

Work Programme

1 July 2011 – 30 June 2012



2011/12 Work Programme

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Section A—Priority one: Government priorities and new matters from the Act

Top priority is being given to:

- New matters from s42(2) of the Electricity Industry Act 2010 (the Act)—as set out in the table below.

New matters from the Bill (Clause in bold)	Project
42(2)(a) Provision of compensation by retailers to consumers during conservation campaigns	Consumer compensation scheme: requiring retailers to make payments to consumers in the event of a public conservation campaign and enforced power cuts.
42(2)(b) Imposing a floor or floors on spot prices for electricity in the wholesale market during supply emergencies (including public conservation campaigns).	Scarcity pricing: determining appropriate mechanisms to determine pricing during outage and scarcity situations.
42(2)(c) Mechanisms to help wholesale market participants manage price risks caused by transmission congestion	Locational price risk management Introducing a transmission hedging mechanism to assist retailers to manage the price risks caused by transmission congestion.
42(2)(d) Mechanisms to allow participants who buy electricity on the wholesale market to benefit from demand reductions	Dispatchable demand (DD) Facilitating greater demand-side participation in the wholesale market. Phase 1: Act requirements - DD for non-conforming (industrial) load Phase 2: starting in 2011/12 - DD for conforming (sub GXP) load.
42(2)(e) Requirements for distributors that do not send accounts to consumers directly to use more standardised tariff structures <i>and</i> 42(2)(f) Requirements for all distributors to use more standard use-of-system agreements, including provisions for indemnifying retailers in respect of liability under the Consumer Guarantees Act 1993 for breaches of acceptable quality of supply, where those breaches were caused by faults on a distributors network	Demand-side bidding and forecasting (DSBF) Facilitating greater demand-side participation in the wholesale market. More standardised tariffs & use of system agreements: work on two previous projects has been brought together to investigate standardisation issues covered by clause 45(2)(e) of Electricity Industry Bill. (NB related project work on Review and update Electronic Information Exchange Protocols (EIEPs) also covered here)

New matters from the Bill (Clause in bold)	Project
42(2)(g) Facilitating, or providing for, an active market for trading financial hedge contracts for electricity	Hedge market liquidity Industry led initiatives to improve the energy hedge market. ASX is establishing market making agreements with generators to stimulate liquidity within the derivatives market.

Section B—Priority two projects

Project	Description
Design work programme (P2CRE)	Development of a multi-year work programme for the Market Design area, for publication.
Review of Operation Development's processes and procedures (P2CRE)	Review of current work processes and procedures, including possible development of work-flow tool for MA activities required under the Code
Transmission pricing investigation	Completion of review of transmission pricing.
Part 10 review	Updating the Code relating to metering
Advanced Metering Infrastructure (AMI) Policy implementation project	Implementation of rule changes, publication of technical standards, publication of guidelines as necessary to facilitate introduction of advanced meters.
Clearing and settlement	Ongoing improvements to clearing and settlement parts of the Code. May include: <ul style="list-style-type: none"> - variable prudential security - review of acceptable forms of security - review of clearing and settlement process - Settlement of islanded embedded generation WAG project
Retailer default provisions	Put in place arrangements to ensure an orderly transition for consumers in the event that a retail company becomes insolvent or discontinues service (e.g. exits the market). RAG are considering this area.
Value of unserved energy - Value of lost load (VoLL)	Completion of review of value of lost load.
Distribution pricing review	Existing Distribution Pricing principles - review of alignment with Distribution Pricing Principles (how the industry has applied/used the guidelines). Followed by yearly reviews.
Review of normal frequency band	Review of normal frequency bands and immediately adjacent bands and the corresponding approach to specifying frequency keeping (FK) procurement needs with a view to reducing overall costs.

