

# 2013/14 Work Programme

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Report to 30 September 2013



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# 1 Introduction

- 1.1 This report provides a report on year-to-date progress against the work programme. 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 in this report.
- 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 2014 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 2014.

## ***Key to 'traffic light' symbols used in this report***

 Project milestones achieved or on track to be achieved.	 Project milestone are at risk.	 Project milestones not achieved or not able to be achieved.
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## ***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.

## ***Overall performance standards for 2013/14***

- 1.4 The project tables below include key milestones or deliverables for the 2013/14 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 2014) 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.

#	Project name	Existing or new project for 2013/14	Status as at 30 September 2013
<b>Table A: Key systems implementation projects</b>			
A1	Scarcity pricing-implementation	Existing	Completed
A2	Metering - Part 10 - implementation	Existing	Completed
A3	Dispatchable demand - implementation	Existing	On track
A4	Locational price risk management- implementation	Existing	On track
A5	Multiple frequency keepers - implementation	Existing	On track
<b>Table B: Top priority market development projects</b>			
B1	Settlement and prudential security review	Existing	On track
B2	Pivotal pricing project	Existing	On track
B3	National market for frequency keeping	Existing	On track
B4	National market for instantaneous reserves	Existing	On track
B5	Within-island locational price risk management	Existing	On track
B6	Review of half hour switching process	Existing	On track
B7	Alignment of forecast and settlement prices	Existing	On track
B8	Efficient procurement of extended reserves	Existing	On track
B9	Consumer switching fund	Existing	On track
B10	Transmission pricing investigation	Existing	On track

### 3 Key system implementation projects

3.1 The table below addresses key existing projects that are at the implementation stage in 2013/14.

**Table A: Information about key system implementation projects**

#	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
A1	Scarcity pricing – implementation	Section 42 implementation project.	Go live 1 June 2013. Project closure completed by 31 July 2013.		Completed. Scarcity Pricing capability was delivered on the due date of 1 June 2013. Draft closure report completed, to be finalised in November.
A2	Metering - Part 10 – implementation	Completion of Part 10 Code implementation.	Complete implementation. Implementation review completed.		Implementation completed. Go-live date was 29 August 2013.
A3	Dispatchable demand – implementation (modified option)	Section 42 implementation project. Related to dispatchable demand modified option project for the Code change component: project C1.	Target go-live 15 May 2014. Close out report completed.		In October 2013 the Authority approved new arrangements to enable dispatchable demand to compete in the spot market for electricity.  The new Code will be gazetted before Christmas and implementation is on track to go-live on 15 May 2014.
A4	Locational price risk management – implementation	Complete implementation close out report.	Complete close out report by August 2013.		The first financial transmission rights (FTR) auction was successfully held on 12 June 2013.  Draft closure report completed. To be finalised by November.  A residual Code amendment is being actioned.

#	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
A5	Multiple frequency keepers (MFK) implementation	Implement the 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.	<p>North Island MFK targeted for implementation 1 July 2013.</p> <p>South Island MFK implementation dependant on completion of South Island generator control system upgrade. 10 August 2014 is agreed date.</p>		<p>North Island completed.</p> <p>Tools for South Island developed as part of North Island work.</p> <p>Meridian has confirmed availability to progress South Island MFK for August 2014.</p>

## 4 Top priority projects

- 4.1 Top priority is being given to addressing key pieces of work that strongly support the key impacts being sought by the Authority. Top priority market development projects are those 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 2013/14. 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**

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B1	Market development	Settlement and prudential security review	Improvements to clearing and settlement parts of the Code to improve efficiency and competition.	Complete Code amendment. Commence implementation		<p>Consultation paper with proposed Code amendments published on 18 June 2013. The paper covered options for weekly and monthly settlement.</p> <p>An industry briefing was held on 18 July.</p> <p>Submissions closed on 20 August.</p> <p>At the October meeting the Board agreed policy settings. A Code amendment proposal will be considered by the Board in December.</p>
B2	Market development	Pivotal pricing project	<p>Consider options, and develop if appropriate, initiatives to bring more confidence that prices are efficient during pivotal generation situations.</p> <p>Wholesale Advisory Group (WAG) project.</p>	<p>Finalise WAG recommendations to the Authority Board.</p> <p>Complete Code amendment.</p> <p>Commence implementation.</p>		<p>The Wholesale Advisory Group (WAG) published a discussion paper on 28 May and submissions closed on 9 July 2013.</p> <p>Recommendations from WAG to the Board were provided at the October meeting.</p> <p>A Code amendment consultation paper is being developed for consideration by the Board in Feb/Mar 2014.</p>

