



**ELECTRICITY
AUTHORITY**
TE MANA HIKO



QUARTERLY UPDATE

Electricity Authority Te Mana Hiko

Nau mai, haere mai

Welcome



Chris Otton
Manager, Market Policy

For today's session

- Please ensure your mic and camera are off while presenters are on screen.
- The session will be recorded and the slides provided afterwards.
- There will be an opportunity to ask questions after each project update and at the end.

He Karakia Tīmatanga me te Whakakapi Kaupapa

Kia tau ngā manaakitanga a te mea ngaro

ki runga ki tēnā, ki tēnā o tātou

Kia mahea te hua mākihikihi

kia toi te kupu, toi te mana, toi te aroha, toi te Reo
Māori

kia tūturu, ka whakamaua kia tīna! Tīna!

Hui e, Tāiki e!

Let the strength and life force of our ancestors

Be with each and every one of us

Freeing our path from obstruction

So that our words, spiritual power, love, and
language are upheld;

Permanently fixed, established and understood!

Forward together!

What we'll cover today

Agenda

1. Welcome from our Chief Executive – Sarah Gillies
2. Update on options to strengthen the Consumer Care Guidelines – Brent Lewers
3. Distribution work programme – Gary White
4. Market monitoring – Julia Hall
5. Compliance education programme – Peter Kerr & Ginni Murray
6. Forward view – the next quarter – Chris Otton
7. Q&A

UPDATE FROM OUR

Chief Executive



Sarah Gillies
Chief Executive

Certainty through transparency

- Increased collaboration – with industry, consumers and agencies
- Monitoring – data and information are key
- Security of supply – ongoing improvements and a focus on demand response
- Shifting a gear – timely and well-informed decisions

UPDATE ON

Options to update and strengthen the Consumer Care Guidelines



Brent Lewers
Policy Manager, Retail and Networks Market Policy

Options to update and strengthen the Consumer Care Guidelines

- It's part of our work to **achieve better outcomes** for residential electricity consumers.
- **Options paper** was released for feedback. Submissions closed on Monday 2 October.
- The consultation aimed to get feedback on four options to **update and strengthen the Consumer Care Guidelines**.
- We also asked for thoughts on **issues that fall outside the current Guidelines** that stakeholders wish to be consulted on in an issues paper planned for release by mid-2024.

Four options

- **Option 1** – Status quo (do nothing).
- **Option 2** – Guidelines remain voluntary, but with amended wording to clarify interpretation.
- **Option 3** – Code amendments to Parts 2 (consumer care policies), 6 (financial difficulty), 7 (disconnection processes) and 8 (MDCs), with wording clarified through codification process.
- **Option 4** – Code amendments to Parts 1-9, with wording clarified through codification process.

Initial preferred option

- Consultation paper put forward **Option 3** as our preferred option with key parts mandated.
- Our assessment is that this option **best delivers key consumer protections** quickly and efficiently.
- Consultation invited views on **evidence of impacts** of each option, to inform our final assessment.

Approach to consultation & responses

- For this consultation, we sought to **broaden our reach** to ensure we heard from electricity consumers about what matters to them.
- This included offering the opportunity for the **public to make submissions** through a short online survey (if they preferred this to the more traditional consultation response).
- We received around **1,000 survey submissions** from the public, along with around **100 written submissions** from consumers.
- We also received **13 submissions** from consumer advocacy groups, and **14 submissions** from industry participants (including both major and independent retailers).

Timeframe



*Months are indicative and tbc

Questions?

UPDATE ON

Delivering key distribution sector reforms



Gary White
Principal Analyst, Market Policy

Recap

To **achieve net zero carbon emissions** by 2050, renewable electricity has a key role to play

Electrification of transport and industrial heat processes are expected to drive demand for new sources of generation and the need for larger grids and networks

Advances in technology are offering new ways to generate and store renewable electricity and **support the better optimization of distribution network capacity**

Opportunities & barriers

Taking advantage of **controllable distributed energy resources** may reduce the overall cost of the transition for consumers (est. net benefit of \$6.9 billion to 2050)

Potential barriers to distributed energy resources realising their potential include:

- Uncertainty – pace of electrification; consumer engagement, choices and behaviour; new technology and markets
- Information – network capacity/constraints; location of DER; benefits of non-network solutions; gaps
- Incentives – tried and true; reputational risk; poor market signals to consumers
- Standards – fit with new DER; update for emerging technologies, practices and demands – eg communication and co-ordination rules
- Capability and capacity – to support the efficient levels of investment in both network and non-network solutions

Initial focus

24-month work programme focusing on:

- Measures to support the visibility of the low-voltage network; the location of DER and enhancing our ability to monitor and report progress
- Reducing uncertainty by providing guidelines on regulatory sand-boxing and trials, threshold for corporate separation and arm's-length rules and consult on bringing flexibility providers into the Code
- Connection standards/processes for load and distributed generation

This work sits alongside and is supported by the work being done by others.

Action	Proposed schedule of work
Update the distribution vision/outcomes framework and monitor progress on investment in network capacity, DER, use of DER and NNS	Ongoing work and reporting
Develop a Code amendment proposal to enable MEPs to contract directly with distributors and flexibility providers to provide ICP data	Consultation released April 2024. Amendment gazetted late 2024
Develop a Code amendment proposal to direct MEPs to publish standard ‘pay-as-you-go’ terms (based on charges for recovery of reasonable costs) for data which they would be required to make open to all parties	Consultation released May 2024. Amendment gazetted late 2024
Review and update DER information requirements captured and published in the registry database (eg, functionality, batteries, EV chargers), and/or on a new separate DER register	Mid 2024 delivery if registry amended (resource independent) Late 2024 – early 2025 (if a separate DER register is adopted).
Produce guidelines on conditional Code exemption process to support regulatory ‘sandboxes’ and trials	Commence September 2023 Release guidelines early 2024
Consult on bringing flexibility providers into the Code to improve visibility and coordination of NNS	Commence September 2023 Consult early 2024 Amendments September 2024
Produce guidance on threshold that when crossed will lead the Authority to extend the current arm’s-length rules	Commence February 2024 Release June 2024
Address the non-price barriers to the efficient connection of load	Commence September 2023 Issues paper April 2024 Decision paper mid 2025
Address the barriers to the efficient prioritisation by EDBs of large-scale DG connections	Commence September 2023 Issues paper April 2024 Decision paper mid 2025

Summary

The **data work is foundational** – it supports many of the things that are going to support the transition and the development of flexibility services

Support the use of trials and the visibility of guard rails designed to **promote competition, encourage innovation, increase certainty and benefits for consumers**

Connection processes and prioritisation issues **support uptake of electric vehicles and process heat electrification**, improve visibility and co-ordination with flexibility providers, and look to address issues with the prioritisation of distributed generation

Match work with our current understanding of the issues and capacity to deliver

Questions?

