

2012/13 Work Programme

Report to 30 June 2013



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1 Introduction

- 1.1 This report provides a final report on progress against the 2012/13 work programme (as at 30 June 2013). The work programme is available on the Authority's website at: <http://www.ea.govt.nz/about-us/documents-publications/work-programme/>. The published work programme includes more details about the projects reported against including project descriptions, initial assessment of project size and initial assessment of net public benefit.
- 1.2 The 'traffic lights' used in the report relate to overall progress against the project milestones, which may go beyond the end of the 30 June 2013 financial year. These traffic lights are not the same as reporting against the SOI targets in the Annual Report, which are reports as at 30 June 2013.

Key to traffic light symbols used in this report

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

The work programme is flexible

- 1.3 The work programme is an internal planning document. It represents a full commitment of Authority staff resources and the available project budgets. Any changes to projects will therefore be carefully managed. In the normal course of events it is anticipated that reprioritisation will be required during the year, for example as the information available about specific project develops, and new risks or issues come to the Authority's attention. The Authority reviews and updates its work programme on a regular basis. Reviews have been completed in November 2012, January 2013 and March 2013, resulting in some adjustments to projects and budgets, and some projects being put on hold.

Overall performance standards for 2012/13

- 1.4 The project tables below include key milestones or deliverables for the 2012/13 year. It should be noted that for all relevant projects the milestones have been set out as if a Code amendment is required. Projects may be ended or a different path decided upon (such as market facilitation measures) at a number of points in the process, in particular after an initial investigation and cost benefit analysis (CBA) has been completed. It is not practical to set out the range of possible alternative paths for each project in the following tables. The Authority has therefore set out the potential process and timetable as if Code amendment is required. All Code amendment milestones should be read as if "if required" were included in the text. All milestones are for the end of the financial year (30 June 2013) unless otherwise stated.

2 Summary of key implementation and market development projects

2.1 This section includes summary tables for the work programme. Details are provided in the sections that follow (section 3 to 8).

#	Project name	Existing or new project for 2012/13	Status as at 30 June 2013
Table A: Key systems implementation projects			
A1	Scarcity pricing - implementation	Existing	Completed
A2	Demand side bidding and forecasting (DSBF) – implementation	Existing	Completed
A3	Locational price risk management - implementation	Existing	Completed
A4	Metering (Part 10) – implementation	Existing	On track
A5	Dispatchable demand – implementation	Existing	On track
Table B: Top priority market development projects			
B1	Under-frequency management: AUFLS exemptions	Existing	Completed
B2	Frequency regulation: multiple frequency keepers (MFK)	Existing	Completed
B3	Under-frequency management project including AUFLS technical review	Existing	Behind timetable
B4	Settlement and prudential security review	Existing	On track
B5	Wholesale market information	Existing	On track
B6	Retailer default provisions	Existing	Off track
B7	Consumer switching fund	Existing	On track
B8	Transmission pricing investigation	Existing	Off track
B9	Review of UTS provisions	Existing	Completed
B10	Hedge market development	Existing	On track
B11	Improving pricing efficiency when a generator is pivotal	New	On track

3 Key system implementation projects

3.1 The table below addresses key existing projects that are at the implementation stage in 2012/13.

Table A: Information about key system implementation projects

#	Name	Project description	Overall performance standard for 2012/13	Status	Progress statement
A1	Scarcity pricing-implementation	Implementation of s42 changes. Capital project.	- Complete go-live by 30 June 2013.		Scarcity Pricing capability was delivered on the due date of 1 June 2013.
A2	Demand side bidding and forecasting (DSBF) - implementation	Section 42 implementation project. Capital project.	- Should be finished by 30 June 2012, but potentially some post completion actions required.		Completed. Go-live took place on 28 June 2012.
A3	Locational price risk management - implementation	Section 42 implementation project. Capital project.	- Go-live date: 1 May 2013.		The first financial transmission rights (FTR) auction was successfully held on 12 June 2013. FTR rental software module was agreed to be delivered later as it does not impact the auction process. Acceptance is due 1 August 2013. An independent audit of online platform access is being commissioned to confirm security quality.
A4	Metering (Part 10) - implementation	Operating costs include some Registry costs, data clean-up, and testing. Capital project.	- Complete implementation by June 2013.		Code amendment completed and Authority actions completed on time to enable 6 June 2013 go live. However, in response to submissions from industry participants the implementation date was revised to 29 August 2013. Data clean-up is being addressed by a technical group.
A5	Dispatchable demand – implementation NB not being completed in 2012/13.	Section s42 implementation project. Capital project.	- A go-live date of 30 June 2013 was adopted in the Code amendment pending detailed planning by the system operator. The system operator had indicated at the time that the go-live date may be as late as 30 June 2015.		The Board has approved the design, timetable and cost for the modified option. The project has moved into build stage. Code amendments are to be consulted on in July / August 2013 in parallel with the systems build. The project is on track to meet the approved delivery date of May 2014.

4 Top priority market development projects

- 4.1 Top priority is being given to addressing key pieces of work where there is a strong case for proceeding as quickly as possible, including a compelling net public benefit. These are projects where Code or market facilitation deliverables are expected to be completed in 2012/13. These include completion of key existing projects and new priorities identified through development of the Statement of Intent.

Table B: Information about top priority market development projects

#	Name	Project description	Overall performance standard for 2012/13	Status	Progress statement
B1	Under-frequency management: automatic under-frequency load shedding (AUFLS) exemptions	Project to clarify AUFLS requirements for exemptions and alternatives (ie dispensations, equivalence). Also includes processing exemption applications, if required.	SOI 1. - Complete clarification Code amendments for exemptions dispensations, and equivalence codes. - Implementation to follow.		Completed. Exemptions Gazetted 13 September 2012. Note: once the AUFLS market and AUFLS standard projects are completed, the system operator will carry out further work on decision processes for future applications for exemptions, dispensation arrangements or equivalence arrangements.
B2	Frequency regulation: multiple frequency keepers (MFK)	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). NB currently can only be provided by one generator in each half hour period in each island.	SOI 2. - Complete Code amendment by June 2013. - Multiple frequency keeper Code in place by June 2013. - 1-2 year implementation period to enable all current FK parties to put systems in place to participate.		On track. North Island cut over to MFK on 1 July 2013. South island planned for 4 August 2014.