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B3	Market development	National market for frequency keeping	Initial consideration of a national market for frequency keeping to enhance wholesale market competition.  Follows from multiple frequency keeper project (A5).	Consult on issues and options for national frequency keeping market (timeframe to be determined by investigation).		Availability of HVDC control system to be confirmed by the Grid Owner on completion of the bi-pole control system commissioning.  The WAG is considering the project outline at the October meeting. Investigations would follow approval of the project outline.
B4	Market development	National market for instantaneous reserves	Provide for instantaneous reserves national market to enhance wholesale market competition. Update market design to enable the transfer of reserves from one island to the other via the HVDC. Implementation dependent on HVDC bi-pole control systems being fully in service.  WAG project.	Finalise WAG recommendations to the Board.  Further steps to be determined.		The WAG recommendations were received at the August Board meeting. The WAG report has been published.  The system operator is to investigate feasibility, costing and timing of implementation. The report is expected in mid-December, including recommendations for interim implementation.  Consultation is planned for early 2014 on interim implementation.  A second consultation will take place on final implementation in 2014/15.

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B5	Market development	Within-island basis risk (WIBR)	Introduction of a solution to assist parties to manage spot price risks within an island to enhance retail market competition. Review allocation of any residual financial transmission rights (FTR) and loss and constraint excess (LCE) revenue.	Complete Code amendments.		<p>The Authority is considering the potential expansion of the FTR market to a multi-node market. The purpose of the project is to introduce a solution to assist parties to manage spot price risks within an island (called within-island basis risk).</p> <p>The Authority consulted on the issue from 25 June to 6 August 2013. The proposal was for a multi-point FTR to assist participants to manage their within-island basis risk. The proposal is based on feedback received from the Locational Price Risk Technical Group and is a key initiative for further enhancing competition in the retail electricity market.</p> <p>In October the Board approved the move to a multi-modal market. This will involve the FTR manager amending its FTR allocation plan to introduce a multipoint FTR and developing a system-design proposal for the Authority to consider.</p>
B6	Market development	Review of half hour switching process	<p>Comprehensive review of switching rules to improve efficiency. Focus on half hour mass market including to ensure half hour AMI sites do not have to be switched manually.</p> <p>Scope includes review of status definitions and register content codes.</p> <p>Project to commence once Part 10 implementation completed.</p>	Complete Code amendment.		<p>The review has commenced.</p> <p>Issues and options documentation is being prepares for and industry technical group.</p>

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B7	Market development	Alignment of forecast and settlement prices	Review of options to align forecast and settlement prices, especially during periods of system stress, to improve efficiency and reliability.  Progress depends partly on the related WAG project, which determines a CBA for this project.	Release WAG discussion paper, if not completed in 2012/13.  Finalise WAG recommendation on feasibility/CBA of progressing initiative.		A WAG discussion paper was published on 9 July and closed on 23 August 2013.  Recommendations from WAG to the Board are expected later in the 2013 calendar year after wider review of the wholesale market.  Authority consultation will follow in the 2014 calendar year.
B8	Market development	Efficient procurement of extended reserves <sup>1</sup>	Investigate options for a move over time towards developing a market for extended reserves (aka. AUFLS) to improve efficiency.	Complete Code amendment and commence implementation.		Preferred options are being developed for consultation. A preferred option consultation paper is expected to be considered by the Board in December 2013. Consultation is expected to take place early in 2014.  A Code amendment is expected to be considered by the Board in June 2014.
B9	Market development	Consumer switching fund	On-going delivery and development of consumer switching output class to enhance retail market competition. Statutory function under s16(1)(i): to promote to consumers the benefits of comparing and switching retailers. <sup>2</sup>	Successful completion of programme at 30 April 2014.		The 2013 residential campaign launched in April.  The review of the 2012 programme was published in August.  A potential new programme for 2014-2017 was consulted on as part of the appropriations and work programme consultation. A proposal is expected to be considered by the Board in December (in conjunction with the draft appropriations report to the Minister).

<sup>1</sup> Previously named *Under-frequency management - AUFLS market development*.

<sup>2</sup> In addition, the Retail Advisory Group (RAG) is undertaking a review of the future direction of the programme for beyond April 2014 (see project C7).

