

FN-24-19 Fortnightly report 25 October 2024

This report summarises items that may be of interest to the Minister for Energy but not necessarily require a formal briefing. Further information on any topic can be provided on request. Substantive items and decision papers will be provided to the Minister in the form of briefings.

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Mobile: s9(2)(a)

1. Current and upcoming publications and advice

Strategic outcome(s)	Title	Purpose	Action and timing
Security and resilience: <i>Effective risk management</i>	Consultation: Update to scarcity pricing settings	To seek feedback on the Authority's proposal to update scarcity pricing settings in the wholesale market. The updated settings will ensure consumer expectations for security of supply are better reflected in the wholesale market. It will also ensure that the market sends stronger and more reliable pricing signals for investment in flexible generation and demand side resources.	Intended publication: 1 November 2024
Security and resilience: <i>Regional resilience</i>	[REDACTED]	[REDACTED]	s9(2)(f)(iv) [REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]

		<p>s9(2)(f)(iv)</p> <p>[Redacted]</p>	
<p>Affordability: <i>Effective competition</i></p>	<p>Market Development Advisory Group quarterly implementation update July to September 2024</p>	<p>Second quarterly dashboard of progress implementing the Market Development Advisory Group's 31 recommendations.</p>	<p>Published 22 October 2024</p>

2. Consultations underway

Strategic outcome(s)	Title	Purpose	Action and timing
Efficient: <i>Innovation and distributed energy</i>	Consultation: Part 8 Common quality requirements review	We're seeking feedback on: <ul style="list-style-type: none"> • Short-listed options to improve the common quality information available to network operators and owners about assets that are looking to connect to electricity networks • Proposed Code amendments to better enable emerging technologies to be used in New Zealand's electricity sector. 	Consultation closes: 12 November 2024
Security and resilience	Review of forecasting provisions for intermittent generators	Seeking feedback on proposed changes to the Code to give effect to a hybrid forecasting arrangement. The proposed amendments will require intermittent generators to change their offer practices to align with what is currently considered good practice – such as revising offers to reflect the latest forecast.	Consultation closes: 15 November 2024

3. Upcoming Electricity Industry Participation Code amendments

The following table has Electricity Industry Participation Code amendments that need to be presented to the House by the Minister's office **within 20 working days** following the date on which it is made.

Tracking number	Name	Date made	Date of Gazette notification	Date in force	Due date for presentation to the House
	None				

4. Key external engagements

- CEO Electricity Forum: 30 October
- Consumer wānanga: 31 October
- MBIE/EA/Commerce Commission meeting: 31 October
- Northland Corporate Group: 5 November
- Russell McVeagh Renewable Energy Discussion: 6 November
- Australasian Utilities Regulators Forum Adelaide (attending online): 8 November


5. Security of supply planning for 2025

- 5.1 In 2024 the power system experienced very high wholesale prices due to a sequence of unusually low hydro inflows, low gas production and greater reliance on coal than previously. Wholesale prices began increasing with a significant increase from the start of August to a weekly average of over \$800 MWh.
- 5.2 Generators failed to implement contingency plans in sufficient time. This likely resulted in higher prices for consumers than necessary. This in turn undermined public confidence in the market arrangements and resulted in unhedged businesses suffering financial stress and exiting.
- 5.3 Contingency plans include fuel purchase decisions, and contractual arrangements that underwrite fuel purchase decisions.
- 5.4 Examples include:
- a) Coal purchase plans
 - b) Gas purchase plans
 - c) Gas purchase contingency plans
 - d) Plant availability
 - e) Swaption arrangements
 - f) Tolling arrangements
 - g) Demand response arrangements.

We will require this information from generators

- 5.5 On 25 October the Authority issued section 46 notices to generators requiring them to provide us with their contingency plans for 2025.

We will use this information for monitoring and reporting of security of supply in 2025 and to improve generator accountability for forward planning

- 5.6 We are proactively requiring information relating to generators' contingency arrangements for 2025 to support our monitoring of security of supply and the risks of any energy shortage situation arising. The information provided will support a more sophisticated approach to assessing the overall resilience of the energy system, including whether further regulatory actions are required. This will ensure that appropriate measures are put in place and help mitigate the risk of sustained high prices in 2025.
- 5.7 s9(2)(g)(i) 
- 5.8 In addition, the information will inform the Authority as to whether further regulation is necessary. An example of the kind of regulation we could consider would be to require generators to have contingency arrangements in place prior to winter each year. This would effectively impose an energy security margin on generators.

- 5.9 With this information we will be able brief you on the winter outlook and the information can better inform accountability discussions with generators.
- 5.10 This action is consistent with expectations set out in the Government Policy Statement around ensuring that all information relevant to the supply and demand outlook (including risks) is up to date, comprehensive, collated and presented in an integrated manner.

Amendments to section 46 of the Act to require information from non-participants

- 5.11 The Authority's section 18 report into the 20 June Northland tower collapse highlighted the need for a review by MBIE of the Authority's information gathering powers under section 46 of the Act. The Authority needs to have the necessary tools to effectively perform its functions, including the power to require information from non-participants.
- 5.12 The information gathering powers in section 46 are critical to the Authority's effective performance of its functions, and the limitations on our powers have wider implications beyond the issues identified in the section 18 report.
- 5.13 Currently, the Authority does not have the ability to require information from non-participants, such as gas suppliers. Those entities may hold information that is relevant to security of supply. The Authority can and has required information from participants who contract for gas however, this approach is limited. Relying solely on participants who contract for gas (or other thermal fuel) is less efficient and may result in incomplete or less accurate data, which undermines the Authority's ability to monitor security of supply.
- 5.14 Amending s46 of the Act to allow the Authority to require information from non-participants is consistent with other regulators' powers, for example section 98 of the Commerce Act 1986 which enables the Commerce Commission to compel "any person" to provide information to the Commission where "necessary and desirable for the purposes of carrying out [any of] its functions and exercising its powers under the [Commerce] Act"
- 5.15 The Authority has requested MBIE consider these amendments as part of the proposed amendments to the Electricity Industry Act 2010.