UPDATE ON

Compliance



Peter Kerr
Compliance Manager



Ginni Murray
Principal Advisor, Compliance

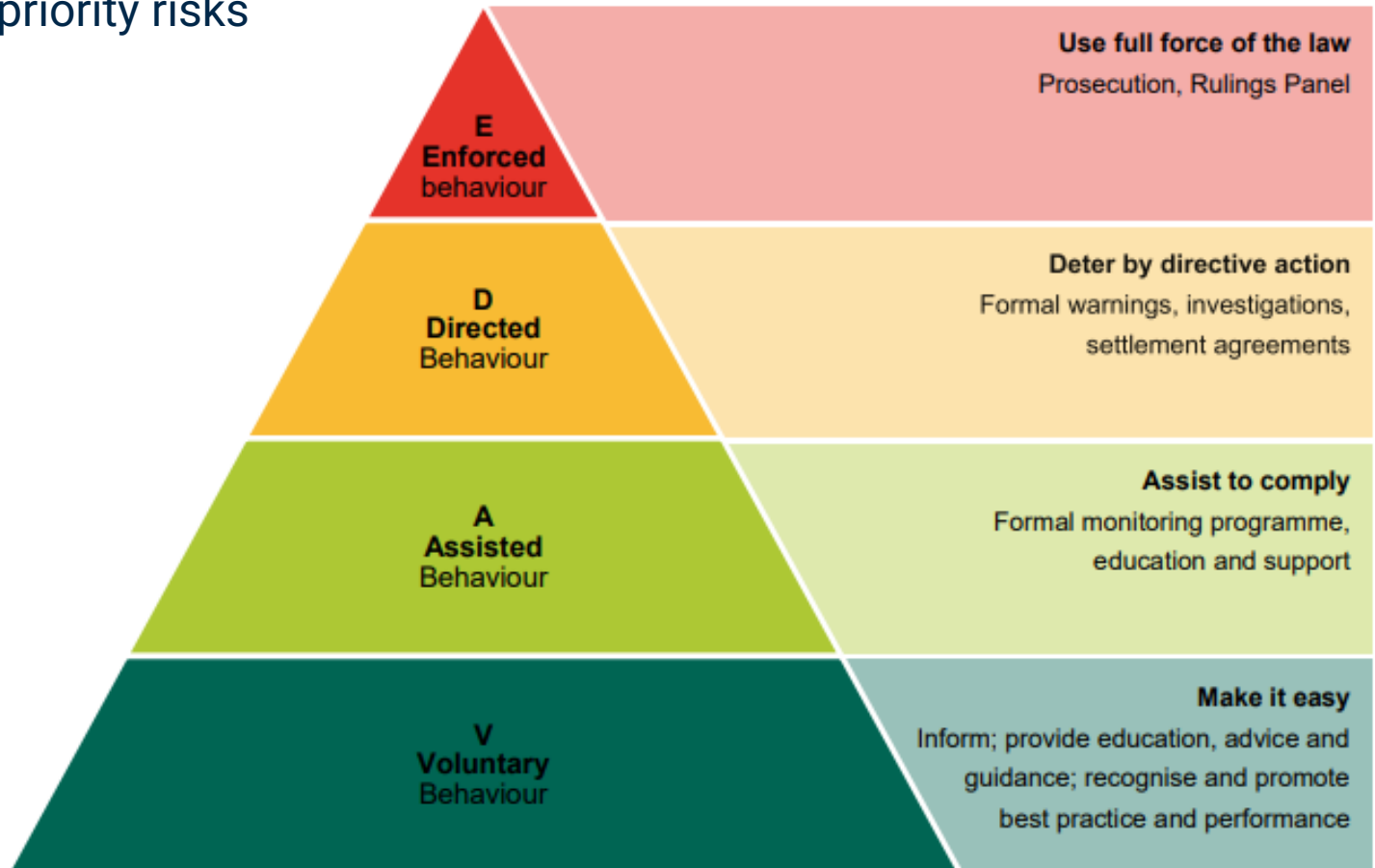
compliance@ea.govt.nz

Compliance strategy

Focus on most serious and highest priority risks

Guiding principles:

- Fairness
- Consistency
- Timeliness
- Transparency
- Targeted strategies
- Support good practice
- Intervention options



Compliance risk framework

How the Authority will proactively monitor compliance

Based on the level of harm from non-compliance and likelihood of undetected non-compliance

Initial shortlist of high-priority areas:

- Trading conduct
- Reasonable and prudent system operator
- AUFLS readiness
- Wholesale market information disclosure
- Risk management contract information disclosure
- Provision of internal transfer price information
- Distributor arm's length requirements
- Grid emergency planning

Education

Overview

- Compliance Education Programme FY23/24 – FY24/25

Your opportunity to be involved

- We're interested in collaborating with industry
- We're looking for stakeholders who are interested in providing their thoughts, opinions and feedback as the education programme is developed
- We want to ensure we deliver what is needed, when and in the format the industry wants

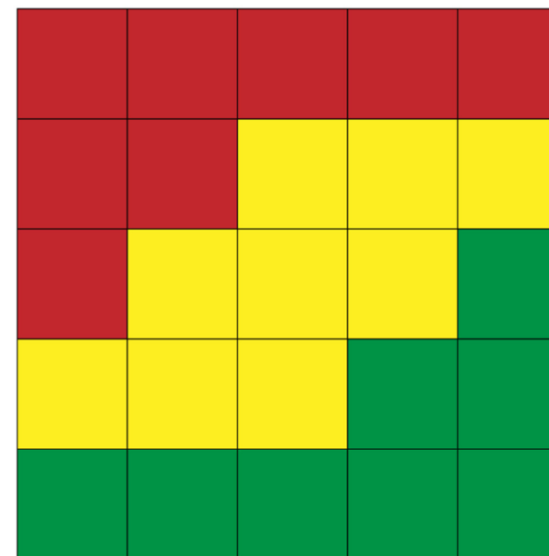
What topics are you interested in?