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B10	Market development	Transmission pricing investigation	Review of the transmission pricing methodology to promote overall efficiency of the electricity industry.	Development of guidelines for Transpower to develop transmission pricing methodology.		<p>A series of working papers are being developed on key issues.</p> <p>The first working paper was published in August. Submissions closed on 15 October.</p> <p>The sunk costs working paper was published on 8 October along with an overview paper.</p> <p>On 19 September the Board decided not to advance the static reactive support component of TPM ahead of other components.</p> <p>The Avoided cost of transmission (ACOT) payments for distributed generation paper is to be considered at the November Board meeting.</p>
B11	Market services	Service provider software review	<p>Fit for purpose review of service provider software and systems (excluding system operator and FTR manager) to improve efficiency.</p> <p>Review of market operations service provider (MOSP) systems to ensure the technology remains current with performance and functionality requirements and the development of the electricity market.</p> <p>Possible capital cost at point of next renewal of provider contracts.</p>	<p>Scoping study (including scope, timetable and high-level costs) completed by December 2013.</p> <p>Complete review and make any recommendations on system changes required (for subsequent development into an implementation project).</p>		<p>Project planning has commenced and the Authority expects to appoint advisers for the review by December 2013.</p> <p>Currently behind timetable but still expect review to be completed in second half of the financial year.</p>

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B12	Market services	SOSPA Review	<p>A wide ranging review of the SOSPA arrangements to improve efficiency, including:</p> <ul style="list-style-type: none"> <li>- alignment of SOSPA objectives with s15 of the Electricity Industry Act 2010</li> <li>- development of a wider range of performance measures</li> <li>- addressing capital plan and spending arrangements</li> <li>- addressing the impact of fee changes on levy payers</li> <li>- renegotiation of SOSPA.</li> </ul>	Complete review and update SOSPA in 2013/14.		A scope of work has been developed and resources engaged to support the review.
B13	Compliance	Review of enforcement regulations	<p>Review of the Electricity Industry (Enforcement) Regulations and draft replacement regulations.</p> <p>Dependent on the Ministry of Business, Innovation and Employment (MBIE) work programme and priorities (requires Cabinet approval).</p>	Complete the review and draft replacement regulations, if required.		The review has commenced.
B14	Market performance	Electricity market performance review	Development and publication of the Electricity market performance review report.	Publication of the report by March 2014.		The work to compile the report has commenced.

#	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
B15	Market performance	Data warehouse	<p>Project to enable market monitoring and analysis function and enhanced public data availability and analysis tools. Core function launched in 2011/12. There is on-going project work to add new data sets and reports.</p> <p>Specifically in 2013/14 – improving access to retail data (see project C8).</p>	<p>Expanding and improving the data warehouse: continuous improvement of the data warehouse and website portal.</p> <p>99% availability of the Authority data web portal during business hours.</p> <p>20-30 data sets available on the portal.</p>		<p>Dissemination of data is being transitioned to a new portal platform.</p> <p>As part of the transition the DVD version of the CDS will no longer be required. The October CDS will be the last one in the current format.</p> <p>The new portal is planned to go live in February 2014, if not earlier.</p>

## 5 Other priority projects for completion in 2013/14

5.1 The table below sets out second and third priority projects where Code or market facilitation deliverables are expected to be completed in 2013/14. This includes completion of existing projects and new priorities identified through development of the SOI and work programme.

**Table C: Information about second and third priority projects for completion in 2013/14**

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C1	2 - high	Market development	Dispatchable demand modified option (MODD)	Facilitating greater demand-side participation in the wholesale market. Related to dispatchable demand – implementation: project A3.	Complete Code amendment for modified option, in time to ensure go-live on 15 May 2014.		In October 2013 the Authority approved new arrangements to enable dispatchable demand to compete in the spot market for electricity.  The new Code will be gazetted before Christmas and implementation is on track to go live on 15 May 2014.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C2	2 - high	Market development	Wholesale market information	<p>Implement Board decisions made in June 2013.</p> <p>Improved access to WITS and planning outage coordination protocol (POCP) for wider range of participants.</p> <p>Builds on initiatives recommended by WAG in 2012/13.</p>	<p>Finalise POCP (Red Spider system) enhancements (MFM).</p> <p>Finalise guideline for clause 13.2.</p> <p>NB in addition to the core project the Authority will consider progressing "additional suggestions for improving wholesale market information" - identified in submissions on WAG discussion paper.</p>		<p>The POCP process is underway. The final report from the system operator is due in October 2013. There is potential for a new system to be in place by January 2014.</p> <p>The POCP public viewer has been implemented in October to assist participants in compliance with new 13.2 requirements.</p> <p>Guidelines for 13.2 have been issued and come into force on 1 October 2013.</p>
C3	2 - high	Market development	Grid configuration arrangements	Development of efficient arrangements for making a temporary change to the grid configuration.	Code amendments completed by December 2013.		<p>The Board approved Code amendments in September 2013. The Code amendments will be gazetted in December, when urgent Code expires.</p> <p>Further engagement is planned with stakeholders for October in response to issues raised in submissions.</p>

