



Report against the 2011/12 Work Programme

For the period 1 July 2011 to 30 June 2012

Published 21 August 2012



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Notes:

A PDF version of this report can be found at: <http://www.ea.govt.nz/about-us/documents-publications/work-programme/>

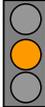
The above web page also includes the work programme for 2012/13.

Introduction

This report provides a report on progress against the 2011/12 work programme. The report sets out the achievement against projects in three priority tiers. Priority one being completion of section 42 matters from the Electricity Industry Act 2010 (s42), implementation of these s42 matters, plus the consumer switching fund programme and establishment of the Authority's monitoring function.

This is a report as at 30 June 2012. However, the 'traffic lights' relate to overall progress for the life of the project. Project milestones may go beyond the end of the 30 June 2012 financial year.

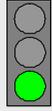
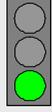
KEY TO 'TRAFFIC LIGHT' SYMBOLS

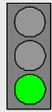
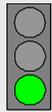
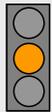
Symbol	Interpretation.
	Project milestones achieved.
	Project milestone are at risk.
	Project milestones not achieved or not able to be achieved.

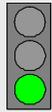
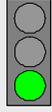
Report against priority one projects

This report includes those priority one projects that address the Minister's letter of expectations and the implementation of s42 projects.

The Authority also commenced work during 2011/12 on a project to consider options to bring more confidence that prices during pivotal situations are consistent with prices in a workably competitive market. This is a top priority project for 2012/13.

Priority one projects	
Name	Overall project progress statement
Customer compensation scheme s42(2)(a)	 <p>Completed in 2010/11. The scheme was implemented prior to winter 2011.</p>
Scarcity pricing Code s42(2)(b)	 <p>Completed. Code amendments completed: - Scarcity pricing Code was gazetted on 28 October 2011. - Stress testing Code was gazetted on 3 November 2011.</p>
Scarcity pricing-implementation	 <p>On track. Discussions are being held with pricing manager (NZX) and the system operator on the way forward / options / solutions. Three options are being assessed. NZX is to drive the design of the project and the system operator is providing resource to assist NZX. A detailed project plan is being developed.</p>
Stress testing-implementation	 <p>Completed. The Authority has published the initial set of stress tests that will apply from the quarter starting 1 July 2012. The Authority has appointed NZX Ltd as the independent registrar to consolidate and present the results to the Authority. The first set of disclosure statements from participants were received by the Registrar in June 2012. The Registrar has provided the Authority with a draft report, which was reviewed and then published in July 2012.</p>
Locational price risk management Code (financial transmission rights (FTRs)) s42(2)(c)	 <p>Phase 1 completed. Code amendments were gazetted on 11 August 2011 and came into force on 1 October 2011. The first trades are expected to occur by May 2013 (inter-island solution) (see below). Phase 2 work has commenced on within-island basis risk (WIBR). No Code amendment is likely until the financial transactions rights (FTR) system is live, but investigation and options analysis is progressing. A report has been completed on where, within each island, 'within-island basis risk' is likely to occur in the future. Further analysis and CBA are to be prepared.</p>

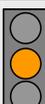
Priority one projects		
Name		Overall project progress statement
FTRs implementation		<p>Timetable reset. The initial go-live date was October 2012, but has now been revised to May 2013. The go-live date was deferred while the Authority sought confirmation of the necessary funding for the project in the 2012 Budget. The first FTR auction is now scheduled for May 2013.</p> <p>Energy Market Services Limited (EMS) has been appointed as the FTR Manager and has achieved its initial project milestones, including the submission of the FTR allocation plan, which was approved by the Board in June 2012.</p> <p>Five Code amendment proposals, which were identified during the implementation process, are being assessed.</p>
Demand side bidding and forecasting (DSBF) Code s42(2)(d)		<p>Completed. Code amendment gazetted on 20 October 2011.</p>
DSBF - implementation		<p>Completed. Go-live took place on 28 June 2012.</p> <p>The Authority has established its criteria for identifying conforming and non-conforming grid exit points and published the list of all GXPs and their status following consultation.</p>
Dispatchable demand Code s42(2)(d)		<p>Completed. Code amendment gazetted on 20 October 2011.</p>
Dispatchable demand - implementation		<p>Currently off track. A reassessment of project design and timetable is being carried out with the system operator to address risks relating to costs and the timetable indicated by the system operator.</p> <p>System operator system specification requirements signed off.</p>
More standardisation programme s42(2)(e) and (f)		<p>Completed. The Code amendment requirements of section 42 were completed in October 2011.</p> <p>The following further related work is being carried out:</p> <ul style="list-style-type: none"> - Model use of system agreements (MUoSA) are being finalised. Submissions closed on 11 April 2012 and are being reviewed. On 29 June 2012 the Board approved a further consultation in July on specific clauses. The Authority is now expecting to finalise the MUoSA by September 2012. - Voluntary guidelines for consultation on distributor tariff change proposals have been finalised and published. This work arose from the more standardisation project. Consultation was completed in May 2012. Final guidelines were approved by the Board on 29 June 2012.