#	Name	Project description	Overall performance standard for 2012/13	Status	Progress statement
B3	Under-frequency management (UFM) project including AUFLS technical review	Review of all under frequency management tools, including verifying modelling formats. ¹	<p>SOI 3.</p> <ul style="list-style-type: none"> - Complete collective review of AUFLS and published by system operator by June 2012. - Code amendment proposals to be provided by the system operator by September 2012. - Code amendments - timetable to be determined by October 2012. 		<p>Behind timetable. Timing has been impacted by more complex than anticipated technical analysis being required. The UFM project includes multiple initiatives that are progressing overall on track.</p> <p>Completed:</p> <ul style="list-style-type: none"> - Instantaneous Reserves - Report published August 2011. - AUFLS Stage II - Report published August 2011. - AOPOs and PPOs - Report published November 2011. - UFM collective review - Report finalised May 2012. - AUFLS stage 3 (relay testing). - An AUFLS information paper (May 12) and an AUFLS future direction paper (April 12) have been published on the website. <p>Underway:</p> <ul style="list-style-type: none"> - A draft code amendment covering metering resolution has been consulted on, closed 27 March 2013. Round 2 consultation paper planned for August Board meeting. - UFM future work programme has been developed. Priorities and budget has been determined as part of the Authority 2013/14 work programme.

¹ Overall event management comment: 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.

#	Name	Project description	Overall performance standard for 2012/13	Status	Progress statement
B4	Settlement and prudential security review	On-going 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; and - settlement of islanded embedded generation. 	SOI 4. 2012/13: <ul style="list-style-type: none"> - Finalise WAG recommendations to the Board. - Publish any subsequent WAG discussion paper, summary of submissions, etc. - Publish consultation paper on Code amendments and CBA. - Possibly second round of Authority consultation. 2013/14: <ul style="list-style-type: none"> - Complete Code amendment. 		On track. The WAG provided its recommendations to the Board's September 2012 meeting. The Authority published a Code amendment consultation paper on 18 June 2013, closing on 20 August 2013. The paper covers options for weekly and monthly settlement. Completion of the Code amendment is scheduled for 2013/14. The Settlement and Prudential Security Technical Group (SPSTG) has been formed to assist with Code development. The Group is meeting regularly.
B5	Wholesale market information	Amendments to the Code (or other initiatives) to improve information available to market participants, eg access to snow pack data, improved access to WITS for wider range of participants.	SOI 5. <ul style="list-style-type: none"> - Finalise WAG recommendations to the Board. - Publish any subsequent WAG discussion paper, summary of submissions, etc. - Publish consultation paper on Code amendments and CBA. - Complete Code amendment. - Transfer to Operations Development for implementation. 		On track. The WAG provided the Board with its recommendations at the Board's September 2012 meeting. Code amendments on clause 13.2 amendment gazetted in June 2013. Guidelines relating to the Code amendment were published in June 2013. The Authority is progressing other initiatives recommended by WAG, such as facilitated disclosure, Planning Outage Co-ordination Protocol (POCP) improvement. Access to fuel quantity information has improved and work continues to further improve the range of information available.
B6	Retailer default provisions (RAG project)	Identify arrangements to ensure an orderly resolution of a retailer default situation when a retailer becomes insolvent or discontinues service (e.g. exits the market).	SOI 6. <ul style="list-style-type: none"> - Complete Code amendment, if necessary. - No implementation project expected. 		Off track. There are dependencies between retailer default and the security and prudential code development that were not factored into the 2012/13 work programme target for this project. The project has been more complicated and time consuming than anticipated, including addressing links with the security and prudential Code project. A consultation paper was released on 18 June 2013 in parallel with proposed security and prudential Code amendments.

#	Name	Project description	Overall performance standard for 2012/13	Status	Progress statement
B7	Consumer switching fund	On-going delivery of consumer switching output class (continues into 2013/14).	SOI 7. - SOI pages 25–26: impact measures and output performance measures.		<p>On track. The 2012 What's My Number campaign finished at the end of November 2012. The 2013 winter campaign launched 2 June, and new television adverts launched on 9 June 2013.</p> <p>The Authority's tool for small to medium enterprises (SME) was made available on 20 August 2012 and formally launched on 1 October. Marketing of the SME tool took place from October to November 2012 and resumed in late January 2013.</p>
B8	Transmission pricing investigation	Completion of review of transmission pricing - involves changes to schedule 12.4. A need to review subpart 4 of part 12 has been identified.	SOI 8. - Complete transmission pricing methodology Code amendment. - Handover to BAU for on-going monitoring.		<p>Off track. The initial target was to complete Code amendment in 2012/13. A proposal paper was published on 10 October 2012. The proposal was comprehensive and innovative and participants needed more time to analyse than anticipated. As a result the consultation process was extended to 28 March 2013.</p> <p>The process and timetable were reviewed in June 2013 and an updated process publicised in July.</p> <p>A series of working papers are to be developed on key issues of the transmission pricing proposal. The working papers inform a second issues paper on the TPM proposal.</p> <p>Consideration is being given to advancing the static reactive support component of the TPM in advance of the rest of the proposal. If the Authority does decide to advance this, an issues paper could be released during the 4th quarter of the 2013 calendar year.</p>
B9	Review of UTS provisions	Project to review Parts 1 and 5 of the Code: UTS provisions and remedies. The review covers: - 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.	SOI 9. - Consultation completed. - Code amendments made.		<p>Completed. Code amendment proposal approved at June 2013 Board meeting. Published and gazetted.</p>

