

**ELECTRICITY  
AUTHORITY**  
TE MANA HIKO



# QUARTERLY UPDATE

Electricity Authority Te Mana Hiko

10 October 2024

# What we'll cover today

## Agenda

1. **Update from our Chief Executive** – Sarah Gillies
  2. **Task Force work programme** – Rob Bernau
  3. **Implementation of the Market Development Advisory Group recommendations** - Paul Sullivan
  4. **Meet the Chair of the Electricity Authority Advisory Group**  
– Jamie Silk
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1. **Power Innovation Pathway** – Mark Herring
  2. **Industry training programme** – Ginni Murray
  3. **Calendar view for the next quarter** – Chris Otton

# Update from our Chief Executive



**Sarah Gillies**







# Update from our Chief Executive

- Quarter with marked by significant developments for the sector and the Authority.
- Key milestones
  - Northland review
  - Stress on wholesale market
  - Energy Competition Task Force







# Aligning our work programme to strategic outcomes

## Vision:

Consumers have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper

Strategic outcome	Priority workstream	
<b>Affordable</b> Consumers have simple, stable options to access to affordable electricity. They can choose their electricity supplier(s) from a competitive and efficient market.		Effective competition
		Consumer care and affordability
<b>Efficient</b> Consumers can access an electricity system with a mix of renewable generation, storage and technologies that best fits their needs.		Accurate and efficient pricing
		Innovation and distributed energy
<b>Secure and resilient</b> Consumers have trust and confidence in their energy supply. It's reliable, secure and responsive to shocks		Effective risk management
		Regional resilience

# Priority initiatives

Strategic outcome		Priority workstream	Priority initiatives
<p><b>Affordable</b> Consumers have simple, stable options to access to affordable electricity. They can choose their electricity supplier(s) from a competitive and efficient market.</p>		Effective competition	<ul style="list-style-type: none"> <li>• <b>Power purchasing agreement firming – Task Force measure 1A</b></li> <li>• <b>Standardised flexibility products – Task Force measure 1B</b></li> <li>• <b>Develop and publish an outline of virtual disaggregation – Task Force measure 1C</b></li> <li>• <b>Level playing field measures – Task Force Measure 1D</b></li> <li>• <b>Digitisation work programme</b></li> <li>• <b>Multiple trading relationships and the switch review process</b></li> </ul>
		Consumer care and affordability	<ul style="list-style-type: none"> <li>• <b>Retail data monitoring</b></li> <li>• <b>Mandating the consumer Care Guidelines</b></li> </ul>
<p><b>Efficient</b> Consumers can access an electricity system with a mix of renewable generation, storage and technologies that best fits their needs.</p>		Accurate and efficient pricing	<ul style="list-style-type: none"> <li>• <b>Distribution peak injection tariffs – Task Force measure 2A</b></li> <li>• <b>Time-varying retail feed-in tariffs – Task Force measure 2B</b></li> <li>• <b>Time-varying retail pricing – Task Force measure 2C</b></li> <li>• <b>Price barriers to efficient connection of distribution networks</b></li> </ul>
		Innovation and distributed energy	<ul style="list-style-type: none"> <li>• <b>Non- price barriers to efficient connection of large capacity load to distribution networks</b></li> <li>• <b>Future security and resilience – review of Part 8 of the Code</b></li> </ul>
<p><b>Secure and resilient</b> Consumers have trust and confidence in their energy supply. It's reliable, secure and responsive to shocks</p>		Effective risk management	<ul style="list-style-type: none"> <li>• <b>Industry demand response – Task Force measure 2D</b></li> <li>• <b>Review of market making</b></li> <li>• <b>Risk management review</b></li> <li>• <b>System operator service provider agreement renewal</b></li> <li>• <b>Outage co-ordination enhancements – enhancing SO's ability to co-ordinate assets outages</b></li> <li>• <b>Thermal fuel disclosures</b></li> <li>• <b>Scarcity pricing review – review the operational implementation of scarcity pricing</b></li> </ul>
		Regional resilience	<ul style="list-style-type: none"> <li>• <b>Review of distributor involvement in generation – Part 6A arm's length rules</b></li> <li>• <b>Power innovation Pathway</b></li> </ul>

