumers. This may include activities such as improving forecasting, sharing of information on bids and offers in the electricity markets, through to changing or introducing new ancillary services to reflect changing market conditions. The focus of consultation is on measures 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.