#	Name	Project description	Overall performance standard for 2012/13	Status	Progress statement
B10	Hedge market development	Monitoring industry progress and developing further initiatives to improve the hedge market. Includes education material on the hedge market.	SOI 10. - Continue to undertake information paper reports analysing market performance and outlining revised initiatives. - Performing CBA of proposed market facilitation measures or Code amendments. - Hedge market booklet—information on spot price risk and mechanisms for managing that risk.		On track. The Authority continues to pursue initiatives to improve the hedge market and provide updates to the industry. The key developments in 2012/13 were: - Managing Electricity Price Risk Guide and summary published November 2012. - ASX product development report published in October 2012. ASX reconfirmed that new products should be available second half of 2013. - Weekly hedge market report published.
B11	Improving pricing efficiency when a generator is pivotal	New for 2012/13: consider options to bring more confidence that prices during pivotal situations are consistent with prices in a workably competitive market.	- Initial report - investigation, issues/options paper to Board. - Further steps to be determined based on initial report.		On track. The WAG is undertaking this project. A problem definition has been developed. A WAG discussion paper was published on 28 May, closing on 9 July 2013. Recommendations from WAG to the Board are expected later in the 2013 calendar year.

5 Other priority projects for completion in 2012/13

5.1 The table below sets out second and third priority projects where Code or market facilitation deliverables are expected to be completed in 2012/13. This includes completion of existing projects and new priorities identified through development of the Statement of Intent and work programme.

Table C: Information about second and third priority projects for completion in 2012/13