# Electricity Authority Priority Initiatives Calendar 2024-2025

Workstream key	October 2024	November 2024	December 2024	January 2025	February 2025	March 2025
Effective Competition	Standardised flexibility products co-design (MDAG 8) <i>Task force measure 1B</i>			Standardised flexibility products initial voluntary trading (MDAG 8) <i>Task force measure 1B</i>	Develop and publish virtual disaggregation outline <i>Task force measure 1C</i>	Multiple trading relations and switching consultation
Effective risk management	Retail data monitoring: Amended information notice and updated analysis consultation	Mandate the Consumer Care Guidelines decision		Power purchase agreement firming working paper published for feedback <i>Task force measure 1A</i>	Level playing field options published <i>Task force measure 1D</i>	Digitalisation consultation
Accurate and efficient pricing	Future security and resilience: Part 8 common quality requirements review consultation			Mandatory Consumer Care Guidelines come into force	Retail data monitoring: Amended information notice and updated analysis decision	Non-price barriers to efficient connection of large capacity load to distribution networks decision
Consumer care and affordability	Non-price barriers to efficient connection of large capacity load to distribution networks consultation			Combined consultations on: Distribution peak Injection tariffs - <i>Task force measure 2A</i> Time-varying retail feed-in tariffs - <i>Task force measure 2B</i> Time-varying retail pricing - <i>Task force measure 2C</i>		System operator service provider agreement renewal - contract signing
Innovation and distribution energy	Price barriers to efficient connection to distribution networks consultation	Risk management review consultation				Outage co-ordination enhancements decision
Regional resilience	Outage co-ordination enhancements consultation	Thermal disclosures decision				Review of market marking decision
	Scarcity pricing review consultation	Power Innovation Pathway supported projects confirmed		Review of market consultation		Scarcity pricing review decision
				Review of distributor involvement in generation (Part 6A arm's length rules) consultation		

*This calendar covers priority initiatives only. Dates are subject to change.*

# Energy Competition Task Force Work Programme



**Rob Bernau**  
Programme Lead



# Overview

The Task Force is working at speed to identify options to:

1. enable new generators and independent retailers to enter, and better compete in the market, and
2. provide more options for electricity consumers.

Our work is organised into two 'packages', with eight initiatives in total.

We are specifically considering the potential of these initiatives to have an impact next winter.

The Risk Management Review is progressing independently but will provide a robust evidence base for Task Force initiatives.

# Why this work is critical

## Package One

**1A: Consider requiring gentailers to offer firming for Power Purchase Agreements (PPAs):** supports increased investment in intermittent generation by providing long duration firming contracts, which enable developers to enter into PPAs.

**1B: Introduce standardised flexibility products:** promotes retail competition by increasing shaped hedge contact liquidity and competitiveness, which puts downward pressure on consumer prices. Industry co-design, with mandatory backstop design in parallel. (MDAG recommendations 8, 12 and 24 underway).

**1C: Prepare for virtual disaggregation of the flexible generation base:** a backstop if initiatives 1A and 1B are not effective in increasing liquidity, and competition (MDAG recommendation 31).

**1D: Investigate potential level playing field measures:** a backstop if other measures are not creating the change needed – levelling the playing field between gentailers, and non-integrated retailers and generators

## Package Two

**2A: Requiring distributors to pay a rebate when consumers export electricity at peak times:** drives faster uptake of demand flexibility (such as residential/small business rooftop solar and batteries) at the local level by better recognising the benefits of this export

**2B: Require all retailers to offer time-of-use pricing:** support consumer choice by giving them more control over their power costs; rewards shifting use to lower cost times.

**2C: Require retailers to better reward consumers for supplying power (feed in tariffs):** promotes faster uptake of demand flexibility by reflecting the value of the electricity exported at peak times.

**2D: Reward industrial consumers for providing short-term demand flexibility:** to ensures large users (industrials) are appropriately rewarded for the benefit their flexible use of electricity provides to the system.

