

## **FN-24-21 Fortnightly report 22 November 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.

**Electricity Authority contact:** Sarah Gillies, Chief Executive

**Mobile:** s9(2)(a)

## 1. Current and upcoming publications and advice

Decision: Implement amendments to improve outage coordination	
<b>Strategic outcome</b>	Secure and resilient: <i>Effective risk management</i>
<b>Purpose</b>	<p>During winter 2024, generators rescheduled maintenance outages in response to the low hydro storage situation. It is possible that some of these outages will be rescheduled to early 2025 to enable generation to be available through the following autumn and winter.</p> <p>This paper describes the first steps to improve outage coordination which we aim to implement quickly, in time for January 2025. We will then review their impact and investigate any further issues that may need to be addressed. If further changes are needed, these will be consulted on in 2025</p>
<b>Action and timing</b>	Intended publication: 3 December 2024
Decision: Improving visibility of generation investment	
<b>Strategic outcome</b>	Secure and resilient: <i>Security of supply</i>
<b>Purpose</b>	To issue two information requests to collect and publish more comprehensive information about new generation and demand investment
<b>Action and timing</b>	<p>Board approved: 19 November 2024</p> <p>Ministerial Briefing (BR-24-0040): 21 November 2024</p> <p>Intended publication: early December 2024</p>

## 2. Consultations underway

Update to scarcity price settings	
<b>Strategic outcome</b>	Secure and resilient: <i>Effective risk management</i>
<b>Purpose</b>	The Authority is proposing to amend the Code to better reflect consumer expectations that power cuts should not occur while there is generation capacity available for dispatch, better reflect the high cost of involuntary demand reduction on consumers and businesses and improve price signal during periods of scarcity.
<b>Action and timing</b>	Consultation closes: 29 November 2024

### Distribution connection pricing proposed Code amendment

<b>Strategic outcome</b>	Efficient: <i>Accurate and efficient pricing</i>
<b>Purpose</b>	The Authority is seeking feedback on our proposal to develop rules that make it easier for electrified businesses and infrastructure to get up and running and deliver good outcomes for consumers, the economy and the market.
<b>Action and timing</b>	Consultation closes: 6 December 2024

### Network connections project- stage one

<b>Strategic outcome</b>	Efficient: <i>Innovation and distributed energy</i>
<b>Purpose</b>	The Authority is proposing to amend the Code to remove barriers and create efficiencies in the application process for connecting distributed generation (eg, solar farms) and large load (eg, industrial plants) to networks. These changes aim to make connecting to the network easier, faster, more equitable and more consistent across New Zealand.
<b>Action and timing</b>	Consultation closes: 6 December 2024

### Reviewing risk management options for electricity retailers

<b>Strategic outcome</b>	Affordable: <i>Effective competition</i>
<b>Purpose</b>	This issues paper sets out the Authority's preliminary findings from a review into risk management to test whether the availability of over-the-counter risk management contracts, in the context of other risk management options, is creating a barrier to entry or expansion in the retail electricity market, and therefore harming competition. The Authority is seeking feedback on the findings of this issue paper and any further evidence that could address any of the areas of uncertainty that we have set out in the paper.
<b>Action and timing</b>	Consultation closes: 18 December 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

### 4. Key external engagements

- GIC meeting: 25 November
- DPMC meeting: 26 November
- Murihiku Regeneration- Energy and Innovation Expo: 27-28 November
- Power Innovation Pathway breakfast event: 27 November
- Australian Energy Regulator meeting: 3 December
- CE Flexibility Group meeting: 3 December
- Zero Bill Open Home, Octopus Energy hosted event: 3 December
- Transpower: 4 December
- Energy Research Consortium steering committee: 4 December
- Gas Security Response Group: 6 December
- Energy Collective: 13 December

### 5. Ministerial engagements

- Minister for Energy meeting with Electricity Authority Board Chair: 11 December
- Minister for Energy monthly meeting: 11 December
- Industry Winter 2025 meeting: 11 December
- Energy Competition Task Force meeting: 18 December

## 6. Energy Competition Task Force update

The Task Force programme is progressing at-pace and in line with the update provided at the 4 November meeting.