Project	Description
Intermittent generation	Project purpose is to allow anticipated wind generation to be successfully integrated into the New Zealand electricity system over the next five-10 years. (NB other initiatives included in table B2): <ul style="list-style-type: none"> • Fault ride-through phase 3: Complete CQ rule changes arising from impact investigations.
Plant commissioning Code	Review of relevant parts of the Code - E3P and Stratford commissioning highlighted some shortcomings to be addressed.
Reconciliation loss factor methodology	Develop final recommendations for <ul style="list-style-type: none"> • The calculation and management of distribution losses used in the reconciliation process. (complete guidelines and publish) • Develop and publish approach to monitoring and implementation. Includes work by the Loss Factor Review Panel (LFRP)
Data warehouse development	Project to enable market monitoring and analysis function. Data strategy document developed re publication of data in accessible formats for participants and consumers via a web-based database server encompassing query and visualisation facilities.
Website review	Board requested review to ensure website is fit for purpose. Scope and plan to be developed. Resources provide for review, but no material changes at this stage (to be determined). Review to be completed primarily by internal resources.
Wholesale market information	Consideration of amendments to the Code (or other initiatives) to improve information available to market participants. WAG project.
Review of UTS provisions in the Code	The review covers: <ul style="list-style-type: none"> • The definition of a UTS; • The processes set out in the Code in regard to a potential or actual UTS; and • The remedies available to the Authority when a UTS has occurred.
Load management and distributed generation	Development of policy on load management and distributed generation. Possibly includes review of Part 6 (Old DG connection regulations - inconsistent terminology and general review recommended.) Relates to DG project work. RAG project.
Small scale DG-mandatory T&C	February 2010 letter of expectations - Distributed Generation- developing mandatory terms and conditions for retailer purchase of power from small scale distributed generation. RAG project.

Project	Description
Credible event management initiatives	<p>A set of potential initiatives to improve security, and the efficiency of the electricity system by reducing costs. Includes:</p> <ul style="list-style-type: none"> • Instantaneous reserves: cost allocation methodology; national market. • Under-frequency management tools including verifying modelling formats. • AUFLS rules. <p>Some components i.e. AUFLS block sizing and trigger points, will be progressed in conjunction with the AUFLS review work carried out by the System Operator.</p>
Multiple frequency keepers	<p>Develop a system to coordinate multiple frequency keepers, along the lines of an automatic governor control (AGC) system but tailored to New Zealand requirements (e.g. block dispatch).</p> <p>Includes initial consideration of a national market for frequency keeping.</p>
Intermittent generation	<p>Project purpose is to allow anticipated wind generation to be successfully integrated into the New Zealand electricity system over the next five-10 years. Includes a set of initiatives to be considered:</p> <ul style="list-style-type: none"> • Cost allocation phase 3: FK cost allocations, AOPO/dispensation/equivalence review • Asset owner performance obligations (AOPO) review: Normal frequency quality rules and under-frequency rules. • Voltage rules (priority 3)

Section C—Priority three projects

Project	Description
Domestic contracting arrangements	<p>A set of principles and minimum terms was published in June 2010.</p> <p>Progressive review of components of the T&C is required to ensure that they are up-to-date.</p> <p>RAG project.</p>
Security: Review of consultation requirements in Part 9	<p>Part 9 of the Code sets out how the System Operator will interact with the Electricity Authority during a supply shortage. Some of these interactions appear in need of updating.</p>
Security standards review and development	<p>Review of the security standards in Part 7 of the Code. Specifically consideration of the creation of a summer security standard plus POPC review and SO review of system security forecast (SSF).</p>
Registry web services and data hub	<p>Encompasses proposals to amend the registry to enable it to be used as a secure and auditable mechanism for exchanging information between registry participants using the EIEPs or any other file that participants wish to exchange. This does not involve changes to the Code. Proposals were published for consultation in March 2010.</p>

Project	Description
Value of System Operator monthly report	A review of the value of System Operator (SO) monthly reporting requested by the Systems Operations Committee in April 2011.
Review of the Grid Reliability Standard (GRS)	A review of the GRS may be needed, as signalled to stakeholders when this Code was made.
Pricing process improvement	Project to improve the process by which prices are established. The project objective is to: <ul data-bbox="1108 395 1993 499" style="list-style-type: none">• make the pricing Code more understandable• clearer processes for calculating prices• improved inputs into the pricing calculations.
Offer and dispatch Code development	Project work to improve the offer and dispatch rules to improve operational efficiency. E.g. <ul data-bbox="1108 547 1993 719" style="list-style-type: none">• changes related to Pole 3 (from SO/GO)• review of gate closure - potential further work• reserve offers• dispatch of different types of reserves (e.g. TWD, PLSR)• Other related areas.