# Task Force Programme

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Package 1	1A: PPAs				Working paper published for feedback			Consultation paper published		Code change decision	Industry responds
	1B: Standardised Flex	Industry codesign: Codesign group + EAAG subgroup			Market testing	Initial voluntary trading	Periodic liquidity assessment				
	1C: Virtual disaggregation			EAAG input			Outline published <sup>1</sup>				
	1D: Level playing field measures				Initial views		Options published <sup>1</sup>				
Package 2	2A: Cost-reflective distribution export tariffs	EAAG input								Code change decision	Industry responds
	2B: Time-varying retail pricing						Combined consultation papers published			Code change decision	
	2C: Time-varying retail feed-in pricing	EAAG input								Code change decision	
	2D: Short-term flexibility revenue <sup>2</sup>							Consultation (if required) <sup>3</sup>		Code change decision (if required)	

1. There will be opportunity to provide feedback on the outline
2. Indicative timeline
3. Consultation may not be required if a Code change is not needed

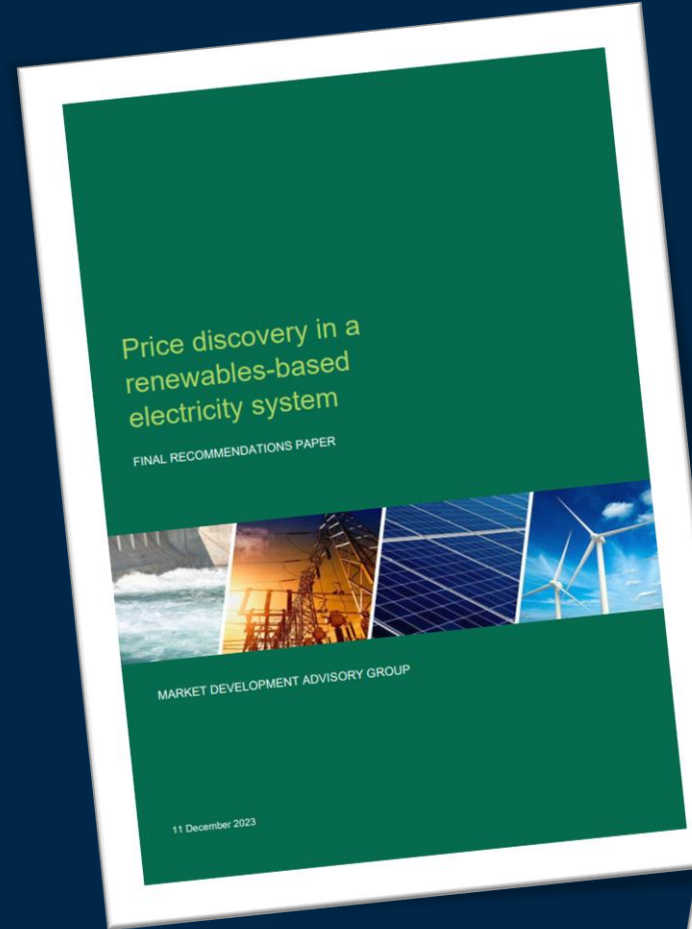
# Implementing the recommendations of the Market Development Advisory Group (MDAG)



**Paul Sullivan**  
Principal Advisor, Market Policy

# Final recommendations

- MDAG’s final recommendations report in December 2023.
- 31 recommendations spread across three tranches (in order of priority).
- The recommendations focused on:
  - accurate and efficient pricing
  - tools and incentives to manage risk
  - sufficient competition
  - public confidence



Number	Name	Key action	Accurate pricing (Price discovery)	Tools (to manage risk)	Competition	Public confidence	Responsible party	Options Paper stage	Comments to Options Paper
<b>RANCHE 1</b>									
1	Short term forecasts	Improve short term forecasts of wind, solar, and demand	✓						
2	Hedge market transparency	Improve transparency of hedge info (especially non-base load) covering offers, bids and agreed prices	✓				Authority (in progress)	A1	
3	DSF activity monitoring	Monitor provision and uptake of DSF, rewarding activity (including tariffs)	✓				Authority (in progress)	B1 B2	
4	Pricing to optimise distribution investment	Use Part 4 regime to require distribution pricing signals for DSF	✓				Authority (in progress)	C1	
5	Price-driven secure distribution dispatch	Develop design and trial tools to enable economic dispatch on the distribution network	✓				Authority and Commerce Commission	C11	
6	New reserve product	Develop new reserve product to cover sudden reduction from intermittent sources	✓				Authority for concept design then common good EDB trials	C12	A longer term solution is required for coordination on distribution networks. This is a new measure arising from consideration of Option C12.
7	Stress testing	Strengthen existing stress testing regime	✓				Authority (in progress)	A4	
8	New flexibility products (standardised)	Develop standardised flexibility products (including DSF)	✓				Authority	B4	
9	Contract process disclosure rules	Develop rules requiring disclosure of process steps by parties negotiating OTC contracts	✓				Industry co-design with Authority as backstop	B5 C4	B5 and C4 were previously separate measures. Now integrated into common standardised products
							Authority with stakeholder input	B6 B3	