Priority one projects	
Name	Overall project progress statement
Energy hedge market s42(2)(g)	 <p>Completed. Section 42 requirements completed.</p> <p>Other initiatives on track:</p> <ul style="list-style-type: none"> - The Authority is also working on on-going improvements that will improve the hedge market. - Information papers were published in April and June 2012 that reviewed hedge market performance (against 1 March 2012 and 1 June 2012 targets respectively). The reports provide a comprehensive list of monitoring and further development initiatives the Authority intends to pursue. - The hedge market survey took place February – March 2012. Results were published in April 2012.
Metering: review of part 10 of the Code	 <p>Completed. The new metering Code was gazetted on 10 January 2012 and comes into force 6 June 2013.</p> <p>The Authority decision has been published on data access arrangements and the nomination of metering equipment providers (MEPs).</p> <p>Note: Progress with implementation of the new Code is reported in table 2 on page 8 of this report.</p>
Customer switching fund	 <p>On track. The 2012 What's My Number campaign was launched on 15 April 2012.</p> <p>Programmes to fund switching facilitators and online tools to promote and facilitate switching evaluated (closed on 11 April 2011). Contracts were signed with three suppliers. Two got underway in 2011/12 and the third, the SME tool, is being launched in 2012/13.</p> <p>The Authority's tool for small to medium enterprises (SME) to seek competitive electricity prices has been developed and is currently being trialled with SMEs and retailers. The tool has been developed by Switchme. It provides a facility for SMEs to use the web to seek competitive tenders from retailers to supply their electricity needs. The tool will be formally launched in late August.</p> <p>Communications document published in early April: <i>What's My Number: A changing landscape for electricity consumers.</i></p>
Small scale distributed generation: mandatory terms and conditions	 <p>Completed. The RAG provided its report to the Authority Board in June 2012 including recommendations that mandatory terms and conditions not be made. The Board has adopted the RAG recommendations.</p>
Wholesale market information	 <p>On track. The Authority is working directly with NZX (WITS) on 'quick wins'.</p> <p>The WAG's focus is on information that would influence the forward price curve. The WAG is investigating the potential for large generators to release more information on holding and expected delivery of fuel quantities including coal, gas and snow pack information.</p> <p>The WAG discussion paper closed on 7 May 2012. The WAG is meeting on 5 July 2012 to receive submissions and analysis.</p> <p>The WAG recommendations to the Board are expected in September 2012.</p>

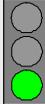
Priority one projects	
Name	Overall project progress statement
Metering: advanced metering policy implementation project	 <p>On track with revised timetable. Completion of this project was dependent on completion of the metering Code amendments (gazetted in December 2011) and data access policy (published in April 2012). It is expected that the project and advanced meter guidelines will be completed by December 2012.</p>
More standardised tariff structures and use of system agreements	 <p>Completed. The Code amendments, except as described below, came into force on 1 December 2011: (a) clauses relating to exchanging information about changes to distribution tariffs (i.e. EIEP12), using standard tariff codes and negotiating UoSAs (for existing UoSAs) will apply from 1 July 2013; and (b) clauses relating to prudentials and consultation applied from 1 May 2012.</p>
Electricity information exchange protocols (EIEPs)	 <p>On track. Consultation on amendments to the EIEPs completed and submissions being reviewed. Changes not requiring Code amendments are completed. Second consultation round will take place to mandate the use of EIEPs 1, 2, and 3 (Code amendment). This is expected to take place in September 2012.</p>
Industry and market monitoring	 <p>On track. On 7 December 2011 the Authority released its one-year market performance report. From now on annual market performance reviews will cover calendar years and will be published in late March each year. A market monitoring information paper was published in June 2012 addressing measurement of reliability and efficiency outcomes.</p>