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C1	Allocation of constrained-on costs	2 - High priority	New for 2012/13: Review the calculation and allocation of constrained-on costs to ensure efficiency (Code amendment proposal from the system operator).	- Complete investigation of problem. - Prepare consultation paper on preferred option, with CBA and any required Code amendments. - Transition to Operations Development team for implementation.		On track. A problem definition has been prepared and a proposal has been received from the system operator. Code amendment consultation paper published on 14 May 2013, submissions closed on 25 June 2013. Report back to the Board expected in the first quarter of 2013/14.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C2	Distribution pricing review	2 - High priority	Review of distributors' alignment with <i>Distribution pricing principles and information disclosure guidelines</i> - to start following a decision on an economic and decision-making framework.	- Complete review (project will end).		Off track. Progress delayed due to prioritisation of TPM. Board approved economic and decision-making framework and next steps 19 December 2012. Report planned for the Board by November 2013 on the extent that distributors' pricing methodologies align with the pricing principles and information disclosure guidelines, and whether principles are achieving their purpose. The process and timetable will also be reviewed in November 2013.
C3	Grid configuration arrangements	2 - High priority	New for 2012/13: assess efficient grid configuration arrangements. Involves changes to subpart 6 of part 12.	- Complete Code amendment follow up process (confirm/not confirm).		On track. Timetable revised - now due for completion in 2013/14. Consultation paper (Code amendment) released 11 June 2013.
C4	Research project - scarcity pricing	2 - High priority	New for 2012/13: carry out research into the potential for model-based approaches to scarcity pricing, for example the setting and application of price floors during public conservation campaigns (PCCs) (consideration of price floors that are dynamic rather than fixed).	- Research project completed. - Key findings passed on to improving real-time spot pricing project and sensitive prices review	—	On hold. This project was put on hold as a result of a work programme and budget reprioritisation completed in November 2012.
C5	Value of lost load (VoLL)	2 - High priority	Completion of review of value of lost load. Output will be useful for transmission and distribution purposes - involves changes to subpart 3 of part 12. This work has implications for scarcity pricing and AUFLS.	- Complete project - Code amendment.		Off track. Further surveys and analysis completed (not anticipated when target set). Information paper being prepared for release. Methodology paper to be considered at July Board meeting. Completion of Code amendment dependent on discussions with Commerce Commission and consideration of options.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C6	Wholesale information trading system (WITS) strategy	2 - High priority	New for 2012/13: Preparing a medium-to long-term strategy to develop the wholesale information trading system (WITS). Specifically with a view to capturing the needs of smaller and new entrant market participants such as demand aggregators, financial intermediaries, and non-participants.	<ul style="list-style-type: none"> - Prepare WITS strategy document and obtain Board approval to progress. - Transition to Operations Development team for implementation. - Develop project plan for implementation. 		On track. Development completed. Implementation is currently a pending project for 2013/14 (in the Market Services Team).
C7	Asset owner performance obligations (AOPOs): fault ride-through	2 - High priority	Review of low voltage fault ride-through AOPOs to determine if fit for purpose with changing generation mix (ie significant wind generation).	<ul style="list-style-type: none"> - Decision on whether re-consultation is required August/September 2012. - Completion by June 2013. 		Off track. Informal consultation with affected parties was completed in March 2013. As a result of this consultation it has not been possible to reach a consensus of agreement on the over-voltage ride through standard between the grid owner and generating companies. This has caused the project to be delayed. The Authority is seeking to broker an agreement between the grid owner and generators, including Code amendments.
C8	Definition of trader under the Act	2 - High priority	Address the issue of the introduction of financial traders and a review of type 2 retailers.	<ul style="list-style-type: none"> - Project to be scoped and costed - ASAP. - New definition in place by June 2013. 	—	On hold. This project was put on hold as a result of a work programme and budget reprioritisation completed in November 2012.
C9	Domestic contracting arrangements – 2012 alignment assessment	2 - High priority	Review of retailer alignment with standard terms and conditions. Second (and final) review at two years after implementation. Results to be used in reviewing retail contracting arrangements over July-August.	<ul style="list-style-type: none"> - Publish report by December 2012. 		Completed. Consolidated report published 4 December 2012. Individual reports sent to retailers.
C10	Electronic information exchange protocols (EIEPs)	2 - High priority	Review and update of EIEPs.	<ul style="list-style-type: none"> - Results of consultation reported to Board on 1 August 2012. - Second consultation for mandating EIEPs - to take place in August. Recommendation to the Board by January 2013. - Implementation target 1 April 2013 (prior to Part 10 go-live). 		Off track. Timetable delay. Implementation now likely to be 1 July 2014. Second consultation paper published 5 Feb 2013 and closed on 19 March 2013 (Code amendment to mandate the use of EIEPs 1, 2, and 3). Submissions are being analysed, and the proposed Code amendment is expected to be provided to the Board at its September 2013 meeting. Code amendment now scheduled for 2013/14.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C11	Frequency regulation: frequency keeping (FK) constrained on/off	2 - High priority	Removal of constrained on/off from the FK selection methodology and from the FK cost allocation. Includes initial investigation.	- Complete Code amendment by June 2013.		Off track. Consultation paper to be published in early July, closing 15 August 2013. Summary of submissions and Code amendment proposal planned for October Board meeting.
C12	Frequency regulation: review normal frequency band and AOPOs	2 - High priority	Review of the frequency keeping Hz band, MW band and related AOPO's to determine if fit for purpose. Investigation reports produced by the system operator in 2011. Further system operator investigation may be required - implications for software.	- Investigation reports produced by the system operator in 2011. - Develop Code amendment proposal for (1) frequency deviation targets, (2) time error standard, (3) minimum governor response, and (4) cost allocation related to (3).		Partly achieved: - Item (2), time error standard review, completed. - Other parts now due for completion 2013/14. Timetable delay. This project was delayed in order to give priority to the HVDC Pole 3 Code amendments.
C13	Metering - advanced metering policy implementation project	2 - High priority	Publication of guidelines as necessary to facilitate advanced meters. Scope of this project is: - complete review of advanced metering interface (AMI) guidelines; and - consult on industry-agreed formats for exchanging AMI information.	- Complete review of guidelines (post Part 10 review), consult on them and publish update. NB Current initiatives will be completed but there is the potential for on-going improvement initiatives - outside of scope of this project.		Off track. Alignment work with Part 10 in progress. Update of policy and guidelines prepared. Consultation paper to be provided to the Board at its September meeting.
C14	Review of service provider agreement (excluding the system operator service provider agreement (SOSPA))	2 - High priority	Decision on renewal of market operation service provider agreements for next three year term.	SOI page 40: - completing an analysis of market operation service provider performance reviews over the current term of the contracts and make a decision on whether to re-tender; and - if re-tendering of market operation services is required, carry out a best practice tender and selection process, including ensuring seamless handovers if new providers are selected.		Completed. All service provider contract variations have been signed and published.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C15	System operation alignment review	2 - High priority	New for 2012/13: a wide ranging review of the SOSPA arrangements, including: <ul style="list-style-type: none"> - alignment of SOSPA objectives with s15 of the Electricity Industry Act 2010; - development of a wider range of performance measures; - addressing capital plan and spending arrangements; and - addressing the impact of fee changes on levy payers. 	- Complete review and update SOSPA, if required.	—	On hold. Project on hold awaiting outcome of system operator internal review. This review will be followed by a SOSPA renegotiation later in 2013. Some background work has been progressed looking at the cost history for the services. An assessment is being carried out on at the capital expenditure arrangements.
C16	Review of security standards – Part 7	2 - High priority	Review of the security standard in Part 7 of the Code. Review of winter energy and capacity standards and the creation of a summer security standard.	<ul style="list-style-type: none"> - Analysis of winter security standards will be complete in 2011/12 period. - Code amendment proposal will cross over into the 2012/13 period. - Analysis for the new summer capacity standard will cross over into the 2012/13 period and a code amendment proposal will be consulted on in September/October 2012. 		Completed. The Board approved an updated winter security of supply standard in November 2012. Amendments took effect in January 2013. The Board has decided to take no further action at this stage on the summer security of supply standard.
C17	System operator monthly reporting	2 - High priority	A review of the value of system operator monthly reporting.	- Complete minor Code amendment, if required.	—	On hold. This is being given a low priority. Pending project for 2013/14.
C18	Under-frequency management: AUFLS standard review	2 - High priority	A project in which the system operator will determine what events AUFLS are actually covering (part of the security policy review). Potential amendment to system operator policy statement and technical Codes. Linked to collective review project.	- Potential Code amendments to system operator policy statement, security policy section, completed by 30 June 2013.		Off track. A draft AUFLS standard has been developed by the system operator. The system operator undertook a series of targeted workshops with industry during November/December 2012. Re-evaluation of the project requirements by the SO has had a consequential impact on the project timetable with Code amendment recommendations from the system operator now due in August/September 2013.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C19	Demand side bidding and forecasting - impact review	2 - High priority	Post implementation review of impacts and outcomes.	- Complete report.	—	On hold. Not yet started. Further time is required for the changes to bed-in before a review can be completed.
C20	2012 winter review	2 - High priority	New for 2012/13: review of winter 2012.	- Complete report.		Off track. A combined review of winter 2012 and 2013 is underway and will be completed in the 2013/14 financial year.
C21	Review of the <i>Consultation Charter</i>	2 - High priority	Statement of Intent signals a move to six weeks of consultation.	- Amend the <i>Consultation Charter</i> to increase the standard consultation period from four to six weeks. - Complete review of <i>Consultation Charter</i> by 30 November 2012.		Completed. New version published on the Authority's website.
C22	Review of advisory group terms of reference	3 - Important	New for 2012/13: specifically addresses SOI strategic priority 5: Embedding and enhancing the effectiveness of advisory groups.	- SOI page 41: Complete a review of current Advisory Group arrangements and work to date, and assess opportunities for improvement in supporting the work of the Advisory Groups.		Completed.
C23	Asset owner performance obligations (AOPOs): under-frequency rules	3 - Important	Review of under-frequency AOPO's to determine if fit for purpose with changing generation mix (ie significant wind generation).	- Initiate investigation into better Code clarity, with Code amendments to follow if required. - Code amendments consulted on. - Completion by June 2013.	—	On hold. This project was put on hold as a result of a work programme and budget reprioritisation completed in November 2012.
C24	Operational review of Part 6	3 - Important	A review of Part 6 of the Code to address perceived low notification rates of DG, and approximately 40 operational issues identified since inception of the legislation in August 2007. This review excludes the pricing principles of Part 6, which is to be covered by the review of distribution pricing.	- Complete consultation August 2012. - Code amendment recommendation to Board October 2012. - Target effective date 1 April 2013.		Off track. Initial consultation closed in November 2012. Further consultation planned as a result of submissions. Consultation expected in August 2013.
C25	Closure review of the Reserve Energy Scheme	3 - Important	New for 2012/13: complete a review of the Reserve Energy Scheme.	- Complete review.		Off track. Not started, awaiting completion of winter 2012 review.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
C26	Technical year in review	3 - Important	New for 2012/13: technical document (separate from annual assessment).	- Technical document completed.	—	Ended. It was decided a separate technical document was not required to support the Electricity market performance report, published in April 2013.
C27	Compliance framework review project	3 - Important	First principles review of the compliance framework - covers Act, Code and regulations. Excludes review of compliance philosophy.	- Complete the review.		Completed. Review of Enforcement Regulations included in the work programme for 2013/14.
C28	Force majeure Code provisions review	3 - Important	New for 2012/13: initiated in 2011/12. To be completed in 2012/13.	- Draft consultation paper to 6 June Board meeting. - Consultation June/July. - Code amendment to Board September/October 2012.		Completed. Code amendments came into force on 1 November 2012.