● SUPPORTED IN OPTIONS PAPER   
 ● PARTIALLY SUPPORTED IN OPTIONS PAPER   
 ● NOT SUPPORTED IN OPTIONS PAPER

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# Q1 and Q2 progress

MDAG's highest priority measures are incorporated into our 2024/25 work programme.

Work is currently underway on 19 of the 31 measures, following the sequential process outlined recommended by MDAG.

By implementing the MDAG recommendations, we are laying the groundwork for **Market 2.0**, to ensure that:

- The electricity market is strengthened, to give consumers more choices
- Investment in new generation is competitively priced
- Regional resilience is enhanced.

# Recent progress

The Authority has **progressed all Tranche 1 and many Tranche 2** recommendations.

In the **past quarter** we have progressed two Task Force related workstreams:

- Standardised flexibility products (Rec 8)
- Outline of virtual disaggregation (Rec 13)

We have **completed the policy work** – and are preparing the implementation of:

- Intermittent generation (Rec 1)
- Hedge Disclosure Obligations (Rec 2)

There is work underway on **many other initiatives**; one of note is information on the development pipeline (Rec 17).

# Publicly updating on progress

- We publish an update on its progress in the form of a **dashboard** with accompanying key messages.
- The **first of these updates**, covering April to June 2024, was published in July 2024.
- The second update covers July to September 2024.
- We will be publishing this dashboard again in October / November.



# Meet the Chair of the Electricity Authority Advisory Group



**Jamie Silk**  
Chair

## Role of the Electricity Authority

- Our advisory groups play a key role in providing **independent advice** to the Authority.
- The **Electricity Authority Advisory Group** represents something new for the Authority.
- Established earlier this year with the purpose of bringing **independent thinking, diverse voices and advice** to the Electricity Authority's programmes of work.
- Providing input on more obvious things like proposals for Code amendments and regulatory adjustments, but also **challenging the Authority's ideas and approaches**.
- It offers us a **more frequent, agile and versatile** way of seeking early, direct and well-informed, feedback and advise from a range of stakeholder perspectives.