- We've identified a number of topics
- We're interested in your thoughts on what you want to see from us, when you would like it to be delivered and how

compliance@ea.govt.nz

Compliance survey

Value to you



Urgency for delivery

- Please complete a quick compliance survey we'll post in the chat to help us identify which topics to deliver.
- We want to see what topics will deliver the most "bang for buck" and how soon you think we should start to deliver these.

Compliance survey

What topics are you interested in?

- Compliance case studies
- Spot price risk disclosure
- Electricity Registry training
- The role of audits and auditors
- When new Code changes go live
- Exemptions
- Electricity Market Information website
- How to be a new entrant (for retailers and generators)
- Metering – the role of MEP and ATH
- Participant Register training
- Dispatch compliance
- Wind forecasting (FOGP)
- Grid emergency planning
- What else?

Questions?

compliance@ea.govt.nz

UPDATE ON

Market monitoring



Julia Hall
Principal Advisor, Monitoring

Market monitoring

Description of function

- Electricity Industry Act 2010: *“to undertake industry and market monitoring, and carry out and make publicly available reviews, studies, and inquiries into any matter relating to the electricity industry”*
- Track and monitor all aspects of the sector
- Provide regular statistics, reports, in-depth reviews and studies

Who we are

- Led by Doug Watt
- 2 engineers
- 8 quantitative analysts

Important things to know

Support other areas of the Authority, including Policy and Compliance

Market monitoring

Typical work

- Providing evidence of the scale and nature of problems
- Monitoring trading conduct provisions
- Regularly briefing: the organisation, senior leadership team, Board and Minister
- Providing evidence for Compliance necessary to make a decision
- Reviewing regulatory changes to look for lessons learnt
- Investigating what is happening in the market (competition, reliability, efficiency)
- Providing content for the website and accountability documents

Wholesale market update – significant happenings

- August really cold
- Nearly had a new record demand
(But we only had 1 CAN this quarter – more on this in next slide)
- New record wind generation and volatility – as Turitea came online
- Hydro storage kept going down, but rebounded towards the end of the quarter with spilling occurring in the South Island
- Significant unplanned generation outages and delays to new generation commissioning
- See our *Eye on electricity* article in our website news for our security of supply assessment over the coming months: [Security of supply while two thermal generators are on outage](#)

Review of low residual and insufficient generation events

- Improvement in use of notices - sent out earlier, giving participants more time to react
- Participants reacted to the notices by increasing reserve and energy offers where possible
- Demand was usually higher than forecast in 2022 and 2023 and residuals sometimes lower than forecast
BUT:
 - No escalation of events (except for extenuating circumstances such as equipment failures in 2022)
 - Demand and wind forecasts improved – meaning smaller changes in residuals (unlike in 2021 where demand was often quite a lot lower than forecast)
 - Discretionary demand was not cut for any events in 2023, and only for 2 events with extenuating circumstances in 2022
- Management has improved - but challenges remain

Investment pipeline survey update

- **Why are we doing this?**
 - Investment critical for the transition
 - Transparency and monitoring of potential generation projects, prospects of conversion into generation, and if there are any impediments to investment
 - Changes occurring rapidly
- **Have met with:**
 - Independent developers
 - Advisors
 - Electricity distribution businesses
- **Next up:** gentailers (this month)
- **Results:** will be presented to our Board in November, then published

What would you like to hear more of from the Monitoring team?

1. General wholesale market update

Similar to the System Operator Energy Forums – based on our quarterly reviews

So spend longer on this

OR

2. Bespoke updates

With anything significant that has happened in the market

So shorter and more focused

Questions?