6 Other priority projects for completion in 2013/14 and out-years

6.1 The table below sets out key projects in line with the Authority's statutory objective and Path to CRE priority areas, where Code amendments or market facilitation measures are not expected to be completed in 2012/13.

Table D: Information about second and third priority projects for completion in 2013/14 and out-years

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D1	More standardisation programme - impact review	2 - High priority	Post implementation review of impacts and outcomes.	- Initiate review - Complete report in 2013/14.		On track. Started in March.
D2	Research project - efficiency of system operator arrangements	2 - High priority	New for 2012/13: review service provider arrangements relating to system coordination and related market services. Links to SOSPA review.	- Complete report.	—	On hold. Now covered in SOSPA review.
D3	Alternative funding arrangements investigation	2 - High priority	A review to consider possible alternative funding arrangements to determine whether there are more efficient means of funding specific Authority operations (eg service providers). NB if change is required, legislation will be required.	- Initial deliverable is a report on the merits of alternative means of funding the Authority's operational functions. - Further steps to be determined.		On track. Work programme deliverables achieved: consultation and proposal completed. Not proceeding at this stage. Awaiting appropriate legislative vehicle for change to the Electricity Industry Act 2010 (the Act).

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D4	Dispatchable demand (DD): phase 2 – conforming load	2 - High priority	New for 2012/13: Facilitating greater demand-side participation in the wholesale market – for nodes where centralised load forecasts are used rather than bids (conforming nodes).	<ul style="list-style-type: none"> - Complete investigation and cost benefit assessment. - Complete options analysis and design. - Consultation paper. 		<p>On track. Code amendments were completed in 2011 for dispatchable demand at non-conforming nodes.</p> <p>Subsequently, the Board agreed to modify the design of dispatchable demand to reduce cost and achieve earlier implementation (May 2014). The revised design also provides for dispatchable demand at both conforming and non-conforming nodes.</p> <p>A Code amendment consultation paper for the revised design is planned to be published in July 2013.</p>
D5	Improving forecast and settlement prices	2 - High priority	New for 2012/13: Review of options to improve forecast and settlement prices, especially during periods of system stress. Related/ prerequisite work to do: eg address RAF to zero, infeasibilities, reserve shortage pricing. (Previously named: Ex-ante/real-time spot pricing.)	<ul style="list-style-type: none"> - Undertake initial cost benefit assessment to consider whether to pursue. - Dependent upon outcome of analysis, prepare detailed project plan, and scope of work for the system operator. - Potentially develop pilot programmes, publishing alternative real-time prices that could be used for settlement. 		<p>On track. A WAG discussion paper is expected to be published in July 2013.</p> <p>Recommendations from WAG to the Board are expected later in the 2013 calendar year.</p>
D6	Improvements to existing spot pricing process	2 - High priority	New for 2012/13: changes to the existing spot pricing process, including: <ul style="list-style-type: none"> - improved modelling of constraints in scheduling, pricing and dispatch software - wind generation inputs into final pricing; - infeasibility resolution improvement process; - time limit on the republication of final prices; and - interim pricing period deadline changes. 	<ul style="list-style-type: none"> - Finalisation of constraint softening concepts. - Locational Price Risk Technical Group (LPRTG) advice on practicable options and preferred option. - Prepare consultation on Code amendments and cost benefit assessment. 		<p>On track. High spring washer Code updated to address the change in constraint inputs caused by the introduction of simultaneous feasibility test (SFT) in 2011—Code amendment gazetted under urgency, and follow-up Code amendment gazetted 20 August 2012.</p> <p>Review of inputs into final pricing and considering suggestions such as constraints softening underway. Release of consultation paper on high level concepts planned for late in 2013 calendar year.</p>

