

## **FN-24-22 Fortnightly report 6 December 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

Market performance quarterly review: April-June 2024	
<b>Strategic outcome</b>	Efficient: <i>Innovation and distributed energy</i>
<b>Purpose</b>	This document is a review of the performance of New Zealand's energy market from 1 April to 30 June 2024. It aims to provide visibility of the monitoring of the market undertaken by the Authority during this period. This report also includes the six-monthly Structure Conduct Performance market review.
<b>Action and timing</b>	This report has been published on our website, <a href="#">Data and insights   Electricity Authority</a> .
Announcing SRC Security and Reliability Council members and independent Chair	
<b>Strategic outcome</b>	Secure and resilient: <i>Effective risk management</i>
<b>Purpose</b>	The Authority will appoint three members and one independent Chair to its Security and Reliability Council (SRC). These appointments will fill three existing vacancies in the SRC. They will commence on 1 April 2025 and have a term of three years.
<b>Action and timing</b>	We will announce the members and the independent Chair early in 2025.

## 2. Consultations underway

Consulting on our 2025/26 levy-funded appropriations	
<b>Strategic outcome</b>	Affordable: <i>Consumer care and affordability</i>
<b>Purpose</b>	The Authority is seeking feedback on our levy-funded appropriations for 2025/26, as well as our draft regulatory strategy and indicative work programme for 2025/26.
<b>Action and timing</b>	Consultation closes: 13 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

### Network connections project- stage one

<b>Strategic outcome</b>	Efficient: <i>Innovation and distributed energy</i>
<b>Purpose</b>	<p>The Authority has extended the consultation period for both of its consultations on network connections and pricing. It granted a 2-week extension for all submitters on the request of ENA and EEA. The submissions deadline is now 5pm on Monday 20 December, and industry has been informed. Cross submissions will close on Friday 24 January 2026.</p> <p>This project aims to address the barriers to efficient network connections. We want to make sure the Code supports fit-for-purpose application processes and standards, so networks operate efficiently, competitively and reliably.</p>
<b>Action and timing</b>	Consultation closes: 20 December 2024

### Distribution connection pricing proposed Code amendment

<b>Strategic outcome</b>	Efficient: <i>Accurate and efficient pricing</i>
<b>Purpose</b>	The Authority is developing rules to make it easier to get electrified businesses and infrastructure up and running.
<b>Action and timing</b>	Consultation closes: 20 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
EIPCA-24-0015	Updates to Registry Fields	3/09/2024	26/11/2024	1/08/2025	23/12/2024
EIPCA-24-0016	Transmission Pricing Methodology Related Amendments	25/11/2024	27/11/2024	1/04/2024	23/12/2024

### 4. Key external engagements

- Highview Power meeting: 11 December
- BEC Wellington Panel Discussion & Energy Sector Christmas Function: 11 December
- ENA December Board meeting: 12 December
- Energy Collective/EA Board meeting: 13 December
- Task Force and Energy Collective meeting: 13 December
- EA/MBIE/DPMC/GIC Scenario Planning: 19 December
- Energy Competition Task Force meeting: 20 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
- Minister and Associate Minister for Energy/Energy Competition Task Force meeting: 18 December

## 6. Energy Competition Task Force update

The Task Force programme has made significant progress against set timeframes and in line with the updates communicated in the 25 November meeting.

The Task Force hosted two Q&A Forums (online webinars) for market participants. The first on 5 November attracted 70+ attendees, the second on 20 November attracted 50 people. Feedback from participants was positive, noting many were seeking more substantive detail. Questions and answers from these sessions will be published on the Task Force web page.

### **Stakeholder engagement on the full work package:**

1. Initiative 1A: Engagement has informed the working paper development.
2. Initiative 1B: Industry co-design through a specific co-design group and an Electricity Authority Advisory Group (EAAG) sub-group is nearing completion.
3. Initiative 1C: We are continuing to engage with stakeholders through the Electricity Authority Advisory Group (EAAG) on preparing for virtual disaggregation of the flexible generation base (backstop measure).
4. Initiative 1D: We received 17 submissions from stakeholders from across the sector to help inform our work on level playing field measures. Consumer interests were represented through a submission by Consumer NZ. The feedback will be published on the Authority's website. The input received has largely confirmed the options we are considering.
5. Initiatives 2A, 2B and 2C package: We are engaging with stakeholders through the Electricity Authority Advisory Group (EAAG).
6. Initiative 2D: We are currently engaging with industry to better understand a range of issues around industrial demand response. This includes engagement with MEUG and flexibility providers.