# Advisory Group Members

**Jamie Silk (Chair)**

**Jeremy Adamson**

**Paul Baker**

**Karen Boyes**

**Karleen Broughton**

**Huia Burt**

**Joel Cook**

**Margaret Cooney**

**Sam Fleming**

**Steve Graham**

**Darren Gilchrist**

**Tui Gilling**

**Liz Kilduff**

**Deborah Hart**

**John Hancock**

**Jason Larkin**

**Pauline Martin**

**Rebecca Mehrtens**

**Miranda Struthers**

**Kennie Tsui**

**James Tipping**

**Mike Underhill**

**Ryno Vester**

**Fiona Wiseman**

**Jessica Walker**

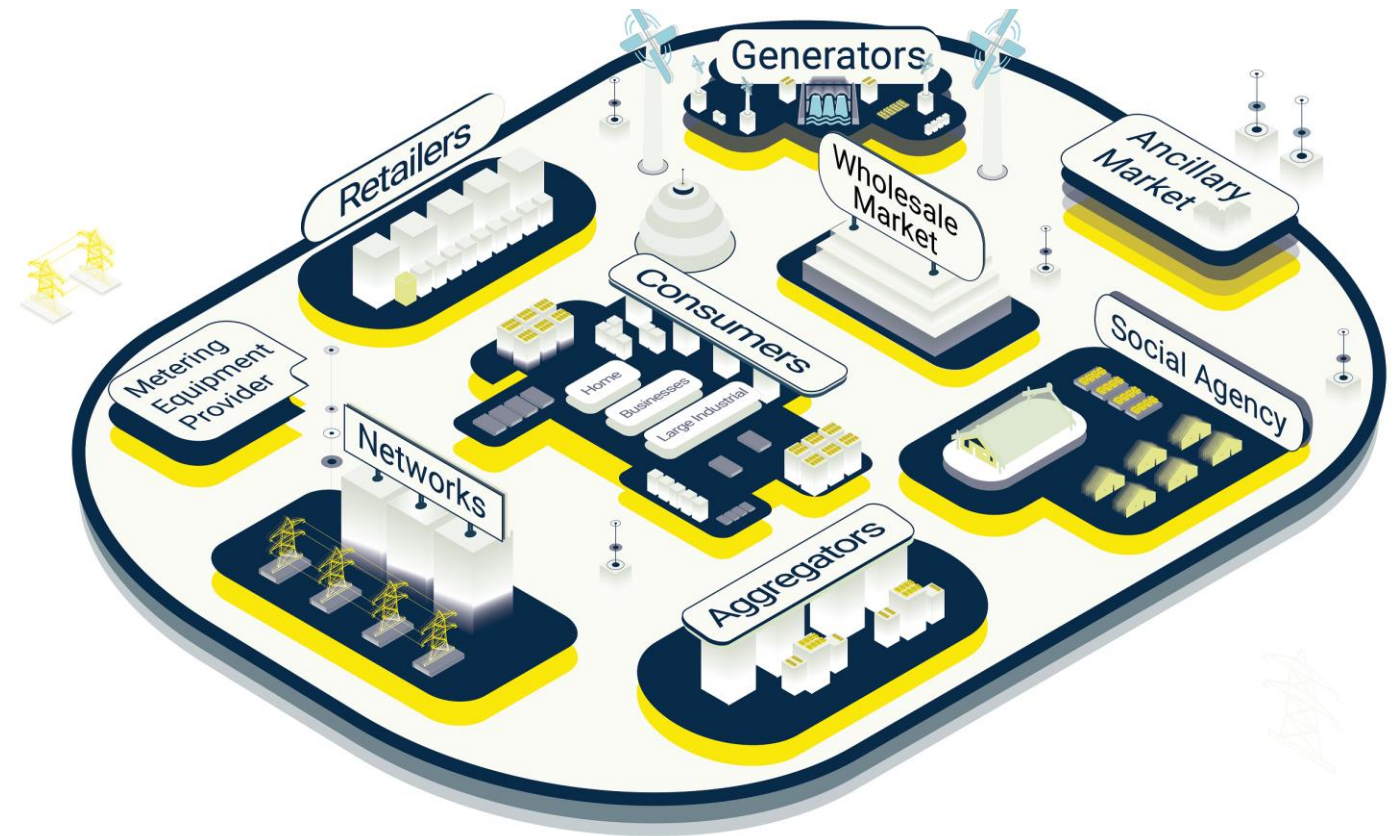
# Power Innovation Pathway



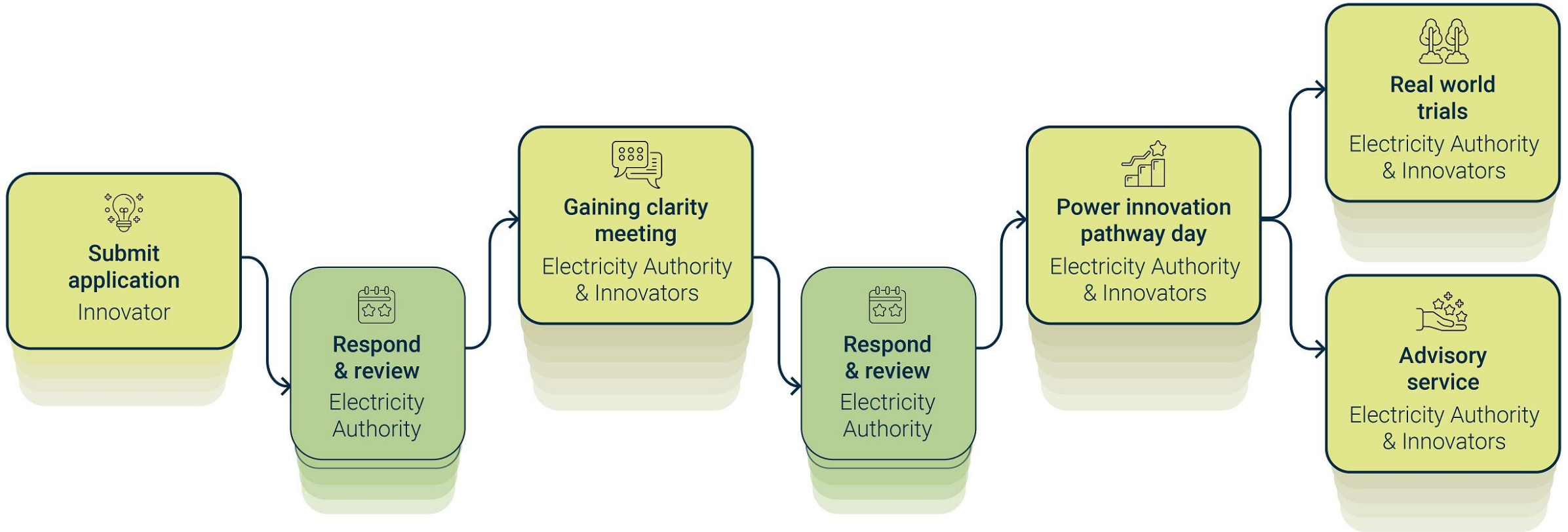
**Mark Herring**  
**GM Corporate Market Services**

# Power Innovation Pathway

Mark Herring  
GM Corporate and  
Market Services



# How the Power Innovation Pathway works



# Benefits for innovators and the electricity industry



**Submissions received by  
18 October 2024  
will be prioritised for additional  
support, pilots, or trials**



# Industry education and compliance update



**Ginni Murray**  
**Principal Compliance Advisor**

# Education programme

## Overview

- Compliance Education Programme
- Being rolled out through FY23/24 – FY 24/25
- Results are based on feedback received and two surveys

## What has been delivered

- Auditors Forum and the MEP & ATH Forum
- Published case studies and guidance, more is to come
- Electricity Information Exchange Protocols 5A Webinar
- Online Q&A session between the Auditors and the Registry Manager

## What is coming up

- Registry Managers Training, Auckland – 26 -27 November (2 days)
- If interested email us at - **[compliance@ea.govt.nz](mailto:compliance@ea.govt.nz)**