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C4	2 - high	Market development	Improving transparency of consumer electricity charges <sup>3</sup>	Review to improve the transparency of consumers' electricity charges. RAG project.	RAG report expected April 2014. Authority response to RAG recommendations.		The Retail Advisory Group (RAG) considered submissions on its issues paper and next steps at its September meeting.  The RAG has asked the Authority to commission a research survey of consumer information requirements. This additional work may delay the RAG report.
C5	2 - high	Market development	Retailer default provisions	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).  RAG project in 2012/13. Related to C12 – implementation stage	Consultation taking place in June/July 2013.  Code amendments completed by December 2013 subject to consultation feedback.		The Board approved Code amendments in October, to be gazetted as soon as practicable.
C6	2 - high	Market development	Distribution pricing review	Review of distributors' alignment with <i>Distribution pricing principles and information disclosure guidelines</i> .  Following from the review consideration of further actions required, if any.	Review (report on alignment) completed. Report due December 2013.  Evaluation of findings and development of response, if required.		A draft report has been received.  The report and next steps will be considered by the Board in December.

<sup>3</sup> Previously called *Breakdown of customer billings* project.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C7	2 - high	Market development	Review of consumer switching programme	RAG review of consumer switching programme and initiatives beyond April 2014.  Related to Consumer Switching Fund programme (B9).	RAG is expected to report to the Board in September 2013 on its review of the consumer switching function for beyond 30 April 2014.		The RAG is expecting to report to the Board in December. Timing of the RAG review was amended to align with a separate review carried out by MBIE.
C8	2 - high	Market development and Market performance	Improving access to retail data	Improving access to retail data to enhance price comparison, product and service innovation, and retail market analysis and monitoring  This project has four parts: <ul style="list-style-type: none"> <li>- enable collection of data through standardisation of formats (including Code amendment if required)</li> <li>- integration of existing market datasets (may include additional Registry fields)</li> <li>- development of a national retail price database for electricity and gas.</li> <li>- enhanced retail market analysis, metrics and monitoring.</li> </ul> A key outcome will be to provide consumers and the energy services industry with access to data.  Related to data warehouse (B15) distributor tariff codes project (C10).	Project plan including feasibility assessment and CBA.  Complete standardisation of price formats.  Development of pilot database of retail price data – Auckland.  Provide enhanced monitoring and retail market performance metrics.  Development of National Database for retail price data in 2014/15.		The project structure, and project plan is being prepared.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C9	2 - high	Market development	AUFLS standard review	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.	Code amendment proposal due from system operator in December 2013.  Complete Code amendment by 30 June 2014.		The AUFLS technical and standard work being progressed together under project B8.  On track with milestones.
C10	2 - high	Market services	More standardisation programme - implementation	Complete update of distributor tariff codes.	Complete distributor tariff codes by 31 December 2013. Effective immediately.		Completed. This project was closed as a result of decisions made by the Board at the September meeting.
C11	2 - high	Market services	Systems access policies	Preparation of a WITS access policy, finalisation of Registry access policy, and development of WITS use of systems agreement (with NZX).	Complete WITS access policy by June 2014 (dependent on NZX - use of system agreement (UoSA)).  Complete registry access policy by 31 December 2013.		The registry policy has been completed and is expected to be considered by the Board before December 2013.  Work on the WITS policy is to be commenced.
C12	2 - high	Market services	Retailer default provisions - implementation	Dependent on outcome of Market Design project (C5). Implementation of retailer default provisions into market operations systems (may involve changes to MOSP systems).	Consultation taking place in June/July 2013.  Code amendments completed by December 2013 subject to consultation feedback.		Board approved Code amendments in October 2013. To be gazetted as soon as practicable.  Implementation will be by Market Services Team.
C13	2 - high	Market services	Settlement and prudential security review - implementation	Implementation of outcomes of WAG prudential and security review (project B1) into clearing manager systems (and other operational changes as required).	Some level of implementation progress (depends on the timing of the completion of the review and the extent of systems development required).		Still in design stage – implementation stage not yet started.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C14	2 - high	Market performance	International benchmarking	A project to design an international benchmarking study. Includes feasibility of on-going benchmarking.	Complete feasibility study by 24 December 2013. Further steps to be determined.		Feasibility study being carried out. Expect to complete in the second quarter.