Report against priority two projects

Priority two projects	
Name	Overall project progress statement
Review of undesirable trading situation (UTS) provisions	<p>NA On hold. The Authority publicly announced the review of the UTS provisions in the Code in September 2011. The Board delayed consultation until after parties decided whether to appeal the High Court decision on the 26 March UTS decision.</p> <p>The project is on hold pending the Genesis Energy appeal process.</p>
Settlement and prudential security review	<p> Timetable delay. Changes to the software and operations manual to accommodate 'quick wins' have been signed off with the clearing manager.</p> <p>The prudential security calculation methodology consultations, run by NZX, have been completed, resulting in minor changes to initial plan with no cost impact. Implementation is currently underway.</p> <p>First principles review: the WAG's discussion paper was published on 15 May 2012 and closed on 29 June 2012. The WAG is meeting on 5 July 2012 to address the way forward. Recommendations are now expected to the Board in September 2012 if no further consultation or substantial work is required.</p>
Metering - Part 10 - implementation	<p> On track. An 18 month implementation commenced in January 2012 and is planned to finish on 6 June 2013 (when the Code becomes effective).</p> <p>Registry development: build phase 1 of 3 in progress. A revised registry functional specification will be released to industry in early July 2012.</p> <p>Three participants have written to the Authority expressing concern about their ability to meet the 6 June 2013 go live date. The Authority has offered to meet with these participants in order to better understand their issues and concerns.</p> <p>Consultation on the proposed changes to the customer switching process ended on 31 May 2012. The proposed changes were approved in June 2012.</p>
Reconciliation loss factor methodology	<p> Timetable delay. Work on this project has been delayed while the focus and priority has been on the implementation of the new Part 10.</p> <p>A consultation paper is expected to be taken to the Board in August 2012. Completion is expected by December 2012.</p>
Normal frequency management: review normal frequency band	<p> Timetable delay. This project has been delayed in order to give priority to the HVDC Pole 3 proposed Code amendments.</p> <p>A consultation paper is being drafted. It is expected that this will be provided to the Board in November 2012 for consultation in November – December 2012. Code amendment could follow in January – February 2013.</p>

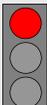
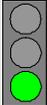
Priority two projects	
Name	Overall project progress statement
Normal frequency management: multiple frequency keepers	 <p>On track. The system operator is designing software (capital stage for allowing multiple frequency keeper (MFK) intra-island). The target for completion is December 2012. Installation and testing of software is targeted for the 1st quarter of the 2013 calendar year.</p> <p>Work is progressing through incumbent providers to interface to the new software. Providers in the North Island are expected to be ready by June 2013. A target date for the South Island is to be determined.</p>
Credible event management: instantaneous reserves	<p>NA</p> <p>On hold. Priority is being given to other projects.</p> <p>Rescheduled for 2012/13:</p> <ul style="list-style-type: none"> - IR review—consultation planned for September 2012; and - IR cost allocation—on hold.
Credible event management: under-frequency management (UFM)	 <p>On track. The under-frequency management (UFM) project includes several workstreams including four automatic under-frequency load shedding (AUFLS) workstreams.</p> <ul style="list-style-type: none"> - The draft UFM collective review was received on 13 April 2012 from the system operator. The UFM collective review was finalised on 18 May 2012 and published on the system operator's website. - The system operator proposal provided for AUFLS stage 3 (relay testing) was received on 3 November 2011. Relay testing is taking place in the May – July 2012 period. - AUFLS relay specification is expected from the system operator in August – September 2012, and a recommendation from system operator for Code amendment to the Board in October 2012. Outcomes of UFM collective review work are expected to generate several Code amendment proposals, which will be developed over the July – September 2012 period.
Intermittent generation: cost allocation	<p>NA</p> <p>On hold. Industry feedback indicated that this project should be deferred until the multiple frequency keeper project is completed. This project is now likely to start in 2014.</p>
Intermittent generation: fault ride-through	 <p>Timetable delay. Further work is being carried out on the fault ride-through standard by the system operator following review of the submissions received by the Authority. Development of Code amendments has been delayed pending completion of the fault ride-through standard. A proposed Code amendment will follow in the 2012/13 year.</p>
Intermittent generation: normal frequency quality	 <p>On track. Now covered under normal frequency project.</p>
Intermittent generation: under-frequency rules	 <p>Timetable delay. Starting this project is dependent on other project work, for example the under-frequency management Code, being completed. The project is scheduled to start in the 2012/13 year.</p>