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D7	Locational price risk management: phase 2 – within-island basis risk (WIBR)	2 - High priority	New for 2012/13: introduction of a solution to assist parties to manage spot price risks within an island. Review allocation of any residual FTR and loss and constraint excess (LCE) revenue. Potential to also address any Code amendments for inter-island FTRs.	<ul style="list-style-type: none"> - Finalise cost benefit assessment on residual LCE, and possibly picking work up again near the end of the financial year (depending upon the timing of TPM progress). - Prepare and release consultation paper on preferred option and any required Code amendments for intra-island price risk. - Transition intra-island price risk solution to Operations Development team for eventual implementation. 		<p>On track. Information paper outlining CBA for residual LCE published. LCE Code amendments are now being considered as part of the TPM process.</p> <p>Independent advice (EnergyLink) published on within island basis risk.</p> <p>Consultation on potential solutions to within island basis risk solution was released on 25 June 2013, closing 6 August 2013.</p>
D8	Research project - distribution company arrangements	2 - High priority	New for 2012/13: Research project to review the efficiency of distribution network company arrangements. Commitment made to consult on scope.	<ul style="list-style-type: none"> - Draft scope and project outline. - Further deliverables to be determined. 	—	On hold. Scheduled to start later in 2013.
D9	Potential research project - low fixed charges	2 - High priority	New for 2012/13: A potential research project looking into the effects on efficiency and competition of the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004. Scope to be discussed with the Ministry of Economic Development.	<ul style="list-style-type: none"> - Draft scope and project outline. - Further deliverables to be determined. 	—	On hold. Project put on hold in July 2012
D10	Review of half hour switching rules	2 - High priority	Review of half hour switching rules - consideration of Trustpower rule change proposal.	<ul style="list-style-type: none"> - Code amendments consulted on. - Completion in June 2013/14. 		<p>Overall on track. There are two separate initiatives involved.</p> <ol style="list-style-type: none"> 1) Temporary fix to allow AMI switching to continue at go live date. Consultation completed. Code amendment completed and registry has been configured. 2) Re-engineer all ICP switching - now 2013/14. This is dependent on completion of Part 10 implementation. This is critical to enabling consumers with AMI meters to continue to switch between traders.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D11	Frequency Regulation: National market for frequency keeping	2 - High priority	Initial consideration of a national market for frequency keeping. Resource provided for national market Code / investigation of how to develop a national market.	<ul style="list-style-type: none"> - Prerequisite is access to HVDC bi-pole control system and potentially round-power (Grid Owner). - Timetable to be developed. - Target is to have market set up and ready to go when control system is made available by Grid Owner. 		<p>On track. Initial investigation (MFK Stage II) by the system operator is complete.</p> <p>Discussion initiated with the Grid Owner on access to the HVDC control system. Discussion will include agreeing timetable.</p>
D12	Review of UTS provisions-implementation	2 - High priority	Implementation work to review and updated internal Authority procedures for management of UTS claims. Dependent on review of UTS provisions project.	<ul style="list-style-type: none"> - Deliverables to be determined - dependent on review of UTS Code, which is on hold pending Genesis appeal. 		<p>On track. This project was originally on hold due to the Genesis appeal of UTS decision to High Court, but work re-commenced following the withdrawal of that appeal.</p> <p>Both the internal and external guidelines have been modified (in draft form) to reflect the experience gained from the 26 March 2011 UTS. The new UTS provisions have been gazetted and come into effect on 18 July 2013. The guidelines are being updated and are expected to be completed in the first quarter of 2013/14.</p>
D13	Efficient procurement of extended reserves (Previously named: Under-frequency management - AUFLS market development)	2 - High priority	Investigate options for a move over time towards developing an AUFLS market.	<ul style="list-style-type: none"> - Issues and options report to Board August/September 2012. - Further steps dependent on issues and options report. 		<p>On track. Consultation closed on 14 November 2012 and the submissions have been considered.</p> <p>The process, including whether a second round of consultation is required, is to be addressed in later in the 2013 calendar year.</p>

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D14	Participant education	2 - High priority	New for 2012/13: Educate participants on the operation of the Code, with specific focus on new areas of Code development. Coordination / alignment / look and feel by Corporate with most input coming from teams. Includes: refresh existing and complete new Guidelines to facilitate market operational knowledge; subject specific industry fora; and alignment with compliance conference.	- SOI Page 41: completing implementation of the communication strategy developed in 2011/12. - Implementation completed and content for Annual Report provided.		On track. The Authority has been undertaking public and stakeholder briefings for relevant subjects, eg it held four TPM fora during October, and briefings were held for the release of the <i>Electricity Market Performance: a Review of 2012</i> publication. A guide to managing spot price risk was published in October 2012. Regulatory managers' meeting held approximately every two months. Chair, Board and CE have regular engagements involving industry, including hosting stakeholder breakfasts.
D15	Consumer education	2 - High priority	New for 2012/13: Educate the general public about trade-offs (e.g. reliability vs. cost) and benefits that are delivered through a competitive market and resilience of the industry to adverse events. Led by Corporate with input from other teams.	- SOI Page 41: completing implementation of the communication strategy developed in 2011/12. - Implementation completed and content for Annual Report provided.		On track. See above. In addition to general education efforts, fact sheets aimed at consumers are being published on a regular basis.
D16	Breakdown of customer billings (RAG project)	3 - Important	New for 2012/13: Review whether there should be mandatory disclosure of the component parts of customer electricity bills.	- Provide a recommendation to the Board on whether MFM or Code changes are required to give effect to more transparency.		On track. RAG project. RAG considered draft issues paper 15 May 2013. The RAG issues paper is being presented to the Board at its July meeting. Project renamed Improving Transparency of Consumers Electricity Charges. Board agreed to revised timetable and scope in June 2013.
D17	Domestic contracting arrangements (RAG project)	3 - Important	Consideration of suite of arrangements for consumer and distributor/retailer relationship, including MDC and VDC.	- Scope completed. - Further deliverables to be to be determined.		On track. Scope agreed by RAG in August. Issues paper released on 16 April for an eight week consultation period. The RAG report is expected to be provided to the Board in April 2014.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D18	Review: extending the Consumer Guarantees Act indemnity to Transpower	3 - Important	New for 2012/13: Review whether the Consumer Guarantees Act indemnity obligations on lines companies should be extended to Transpower.	<ul style="list-style-type: none"> - Scope and project outline being developed. - Complete Code amendment, if necessary (2013/14). - No implementation for the Authority. 	—	On hold. This project was put on hold as a result of a work programme and budget reprioritisation completed in November 2012.
D19	Improved market modelling of losses	3 - Important	New for 2012/13: improve the representation of losses in the system operator's scheduling, pricing and dispatch model (SPD) – provides for a lower cost market solution.	<ul style="list-style-type: none"> - Complete investigation of problem. - Prepare consultation paper on preferred option, with cost benefit assessment and any required Code amendments. - Transition to Operations Development for implementation. 		<p>Off track. Market performance report prepared on increasing the number of loss tranches. Includes the impact on final prices.</p> <p>The system operator report on the impact of increasing loss tranches on its systems is expected by 31 August 2013.</p> <p>Report planned for Board in the first quarter of 2013/14 - consideration of system operator report.</p> <p>Release of consultation paper expected late in 2013 calendar year.</p>
D20	Instantaneous reserve cost allocation methodology	3 - Important	Review of the instantaneous reserve cost allocation methodology.	<ul style="list-style-type: none"> - To be determined. 	—	On hold. Project put on hold for 2012/13. Possible WAG project for 2013/14.
D21	Instantaneous reserve national market (WAG project)	3 - Important	New for 2012/13: Instantaneous reserve national market (HVDC transfer). Allows transfer of reserves from one island to the other via the HVDC. Dependent on HVDC bi-pole control systems being fully in service.	<p>Project to start late in the 2012/13 year:</p> <ul style="list-style-type: none"> - Cost estimate for implementation provided by system operator. - Cost benefit assessment prepared. - Consultation paper prepared. 		<p>On track. Added to WAG's work plan.</p> <p>The WAG is preparing a recommendations paper, which is expected to be provided to the Authority Board in the first quarter of 2013/14.</p>
D22	Offer and dispatch Code development	3 - Important	Improve the offer and dispatch rules to improve operational efficiency, eg: <ul style="list-style-type: none"> - review of gate closure - potential further work - reserve offers - other Code amendment proposals. 	<ul style="list-style-type: none"> - Complete gate closure feasibility study. 		<p>Off track. The system operator is testing the effect of reducing gate closure on its systems and processes in September 2013.</p> <p>A report from the system operator is expected to be published later in the 2013 calendar year.</p>