C15	3 - important	Market development	Allocation of constrained-on costs	Review the calculation and allocation of constrained-on costs to ensure efficiency.	Decide on Code amendments required (Board approves, but not necessarily gazetted). Begin implementation stage: clearing manager and system operator changes.		Code amendments approved in July 2013. Implementation is currently on hold to ensure that the outcomes are consistent with those of the SOSPA review.
C16	3 - important	Market development	Value of lost load (VoLL)	Completion of investigation of value of lost load. Outputs will contribute to transmission and distribution network planning purposes – may have implications for scarcity pricing and AUFLS.	Publication of information paper and methodology for undertaking research of value of lost load. Code amendments, as necessary.		Completed. Information paper and methodology published in July. Authority announced that Code amendments desirable but not necessary at this stage.
C17	3 - important	Market development	Domestic contracting arrangements	Consideration of suite of arrangements for improving the consumer and distributor/retailer relationship, including medically dependent and vulnerable consumers. RAG project.	RAG report expected to Board in March 2014. Authority response to RAG recommendations.		The RAG has developed a discussion paper that is expected to be released in late October.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C18	3 - important	Market development	Review of more standardisation of use of system agreements (UoSA)	Project has three parts: <ul style="list-style-type: none"> <li>- alignment review of UoSA (by Market Performance)</li> <li>- review of the MUoSA to identify provisions inhibiting retail entry</li> <li>- assessment of making MUoSA a default.</li> </ul>	Scope, approach and timetable to be determined.		Project plan developed. Project work to commence.
C19	3 - important	Market development	Review of barriers to group switching and mass market aggregation	Project to identify barriers to group switching and to identify options to reduce barriers if they exist.	Scope, approach and timetable to be determined.		The RAG is developing a discussion paper.
C20	3 - important	Market development	Asset owner performance obligations (AOPO): fault ride-through	Review of low voltage fault ride-through AOPO to determine if they are fit for purpose with the changing generation mix (ie significant wind generation).	Complete Code amendment. (Implementation is by future generators.)		Discussion ongoing with system operator and grid owner about standards. Second consultation to follow completion of the system operator study report.
C21	3 - important	Market development	Frequency regulation: frequency keeping constrained-on/off	Removal of constrained-on/off from the frequency keeping selection methodology and from the frequency keeping cost allocation. Includes initial investigation being undertaken by the system operator.	Consult on Code. Complete Code amendment. Complete implementation.		Consultation on methodology and Code closed 17 September 2013. It is planned to complete the Code amendment for Board approval by December 2013.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C22	3 - important	Market development	Frequency regulation: review normal frequency band and AOPOs	Review of the frequency keeping Hz band, MW band and related AOPOs 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.	Complete Code amendments for:  (1) frequency deviation targets  (2) minimum governor response.		To be commenced.
C23	3 - important	Market services	Domestic contracting arrangements - 2013 alignment review	Review of alignment of retailer standard terms and conditions with the model / guidelines (8 retailers whose standard terms were deficient in last review – 2012).	Complete review of eight retailers.		Under way.
C24	3 - important	Market services	Livening and energisation guidelines	Following from Part 10 project, complete review of submissions, and decide whether Code amendment is required.	Complete review of submissions, and decide whether Code amendment is required.  Publish guidelines.  Complete Code amendment, if required.		Guidelines being finalised. Approval expected December 2013.
C25	3 - important	Market services	Implementation review - Part 10	Implementation review to assess effectiveness of project management and delivery, including participant actions.	Complete and publish review.		The review has commenced. It is planned to release a request for quotes shortly.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C26	3 - important	Market services	Business continuity review for market operations service providers (MOSP)	Business continuity review for market operations service providers.  Initial stage is assessment of current state and gap analysis, from which the need for a more detailed plan will be established.	Complete review and gap analysis.  Further steps to be determined.		To be commenced.
C27	3 - important	Market services	Participant definitions under the Act	Includes addressing the issue of the introduction of financial traders and a review of type 2 retailers. Review of definitions of 'generator', 'distributor' and 'trader' under the Act. Potential class exemptions for last two.	Definitions completed in 2013/14.		To be commenced.
C28	3 - important	Market services	Operational review of Part 6	A review of Part 6 of the Code to address perceived low notification rates of distributed generation, 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.	Finalise Code amendment by 30 June 2014.		Second consultation round to take place.
C29	3 - important	Market services	Reconciliation loss factor methodology	Develop final recommendations for: - calculation and management of distribution losses used in the reconciliation process (complete guidelines and publish) - developing and publishing approach to monitoring and implementation.	Complete Guidelines and publish by 30 June 2014.		Consultation closed April 2013. Submissions being analysed.