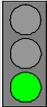
Priority two projects	
Name	Overall project progress statement
Plant commissioning Code	 <p>On track. The Board considered proposed Code amendments in September and October 2011. Consultation on asset testing and commissioning issues closed on 15 May 2012. Three options for implementation are under review by the system operator. The Code amendments timetable is dependent on the system operator implementation period.</p>
Credible event management: AUFLS rules	 <p>Timetable delay. AUFLS technical review consultation is planned for November 2012, and AUFLS market review consultation is planned for September – October 2012. Risks associated with resource availability, scope and cost need to be determined and a transition programme for exemption expiry is to be developed. An AUFLS information paper and an AUFLS future direction paper have been published. Several meetings have been held with the Major Electricity Users' Group (MEUG) and the system operator is in bilateral discussions with exemption holders. Fallback AUFLS options papers were considered by the Board in June 2012. As a result, exemptions will be rolled over for a period to enable consideration of development of an AUFLS market.</p>
Transmission pricing investigation	 <p>On track for revised timetable. The Transmission Pricing Advisory Group (TPAG) paper was received on 6 September 2011 and published on 13 September 2011. In December 2011 the Board decided the following approach.</p> <ol style="list-style-type: none"> 1. Publish a consultation paper to seek industry and consumer feedback on the Authority's proposed economic and decision making framework for transmission pricing. The framework was consulted on in January – February 2012, and the final was published in May 2012. 2. Progress the transmission pricing methodology as two separate workstreams: <ul style="list-style-type: none"> - changes to the transmission pricing methodology; and - introducing a network reactive support component into the TPM. <p>The next step is an issues and options paper covering both of the above workstreams. The paper is expected to be published in September 2012.</p>
Value of unserved energy - value of lost load (VoLL)	 <p>On track. Further surveys taking place June – July 2012. Consultation paper planned for August – September 2012.</p>

Priority two projects	
Name	Overall project progress statement
Distribution pricing review	 <p>On track with revised timetable agreed in December 2011 when the Board initiated development of economic framework paper and consultation prior to proceeding with review of electricity distribution businesses (EDBs) practices against principles and guidelines.</p> <p>Economic framework consultation paper released in May 2012, and closed on 22 June 2012. Cross submissions close on 9 July 2012.</p> <p>The Authority expects to begin a review of the extent that distributors' pricing methodologies align with the pricing principles and information disclosure guidelines in September 2012.</p>
Data warehouse project	 <p>On track. Data warehouse initial infrastructure has been built.</p> <p>Beta version of the electricity market information tool (EMI) is currently being trialed.</p> <p>Retail statistics now included and reports are being produced.</p> <p>Data warehouse website being progressed.</p>
Retailer default provisions	 <p>On track with revised timetable. Submissions on the Retail Advisory Group's (RAG's) first discussion paper closed on 19 March 2012.</p> <p>A draft second discussion paper was discussed at the May 2012 RAG meeting and a further version is to be considered at the 6 July 2012 RAG meeting. The discussion paper is expected to go to the Board in August prior to release for consultation.</p> <p>RAG is working towards presenting a fully developed proposal to the Board in November 2012.</p>
Website review	 <p>On track. Review has commenced with developing an understanding of the users' experience. User testing completed and report received.</p> <p>Website strategy being developed.</p>
Path to world class – organisational development strategy	 <p>Timetable delay. A number of specific areas of work to improve Authority performance have commenced.</p>
Review of Operations Development processes and procedures	 <p>Completed. Review completed.</p> <p>Implementation to be completed in 2012/13.</p>
Operational review of Part 6	 <p>On track. Consultation on proposed minor Code amendment expected to take place in August 2012. Final recommendation scheduled to be presented at the November Board meeting dependent on feedback.</p>

Priority two projects	
Name	Overall project progress statement
CRE work programme development	 Completed. Work programme finalised and published in June 2012. Suitable projects to be agreed with advisory groups in July 2012 (a list of potential projects was published on 8 May 2012).