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
D23	Review of use of profiles	3 - Important	Review of the extent of use of profiles and whether they are being efficiently applied. Initial work will be required to investigate extent of the issue.	- Complete initial investigation.	—	On hold. This project was put on hold as a result of a work programme and budget reprioritisation completed in November 2012.
D24	Under-frequency management - instantaneous reserve AOPOs	3 - Important	Review of instantaneous reserve cost allocation methodology.	- If resources available, initiate a first principles review of instantaneous reserves. - Code to follow, if required - timetable to be determined by review.	—	On hold. This project was put on hold as a result of a work programme and budget reprioritisation completed in November 2012.

7 Future projects

7.1 The table below lists projects that have had an initial assessment as having merit but are scheduled for initiation after the 2012/13 year.

Table E: Information about proposed future projects

#	Team	Name	Project description
E1	Market Design	Asset owner performance obligations: voltage rules	Review of voltage AOPO's to determine if fit for purpose with changing generation mix (ie significant wind generation).
E2	Market Design	CQ development plan - further items	Extensive list of possible initiatives as listed in the Common Quality Development Plan that have not yet been prioritised or costed.
E3	Market Design	Credible event management: under voltage management	Review appropriateness of the Code for under-voltages during events.
E4	Market Performance	Dispatchable demand - post implementation review	Post implementation review of impacts and outcomes.
E5	Market Design	Frequency regulation: frequency keeping cost allocation	Project purpose is to allow anticipated wind generation to be successfully integrated into the New Zealand electricity system over the next five-10 years. Phase 3: Frequency keeping cost allocations, AOPO/dispensation/equivalence review.
E6	Market Services	Guidelines for secondary networks - network extensions & customer networks	Development of arrangements for network extensions and the establishment of compliance requirements.
E7	Market Performance	Locational price risk management-impact review	Post implementation review of impacts and outcomes.
E8	Market Performance	Metering - Part 10 -impact review	Post implementation review of impacts and outcomes.

#	Team	Name	Project description
E10	Market Services	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 for providing appropriate incentives for improved losses management (e) identifying and proposing performance benchmarks, measurement systems and reporting.
E11	Market Services	Pre-certification stage investigation	Board requested project to facilitate new entrant retailers - look at Board discretion around period for new retailers to gain certification. Potentially able to be addressed as a minor code amendment.
E12	Market Services	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. An information paper has been published providing some guidance on how to determine ownership on a case by case basis, however there is a need to look at the issues and possible long term solutions. There is a question about whether this is a broader policy issue that needs to be dealt with by the Ministry of Business, Innovation and Employment.
E13	Market Design	Review of Part 12	This picks up connection process, (subpart 2 of part 12), benchmark agreements, GRS, and other areas.
E14	Market Performance	Scarcity pricing-impact review	Post implementation review of impacts and outcomes.
E15	Market Design	Short-term hedge instruments	Consider the need for a short-term market for hedge instruments (e.g. day-ahead).
E16	Market Services	TPM: monitoring issues and audit, if required	BAU follow up and Authority-commissioned external audit of Transpower's application of the TPM. NB no Authority-commissioned external audit planned until new TPM in place and operating.
E17	Market Design	Trading arrangements (Part 13) review	Review the Code relating to trading. Includes scheduling, dispatch, pricing, information and information disclosure.

8 Organisational development projects

8.1 The table below addresses existing and planned projects that are being carried out for organisation development purposes. These projects do not have a direct net public benefit and are included in the work programme as they are key projects to enable the effective and efficient operation of the Authority.

Table G: Information about organisational development projects

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
G1	Implementation of Operations Development process review	2 - High priority	Implementation of the review carried out in 2011/12. Initial step is workflow tool.	<ul style="list-style-type: none"> - SOI Page 42: completing implementation of the review of operational development systems and processes. - Implementation programme will flow out of the review to be completed by the end of the 2011/12 year. - Request for proposal (RFP), including specification, being developed for workflow tool - to be released July, closing end of July. - Further steps dependent on RFP results. 		<p>Completed. Review completed and agreed implementation actions completed.</p> <p>Documentation of processes to be completed in 2013/14.</p>
G2	Service provider (NZX) hardware refresh	2 - High priority	Capital project - to update and replace NZX service provider hardware (owned by the Authority).	- To be completed by 14 October 2013.		Completed.
G3	Path to World Class	2 - High priority	Completing the organisational development strategy.	- SOI page 41: completing the Authority's organisational development strategy to improve organisational performance to achieve the vision of being a world class electricity regulator.		<p>On track. A number of specific areas of work to improve Authority performance are underway. These include the refresh of the communications strategy, development of an information systems strategic plan, review of the vision and values, a comprehensive review of the organisational policies.</p> <p>A Performance Improvement Framework (PIF) self-assessment is planned in 2013/14.²</p>