# Case studies

## Published

- *Code Obligation to meet deadline for payment of cleared funds*
- *Saves and win-backs*
- *Resource persistence forecasting interpretation*

## Upcoming publications

- *Offer changes within the gate closure period*
- *Submission of incorrect reconciliation volumes to the reconciliation process*
- *Requirement to provide information to the reconciliation manager*
- *Participant and agent arrangements and obligations regarding clause 15.2(1)(a)*

# Guidance

## Published

- *Guideline for dispatchable load instructions*
- *Pricing Error Claims*
- *Update on compliance trends and outcomes*
- *Spot price risk disclosure statements*
- *Non-compliance themes reports*
- *Resource persistence forecasting interpretation*
- *Dispatchable Load Purchaser Audits*

## Upcoming publications

- *Spot price risk disclosure*
- *Saves and win-backs*
- *Pricing Error Claims*
- *Requirement to provide information to the reconciliation manager*
- *Guidance on the new Audit portal*

# Consumer Care Obligations

## Authority website

- *A landing page on the Authority website targeted at both consumers and retailers with resources*

## Industry Webinars

- *9 December, 2.30pm*
- *12 December, 10.00am*

# Forward view of the next quarter

# Electricity Authority Priority Initiatives Calendar 2024-2025

**Workstream key**

Effective Competition
Effective risk management
Accurate and efficient pricing
Consumer care and affordability
Innovation and distribution energy
Regional resilience

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# Ngā mihi!



Join us for our next  
**QUARTERLY UPDATE**  
December 2024