Report against priority three projects

Priority three projects	
Name	Overall project progress statement
Offer and dispatch Code development	 <p>On track. Wind forecasting reporting completed.</p> <p>Offer and dispatch: discussion completed with system operator on wind forecast accuracy reporting. Regular reporting on wind accuracy is now occurring.</p> <p>Gate closure review: next step is to involve the system operator to carry out some testing of systems and processes on the effect of a reduced gate closure. Possible consultation on gate closure Code in September – October 2012.</p>
Pricing process improvement	 <p>On track. Interim pricing completed in 2010/11.</p> <p>Current components include:</p> <ol style="list-style-type: none"> High spring washer work split into two components, both of which are underway: <ul style="list-style-type: none"> fundamental review of inputs into final pricing & considering suggestions such as constraints softening; and specific improvement to address the change in constraint inputs caused by the introduction of simultaneous feasibility test (SFT) in 2011—Code amendment completed under urgency, now in process of follow up consultation to confirm/not confirm. Review the timeframe allowed for republishing final prices: to start (possible consultation on issues and options in August – September 2012). Improving wind generation information inputs into final prices: work started in January 2012.
Domestic contracting arrangements	 <p>Timetable delay. Scope considered by RAG. Revised scope developed and provided to the Board for consideration. The Board provided a revised project scope to RAG on 29 June 2012 for its adoption.</p>
Domestic contracting arrangements-implementation	 <p>Completed. Annual monitoring, as at 1 July 2011, was approved at the October 2011 Board meeting. A consolidated report was published. Individual retailer reports were sent to the retailers.</p> <p>Full review to commence in June – July 2012.</p> <p>Ad-hoc reviews completed.</p>
System security forecast	 <p>On track. Issues and options paper to 2 May 2012 Board meeting. Minor Code amendments approved at 6 June 2012 Board meeting.</p> <p>Being combined with other minor Code amendments for gazettal.</p>
Registry web services and data hub	 <p>Completed.</p>

Priority three projects		
Name		Overall project progress statement
Intermittent Generation rule changes: voltage rules	NA	On hold.
Review of the grid reliability standard	NA	On hold. In June 2011 the Board decided put this project on hold to enable other projects to proceed ahead of this project.
Security - review of Part 9 consultation requirements	NA	On hold.
Security - review of security standards - Part 7		On track. The review of winter standard was completed. The 29 June 2012 Board meeting approved the consultation on the new standards utilising a range rather than single point standards. The summer standard will be developed in 2012/13.
Value of system operator monthly report		On track. This project is scheduled to completed, and a report provided, for the September 2012 Board meeting.

Update on future projects

The future projects register are potential projects warranting further consideration that will not proceed unless resources become available, and projects that are known to be required at a future time, e.g. post implementation impact reviews, but which have not been programmed or budgeted at this time.

It is expected that any future projects, other than post implementation impact reviews, would require an initial scoping and cost benefit assessment to be completed before they become part of the active work programme.