Our recent call for stakeholder input into Initiative 1D: Level playing field measures s9(2)(f)(iv)

On 5 November the Task Force hosted a Q&A webinar for market participants that attracted 70+ attendees. Feedback from participants was overwhelmingly positive and a second Q&A is scheduled for 20 November. Questions and answers from these sessions will be published on the Task Force web page.

The Task Force is currently developing consultation papers for 2A, 2B and 2C, and papers for 1A, 1C, 1D and 2D. Working drafts will be shared with Commerce Commission and MBIE in the coming weeks, ahead of the Authority December Board meeting.

### Package One progress update and next steps

Initiative	Progress to-date	Next steps	Implementation
<b>1A: Consider requiring gentailers to offer firming for PPAs:</b> Gentailers would be required to offer a minimum volume of flexible electricity in the form of long-duration contracts that could be used to firm new generators' Power Purchase Agreements	<ul style="list-style-type: none"> <li>Engaging with industry to better understand NZ PPA landscape / problem definition (four gentailers; new generators; MEUG)</li> <li>Drafting working paper, including considering international experience</li> </ul>	s9(2)(f)(iv)	Q2, 2025
<b>1B: Introduce standardised flexibility products:</b> Developing over-the-counter flexibility products that provide retailers and industrials buying on the wholesale market	<ul style="list-style-type: none"> <li>Industry co-design group has short-listed products for trading</li> <li>The Electricity Authority Advisory Group (EAAG) subgroup continues</li> </ul>		Initial trading begins early 2025

with protection against high spot prices at specific times	to provide expert peer review of co-design every fortnight		
<b>1C: Prepare for virtual disaggregation of the flexible generation base (backstop measure):</b> Designing rules that would require gentailers to offer a share of their flexible generation base to buyers on the wholesale market in the form of risk management contracts	<ul style="list-style-type: none"> <li>Engagement with EAAG on approach and design</li> <li>Refining trigger and auction process</li> </ul>	s9(2)(a)	Publish backstop February 2025
<b>1D: Investigate level playing field measures (backstop measure):</b> Investigating what measures are appropriate, risks and possible triggers	<ul style="list-style-type: none"> <li>Responses to call for stakeholder input received – s9(2)(f)(iv)</li> <li>Engagement with Ofgem re applicability of UK approach to NZ market</li> <li>Option and trigger development – includes ensuring an option that can be deployed and implemented at speed, a clear and timely regulatory response if we are not seeing a shift on market outcomes.</li> </ul>		

## Package Two progress update and next steps

Initiative	Progress to-date	• Next steps	Implementation
<p><b>Consumer-focused initiatives:</b></p> <p><b>2A: Cost-reflective distribution export tariffs:</b> Distributors would be required to pay a rebate when consumers export surplus energy back into the system at peak times</p> <p><b>2B: Time-varying retail pricing:</b> Requiring retailers to offer time-of-use pricing plans to shift electricity demand to times when it is cheaper and more abundant</p> <p><b>2C: Time-varying retail feed-in pricing:</b> Better rewards for consumers who export electricity onto the network at peak times</p>	<ul style="list-style-type: none"> <li>• Further engagement with sector through EAAG</li> <li>• Data request to retailers (existing tariff options) Incorporating early stakeholder feedback into draft consultation papers being prepared for review by the Commerce Commission, MBIE and EAAG.</li> </ul>	<p>s9(2)(f)(iv)</p>	<p>Decision on Code change in mid-2025</p>
<p><b>2D: Reward industrial consumers for providing short-term demand flexibility:</b> Financial incentives for short-term industrial demand flexibility, identifying gaps in existing arrangements</p>	<ul style="list-style-type: none"> <li>• Review of international practice completed</li> <li>• Initial MEUG engagement: follow-up workshop week on 18/11</li> </ul>		<p>Decision in mid-2025, implementation to be negotiated with System Operator</p>