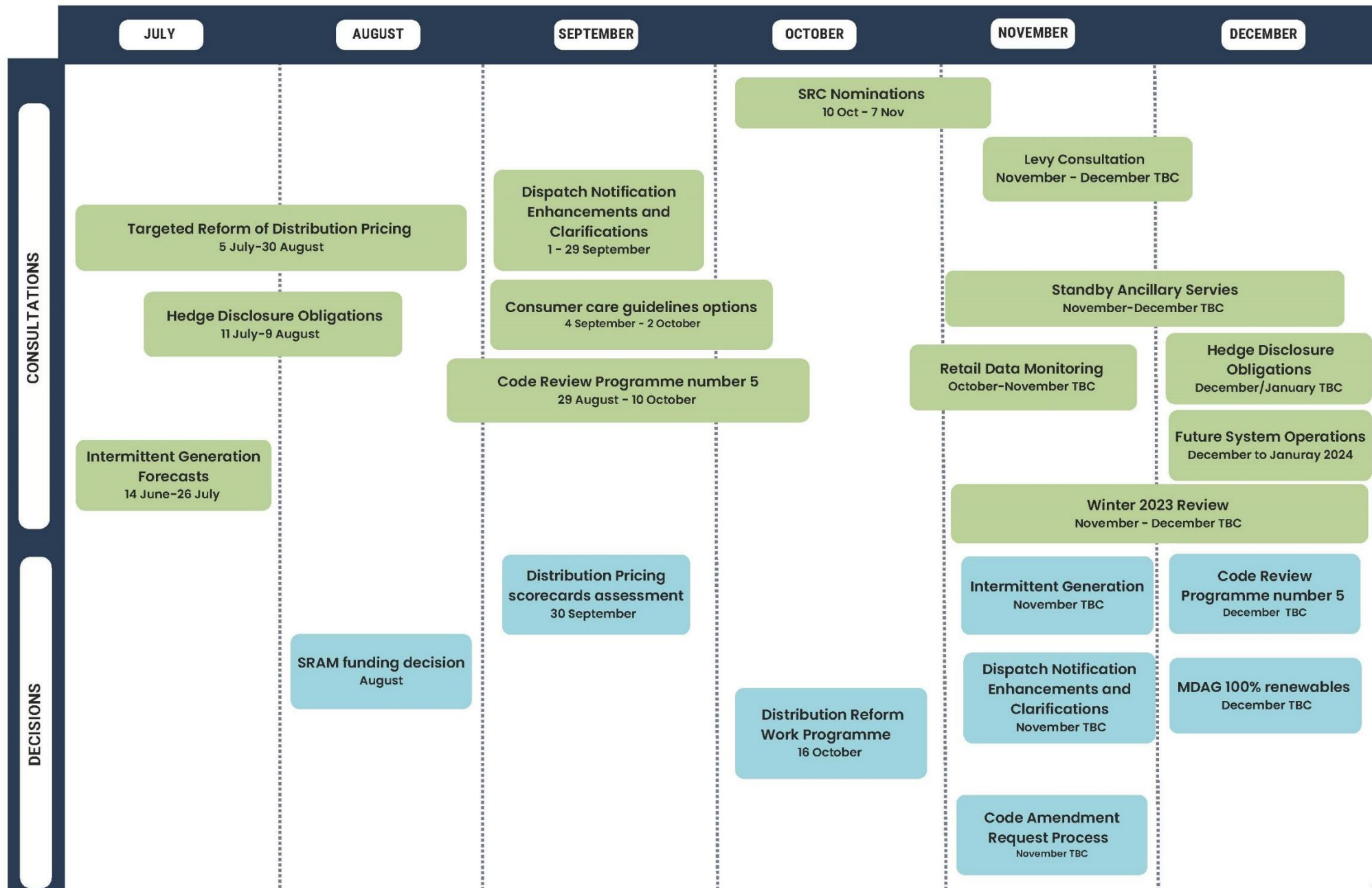
UPDATE ON

Forward view – the next quarter



Chris Otton
Manager, Market Policy

Consultation calendar 2023





Q & A

He Karakia Whakakapi

Kia whakairia te tapu

Restrictions are moved aside

Kia wātea ai te ara

So the pathways is clear

Kia turuki whakataha ai

To return to everyday activities

Kia turuki whakataha ai

Haumi e. Hui e. Tāiki e!

Ngā mihi!



Join us for our next
QUARTERLY UPDATE
January 2024



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