Future projects		
Name	Description	2012/13 Work Programme priority
Scarcity pricing-impact review	Post implementation review of impacts and outcomes	Future project—2013/14.
Locational price risk management-impact review	Post implementation review of impacts and outcomes	Future project—2013/14.
Demand side bidding and forecasting (DSBF) - impact review	Post implementation review of impacts and outcomes	Priority 2. Report expected to be completed in 2012/13.
Dispatchable demand - post implementation review	Post implementation review of impacts and outcomes	Future project.
Offer and dispatch rule development - pending projects	Potential projects under offer and dispatch rule development: - complex offers (intertemporal offers) - constrained on cost allocation	The gate closure feasibility study is a priority 3 project for 2012/13. Allocation of constrained-on costs is a priority 2 project for 2012/13.
Review of half hour switching rules	Review of half hour switching rules	Priority 2. Code amendments expected to be completed by 30 June 2013, if required.
Mass market half hour settlement	The Authority has granted exemptions to enable participants to operate in this market. Code amendment implications need to be considered - will become progressively more urgent. Using half hour meter reads the same way a currently using time of use meters for reconciliation and settlement. Review processes in relation to half-hour for residential consumers.	This issue may have been resolved in Part 10. There may be a residual issue until Part 10 becomes effective.
Guidelines for secondary networks - network extensions & customer networks	Development of arrangements for network extensions and the establishment of compliance requirements.	Future project.

Future projects		
Name	Description	2012/13 Work Programme priority
Responsibility for maintenance of consumer service lines	Scope the work that may be required to establish a project to investigate options resolve the consumer service line ownership issue.	Future project.
Optimisation of non-technical distribution losses	Develop recommendations for the management, minimisation and allocation of non-technical distribution losses, and monitor uptake of recommendations Production of a discussion document for consultation that includes: (a) establishing the current and likely 'business as usual' position; (b) research the technology and techniques that can be adopted; (c) identifying the potential improvements that could be achieved; (d) identifying the options available to the EC for providing appropriate incentives for improved losses management; and (e) identifying and proposing performance benchmarks, measurement systems and reporting.	Future project.
Credible event management: under voltage management	Review of the appropriateness of the Code for under-voltages during events.	Future project.
Frequency regulation - frequency keeper offer selection	A project to determine a more efficient means of the system operator selecting a service provider in each half hour. Stage 1 (including constrained on to the band in the system operator dispatch decisions) completed. Stage 2 (removal of constrained on and off within the band) under consideration.	Frequency regulation: frequency keeping constrained on/off work is a priority 2 project for 2012/13. Code amendments expected to be completed by 30 June 2013, if required.
CQ development plan - further items	Extensive list of possible initiatives as listed in the common quality development plan.	Future project.
New connection process issues and policy options.	Investigate and consider options for regulating the process and requirements for new connections to the grid. Supports Review of Benchmark Agreement and Interconnection Rules.	To be covered by a future project to complete a review of Part 12.
Investigation of sites with high levels of frequency distortions	Common quality – investigation of sites with high levels of frequency distortions – refresh of potential for project work based on previous report.	Not included.

Glossary and abbreviations used in this document

Act	Electricity Industry Act 2010	MFK	Multiple frequency keepers (the automatic control of one or more generators to manage system frequency by the system operator)
AGC	Automatic Governance Control: a system for controlling frequency on the electricity system	MUoSA	Model use of systems agreement
AUFLS	Automatic under-frequency load shedding	PCC	Public conservation campaign
Authority	Electricity Authority	RAG	Retail Advisory Group
BOPE	Bay of Plenty Energy Limited	RFP	Request for proposal procurement process
CBA	Cost benefit analysis	s42	Section 42 of the Electricity Industry Act 2010
Code	Electricity Industry Participation Code	Service providers	Parties contracted by the Authority to manage the electricity system (system operator) and market services.
DSBF	Demand side bidding and forecasting	SFT	Simultaneous feasibility test
EDB	Electricity distribution business	SO	System operator
EIEPs	Electricity information exchange protocols: protocols for managing the exchange of data between participants and service providers	SOI	Statement of Intent
EMI	Electricity market information tool	SRC	Security and Reliability Council
EMS	Energy Market Services Limited	TPM	Transmission pricing methodology
FTR	Financial transmission right	TPAG	Transmission Pricing Advisory Group
HVDC	High voltage direct current	UFM	Under-frequency management
MCA	Ministry of Consumer Affairs	UoSA	Use of system agreement
MED	Ministry of Economic Development (replaced by the Ministry of Business, Innovation and Employment (MBIE) on 1 July 2012)	UTS	Undesirable trading situation
MEP	Metering equipment provider	VoLL	Value of lost load
MEUG	Major Energy Users' Group	WAG	Wholesale Advisory Group
		WIBR	Within-island basis risk