#	Priority 2013/14	Output	Project name	Project description	Overall performance standard for 2013/14	Status	Progress statement
C30	3 - important	Market services	Metering-advanced metering policy implementation project	<p>Scope of this project is:</p> <ul style="list-style-type: none"> <li>- complete review of AMI guidelines</li> <li>- consult on industry-agreed formats for exchanging AMI information.</li> </ul> <p>Current initiatives will be completed but there is the potential for on-going improvement initiatives outside of scope of this project.</p>	Finalise amendments to advanced metering policy and guidelines completed by 30 June 2014.		Guidelines being finalised. Approval expected December 2013.
C31	3 - important	Market performance	Winter review	Review of winter 2012 and winter 2013.	Complete the review.		Project started.
C32	3 - important	Market performance	Closure review of the Reserve Energy Scheme	Complete a review of the Reserve Energy Scheme.	Dependent on completion of 2012 winter review, complete the closure review of the reserve energy scheme.		This review is being combined with the winter review.

## 6 Other priority projects for completion in 2014/15 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 2013/14.

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

#	Priority	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
D1	2 – high	Market development	Hedge market development	Monitoring industry progress and developing further market facilitation initiatives to improve the hedge market.	<p>New ASX products: quarterly options, quarterly peak, and monthly base load products (MFM).</p> <p>Market-making for options (MFM).</p> <p>Explore ASX positions offset energy market prudential security requirements (Code amendment).</p> <p>Hedge market survey.</p> <p>Quarterly reporting on progress to be undertaken by the Market Performance team.</p>		<p>The WAG is taking a fresh look at this area, including the over the counter (OTC) market.</p> <p>Staff are progressing other matters directly.</p> <p>Considering bringing the hedge market survey forward to feed into WAG review.</p>
D2	2 – high	Market development	Research project: effects of low fixed charges	An investigation into the effects on efficiency and competition of the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 and other means of achieving the social welfare outcomes sought by government.	<p>Complete project plan, including scope, approach and timetable.</p> <p>Complete consultation on issues and options.</p> <p>Report to the Minister.</p>	On hold	Put on hold in September 2013.

#	Priority	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
D3	2 - high	Market development	Under-frequency management - including AUFLS technical review	<p>Review of all under frequency management tools, including verifying modelling formats.</p> <p>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. Includes system operator consideration of dispensations and equivalence with respect to AUFLS exemptions.</p>	<p>Review to be completed and Code amendment proposal received from the system operator by 31 December 2013.</p> <p>Complete investigation report and feasibility studies in 2013/14 for the following:</p> <ul style="list-style-type: none"> <li>- IL over-delivery</li> <li>- Over-frequency product</li> <li>- Inertia market</li> <li>- Wind generators to provide reserves</li> <li>- IL modelled according to tripping time.</li> </ul>		<p>Technical work completed.</p> <p>AUFLS Code amendment on track for completion by June 2014.</p>
D4	2 - high	Market development	Under-frequency management - reserves arrangements	Investigation into reserve arrangements.	Investigation and review to be completed in 2013/14.		<p>Project brief completed. The Authority is investigating feasibility. The system operator has provided an alternate proposal for faster reserves for Authority consideration.</p> <p>At this stage still planning to report to Board in June 2014 on results of investigation and next steps.</p>
D5	2 - high	Market services	Electricity information exchange protocols	Review and update of Electricity information exchange protocols (EIEP).	<p>Code amended by October 2013.</p> <p>Commence implementation.</p> <p>Go live 1 July 2014.</p>		Code amendment approved in October 2013.

#	Priority	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
D6	3 - important	Market development	Improvements to existing spot pricing process	<p>Review the need for changes to the existing spot pricing process, potentially including:</p> <ul style="list-style-type: none"> <li>- improved modelling of constraints in the system operator' scheduling, pricing and dispatch model (SPD) - constraint softening</li> <li>- wind generation inputs into final pricing</li> <li>- infeasibility resolution improvement process</li> <li>- interim pricing period deadline changes.</li> </ul>	<p>Progress constraint softening initiative to the point of draft Code amendments.</p> <p>Start review of wind generation inputs into final pricing.</p>		<p>Constraint softening draft consultation paper prepared.</p> <p>Some parts of this project may be deferred if new projects are added to the work programme.</p>
D7	3 - important	Market development	Improved market modelling of losses	<p>Improve the representation of losses in the SPD – provides for a lower cost market solution.</p> <p>NB current settings are based on historical computing capacity constraints that no longer apply. Dependent on system operator resource commitment.</p>	To be determined - timetable to be established with system operator.		<p>A new investigation stage may be carried out to determine the impacts of increasing the number of loss tranches in SPD for complex trading periods. These trading periods require mixed integer programming to solve. The investigation stage would be carried out in two phases. Phase 1 to be complete by December 2013, phase 2 timeframes to be confirmed after completion of phase 1.</p> <p>Consultation on increasing the number of loss tranches will not achieve its milestone of December 2013.</p>