² PIF reviews are a State Service Commission (SSC) led initiative. Information about the review process is available at: <http://www.ssc.govt.nz/pif>

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
G4	Data warehouse	2 - High priority	Project to enable market monitoring and analysis function. Data strategy document developed re publication of data in accessible formats for participants via a web based database server encompassing query and visualisation facilities.	- Measured by each data source being migrated to the data warehouse and being accessible to staff.		On track. Data warehouse and portal in production (main development completed). On-going development (adding new data sources).
G5	Programme Management Office	2 - High priority	Establishment of Virtual project management office. Development of project management policy, tools and practice.	- Set out roadmap to achieving desired future state (best practice).		On track. Project management policy updated. Implementation programme largely completed, including training. Project has moved into the support and monitoring phase.
G6	Website review and refresh	2 - High priority	Review to ensure website is fit for purpose.	- Project plan and budget approved - July 2012. - Complete and launch new website - June 2013.		Off track. Unexpected personnel issues disrupted project progress. Delivery of new website re-scheduled to 2013/14.
G7	Non-Financial performance information	2 - High priority	Ensuring system and processes in place for reporting against non-financial performance information in the Statement of Intent. Includes ensuring OAG and Audit NZ requirements are met (e.g. AG4 standard).	- Documented support for all non-financial reporting for 2012/13 Annual Report.		Completed. Several initiatives have been completed, including an update of the Planning and Reporting Policy. Comprehensive review of performance information completed for 2013–2016 Statement of Intent.
G8	Enhancements to work programme reporting	2 - High priority	Work with business units to refine work programme development and reporting process and systems. Specifically to ensure streamlined / aligned reporting tools.	- Improved internal planning and reporting tools - enable meeting Audit NZ requirements for non-financial performance information - rating of 'good' or 'very good'.		Completed. Enhanced work programme reporting has been implemented. Improvements to performance measurement resulted in 2011/12 Audit NZ rating moving from 'needs improvement' to 'good'.
G9	Improvements to Code Amendment Register	3 - Important	Improving the register tool and processes. Improving knowledge of and compliance with processes to support the register. Ensuring that proposals are assessed and acted upon appropriately.	- Quarterly update rounds completed. - Six monthly updates published that are accurate.		Completed. Improvement work completed. Refresh and publication of the register completed.

#	Name	Priority 2012/13	Project description	Overall performance standard for 2012/13	Status	Progress statement
G10	Improvements to Contracts Register	3 – Important	Improving the register tool and processes. Improving knowledge of and compliance with processes to support the register. Improving the accuracy and timeliness of data in the register.	- Register is up to date and accurate reports are available on demand.		Completed. Review of register completed in July 2012.
G11	Knowledge and Records management enhancements	3 - Important	Project work to ensure that the Authority moves towards required practice for knowledge management, record keeping and archiving.	- Achieve at least minimum compliance with Public Records Act requirements as measured by audit process. - Classification tidy up completed and implemented.		On track. Public Records Act compliance being met. Classification tidy up completed and implemented. Further enhancements taking place in line with the all of government records management initiative.
G12	Information systems strategic plan	2 - High priority	Part of organisational development strategy (Path to world class): complete "roadmap" plan of information technology requirements for "future state" (5 years). Includes systems and hardware for the Authority and service providers (excluding system operator).	- Information systems strategic plan completed.		Completed. Information systems strategic plan completed July 2012.
G13	Communications Strategy Implementation	2 - High priority	Implementation of the strategy completed in 2011/12. Aligns with consumer and participant education programmes (see table D: D14 and D15).	- SOI Page 41: completing implementation of the communication strategy developed in 2011/12. - Implementation completed and content for Annual Report provided.		On track. Strategy implementation taking place. Review and update of strategy underway. Annual Report completed in line with strategy.
G14	2013/14 appropriations consultation	2 - High priority	Business as usual consultation process plus address ensuring all appropriate inputs are assessed prior to consultation - specifically addressing the system operator capital-related costs identified in 2012–2015 Statement of Intent.	- Appropriations consultation completed and report provided to the Minister by 31 December 2012.		Completed. Appropriations consultation completed and report approved by the Minister in December 2012.
G15	Refresh participants register	2 - High priority	A project to refresh contents of register to ensure it is up to date and accurate. NB is not business as usual maintenance of register or a review of the format and scope of the register.	- Refresh of register completed.		Completed. Refresh completed. Business as usual updates taking place.

Glossary of abbreviations and terms

AGC	Automatic governor control
AMI	Advanced metering interface
AOPOs	Asset owner performance obligations
AUFLS	Automatic under-frequency load shedding
Authority	Electricity Authority
Act	Electricity Industry Act 2010
AGC	Automatic governor control
BAU	Business as usual
CBA	Cost benefit analysis
Code	Electricity Industry Participation Code 2010
CRE	Competition, reliability and efficiency – key limbs of the Authority’s statutory objective.
DD	Dispatchable demand
DG	Distributed generation
EIEPs	Electronic information exchange protocols
FK	Frequency keeping
GXP	Grid exit point
ICP	Inter-connection point
LCE	Loss and constraint excess
LPRTG	Locational Price Risk Technical Group
MFK	Multiple frequency keepers
HVDC	High voltage direct current
PCC	Public conservation campaign

MFM	Market facilitation measures
Regulations	Electricity Industry (Enforcement) Regulations 2010
RAG	Retail Advisory Group
RFP	Request for proposal
SOI	Statement of Intent
SOSPA	System operator service provider agreement
SPA	Service provider agreement
TPM	Transmission pricing methodology
UFM	Under-frequency management
UTS	Undesirable trading situation
VoLL	Value of lost load
WAG	Wholesale Advisory Group
WITS	Wholesale information trading system

Note: a glossary of terms used in the electricity industry is available at: <http://www.ea.govt.nz/footer-elements/glossary/>