The Commerce Commission chairs have also undertaken separate engagement with stakeholders as part of their ongoing industry engagement.

The Task Force is currently developing consultation papers for 2A, 2B and 2C, and a working paper for 1A, and outline paper for 1C, an options paper for 1D. Advice will also be provided to the Authority's Board on 2D, outlining the direction of travel until March. Working drafts of papers are being shared with Commerce Commission and MBIE, for feedback and endorsement, ahead of the Authority's 16<sup>th</sup> December Board meeting. Decisions from the Board meeting will be discussed at the joint Ministers meeting with Task Force chairs on 18 December 2024, with a short written update provided ahead of that meeting.

## Package One progress update and next steps

Initiative	Progress to-date	Next steps	Implementation
<p><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 (or ‘sleeve’) new generators’ Power Purchase Agreements</p>	<ul style="list-style-type: none"> <li>Working paper prepared on PPA headwinds, risks and opportunities, and intervention options.</li> </ul>	<ul style="list-style-type: none"> <li>Publish working paper in January 2025 for feedback.</li> <li>April 2025 consultation paper on options.</li> </ul>	Q2, 2025
<p><b>1B: Introduce standardised flexibility products:</b> Developing over-the-counter flexibility products that provide retailers and industrials buying on the wholesale market with protection against high spot prices at specific times</p>	<ul style="list-style-type: none"> <li>The industry co-design group has shortlisted products and is making its final decision on 11 December 2024. One of the shortlisted products is a super-peak hedge contract, which was highlighted in the Risk Management Review work.</li> <li>The Electricity Authority Advisory Group (EAAG) subgroup continues to provide expert peer review of co-design process.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed product communicated to sector in December via an online seminar and industry communications channels.</li> </ul>	Initial trading begins early 2025
<p><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. Design parameters include minimum volume, reserve price requirements, and auction rules, ultimately focused on price discovery and competitive access for non-vertically integrated participants, and large industrials.</p>	<ul style="list-style-type: none"> <li>Ongoing engagement with EAAG on approach and design.</li> <li>Settled recommendation on key design parameters for virtual disaggregation, following helpful engagement with EAAG.</li> </ul>	<ul style="list-style-type: none"> <li>An outline paper will be considered at the Authority’s 16 December Board meeting.</li> <li>s9(2)(f)(iv)</li> </ul>	Publish backstop outline in February 2025

<p><b>1D: Investigate level playing field measures (backstop measure):</b> Investigating what measures are appropriate, risks and possible triggers</p>	<ul style="list-style-type: none"> <li>• s9(2)(f)(iv) [Redacted]</li> </ul>	<ul style="list-style-type: none"> <li>• High level policy decisions will be made at the Authority's 16 December Board meeting</li> <li>• s9(2)(f)(iv) [Redacted]</li> </ul>	<p>Options paper in February 2025</p>
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**Package Two progress update and next steps**

Initiative	Progress to-date	Next steps	Implementation
<p><b>Consumer-focused initiatives:</b>  <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  <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  <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>• Incorporated feedback from the Electricity Authority Advisory Group into the consultations ahead of review by the Commerce Commission and MBIE.</li> <li>• Prepared full drafts of consultation papers to be considered by the Authority Board in December.</li> <li>• Discussed proposals with SEANZ, who are generally supportive.</li> </ul>	<ul style="list-style-type: none"> <li>• Three consultation papers will be considered at the Authority's 16 December Board meeting.</li> <li>• We will publish the three consultation papers as a package in February 2025.</li> </ul>	<p>Decision on Code change in mid-2025</p>
<p><b>2D: Reward industrial consumers for providing short-term demand flexibility:</b> Financial incentives</p>	<ul style="list-style-type: none"> <li>• We completed a review of international practice to ensure we had all plausible options for</li> </ul>	<ul style="list-style-type: none"> <li>• Options to be presented to the Authority's Board at 16 December meeting.</li> </ul>	<p>Decision in mid-2025</p>

<p>for short-term industrial demand flexibility, identifying gaps in existing arrangements</p>	<p>rewarding demand response in front of us.</p> <ul style="list-style-type: none"> <li>We engaged with industry, including MEUG and flexibility providers, to better understand their perspectives on what demand response they can offer, and why the wholesale market, ancillary services and bilateral contracts might not be offering the rewards they consider are needed to activate demand response.</li> </ul>	<ul style="list-style-type: none"> <li>s9(2)(f)(iv) [REDACTED]</li> </ul>	<p>Implementation to be negotiated with System Operator</p>
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