#	Priority	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
D8	3 - important	Market development	Offer and dispatch Code development	<p>Improve the offer and dispatch rules to improve operational efficiency, eg:</p> <ul style="list-style-type: none"> <li>- review of gate closure - potential further work (potential to delay if needed)</li> <li>- reserve offers</li> <li>- other areas where we are getting Code amendment proposals - will need to be prioritised and progressed as resources permit.</li> </ul>	<p>Complete gate closure Code amendments (depending upon feasibility study completed the previous year).</p> <p>Evaluate and develop Code amendments for the following initiatives:</p> <ol style="list-style-type: none"> <li>1. Clarify code provisions 13.18, 13.19, 13.19a (Compliance Committee recommendations)</li> <li>2. Review reserve offer algorithm (Genesis Energy proposal)</li> <li>3. Intermittent generation (wind) re-offer provisions</li> <li>4. Minimum offer price for interruptible load (13.43, issue identified in WITS audit).</li> </ol>		<p>Gate closure testing has been successfully completed and a report received.</p> <p>The Authority is progressing several Code amendment proposals including bid-offer revisions, and a proposal to treat industrial embedded generation as if it were intermittent.</p>
D9	3 – important	Market development	Review of retail competition in embedded and customer networks	<p>Examination of the potential to improve retail competition in embedded networks and customer networks.</p> <p>RAG project.</p>	Scope, approach and timetable to be decided.		To be commenced.

#	Priority	Output	Name	Project description	Overall performance standard for 2013/14	Status	Progress statement
D10	3 - important	Legal	Code upgrade project	A project to address identified legal deficiencies in the Code to the extent possible without having to consider substantive policy matters. It is not a redraft to introduce a performance-based approach to drafting the Code.	NB this project has been initiated, but will only be progressed in 2013/14 if resources become available.		Some progress is being made as resources permit. Currently targeting February 2014 Board meeting for approval of a consultation paper (resources permitting).

## 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 2013/14 year.

**Table E: Information about proposed future projects**

#	Pending priority	Output	Project Name	Description
E1	First	Market development	Review of Part 6 (pricing principles)	<p>Related to reviews of distribution and transmission pricing. Dependent on distribution pricing alignment review.</p> <p>A review of the pricing principles for distributed generation in Part 6 of the Code, to ensure consistency and alignment with distribution pricing principles.</p>
E2	First	Market development	Research project - distribution company arrangements	Research project to review the efficiency of distribution network company arrangements.
E3	First	Market services	Review of liability limits for market operations service providers	<p>Review the liability limits for the pricing manager, reconciliation manager, clearing manager, WITS manager, registry manager and FTR manager to ensure these remain consistent with the services provided and the balance of risk between the providers and industry participants.</p> <p>The liability limits are not set down in the Code, but in the Electricity Industry (Enforcement) Regulations 2010. Any change in the limits would then require a change in the Regulations (coordinated with MBIE).</p>
E4	First	Market services	Wholesale information trading system (WITS) vision	Addressing the improvements to WITS set out in the Vision document. Prioritisation is a first step.
E5	First	Market services	Registry communications improvements	Improving efficiency of communication between participants and the registry. Encouraging participants to take up communication facilities that currently exist.
E6	Second	Market performance	Post implementation reviews –section 42 of the Act	Post implementation reviews of section 42 projects (these are now expected to commence in 2014/15).

#	Pending priority	Output	Project Name	Description
E7	Second	Market development	Short-term hedge instruments	Consider the need for a short-term market for hedge instruments (e.g. day-ahead). Possible WAG project.
E8	Second	Market development	Trading arrangements (Part 13) review	Review the Code relating to trading. Includes scheduling, dispatch, pricing, information and information disclosure. Possible WAG project.
E9	Second	Market development	Research project - scarcity pricing	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 (consideration of price floors that are dynamic rather than fixed).
E10	Second	Market development	Instantaneous reserve cost allocation methodology	Review of the instantaneous reserves cost allocation methodology. Possible WAG project.
E11	Second	Market development	Review of Part 12	Review of Part 12 of the Code to ensure it is fit for purpose. Includes Benchmark Agreement, Connection Code, Grid Reliability Standards.
E12	Second	Market development	Extend Consumer Guarantees Act indemnity to Transpower	Review whether the Consumer Guarantees Act indemnity obligations on lines companies should be extended to Transpower. Dependent on passage of Consumer Law Reform Bill, currently before Parliament (awaiting 3rd reading).
E13	Second	Market development	Arrangements for management of load control	Review of arrangements for management of load control (distribution system operator).
E14	Second	Market development	Common quality development plan - further items	Possible initiatives as listed in the Common Quality Development Plan - not prioritised or costed but including development of a reactive market and review of kvar procurement.
E15	Second	Market development	Credible event management: under voltage management	Review appropriateness of the Code for under-voltages during events.
E16	Second	Market development	Asset owner performance obligations: voltage rules	Review of voltage asset owner performance obligations (AOPOs) to determine if fit for purpose with changing generation mix (ie significant wind generation).
E17	Second	Market development	Asset owner performance obligations: under-frequency rules	Review of under-frequency AOPOs to determine if fit for purpose with changing generation mix (ie significant wind generation).

#	Pending priority	Output	Project Name	Description
E18	Second	Market development	Frequency regulation: frequency keeping cost allocation	On hold until after MFK which will determine a better price for frequency keeping. 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.
E19	Second	Market development	Under-frequency management: AUFLS exemptions	Project to clarify AUFLS requirements for exemptions and alternatives (ie dispensations, equivalence). Depending on implementation of the AUFLS market and AUFLS technical review, the AUFLS exemptions may need to be revoked.
E20	Second	Market development	Under-frequency management - Instantaneous reserve AOPOs	Review of instantaneous reserve AOPOs. (Part 8 of the Code - fit for purpose eg for wind farms.)
E21	Second	Market services	Review definitions under the Electricity Industry Act 2010 (the Act) and the Code that may apply to islanded networks	Potential for this to be covered by the Code upgrade project. Determine what extent of obligations under the Act and Code apply to networks that are not connected to the grid. Inaccurate definitions will lead to participants being required to register as participants with the Authority, and we do not need them to. Including sections of network that are islanded under the continuance of supply requirements of the Act (may require the project to be started sooner rather than later).
E22	Second	Market services	Review of market administrator role	General tidy up review. Includes determining if: a) some market administrator tasks can be addressed in a different manner b) market administrator obligations in the Code should be changed to Authority obligations.
E23	Second	Market services	Review use of seasonal adjustment shape	Determine if the reconciliation process should be modified to allow seasonal adjustment shape or residual profile shape for calculation of historic estimates.
E24	Second	Market services	Pre-certification stage investigation	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.
E25	Second	Market services	Review of use of profiles	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.
E26	Second	Market services	Optimisation of non-technical distribution losses	Investigate the reduction in non-technical losses.

#	Pending priority	Output	Project Name	Description
E27	Second	Market services	Guidelines for secondary networks - network extensions and customer networks	Development of arrangements for network extensions and the establishment of compliance requirements.
E28	Second	Market services	System operator monthly reporting	A review of the value of system operator monthly reporting. (Requested by the Systems Operations Committee in April 2011.)
E29	Second	Market performance	Research project - efficiency of system operator arrangements	Review service provider arrangements relating to system coordination and related market services. To start after system operator alignment review project. (Dependent on SOSPA review.)
E30	Second	Market performance	Metering - Part 10 - impact review	Post implementation review of impacts and outcomes.
E31	Second	Legal and compliance	Alternative funding arrangements	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. Report provided to Minister February 2013. On hold until appropriate legislative vehicle is available.
E32	Second	Legal and compliance	Review of advisory group conflict of interest provisions	Reviewing the requirements in the Act to address an unintended conflict of interest requirement / provision.
E33	Second	Market development	Plant commissioning Code	E3P and Stratford commissioning highlighted some shortcomings in the relevant part of the Code. The Code amendment has been approved, however, the initial implementation proposal from SO came in at a higher costs than expected. This has caused delay while alternative options are investigated. A decision is to be made on whether to continue with the project and if so when as substantial cost and commitment of SO developer resource is involved.

## Glossary of abbreviations and terms

<b>ACOT</b>	Avoided costs of transmissions
<b>Act</b>	Electricity Industry Act 2010
<b>AGC</b>	Automatic governor control
<b>AMI</b>	Advanced metering interface
<b>AOPOs</b>	Asset owner performance obligations
<b>AUFLS</b>	Automatic under-frequency load shedding
<b>Authority</b>	Electricity Authority
<b>BAU</b>	Business as usual
<b>CBA</b>	Cost benefit analysis
<b>Code</b>	Electricity Industry Participation Code 2010
<b>CRE</b>	Competition, reliability and efficiency – key limbs of the Authority’s statutory objective.
<b>EIEP</b>	Electronic information exchange protocols
<b>FTR</b>	Financial transmission rights
<b>HVDC</b>	High voltage direct current
<b>LCE</b>	Loss and constraint excess
<b>MBIE</b>	Ministry of Business, Innovation and Employment
<b>MFK</b>	Multiple frequency keepers
<b>MFM</b>	Market facilitation measures
<b>MODD</b>	Modified option for dispatchable demand
<b>MOSP</b>	Market operations service providers
<b>OTC</b>	Over the counter hedges
<b>POCP</b>	Planning outage coordination protocol
<b>Regulations</b>	Electricity Industry (Enforcement) Regulations 2010
<b>RAG</b>	Retail Advisory Group

<b>SOI</b>	Statement of Intent
<b>SOSPA</b>	System operator service provider agreement
<b>SPD</b>	The system operator's scheduling, pricing and dispatch model
<b>TPM</b>	Transmission pricing methodology
<b>UoSA</b>	Use of system agreement
<b>VoLL</b>	Value of lost load
<b>WAG</b>	Wholesale Advisory Group
<b>WIBR</b>	Within island basis risk (a form of FTR)
<b>WITS</b>	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/>