



Electricity Authority Work Programme

1 July 2014 – 30 June 2015

Contents

Executive summary.....	3
Introduction and purpose	7
1. Key regulatory projects	8
Programme: Competition in retail markets.....	8
Programme: Competition in wholesale markets.....	10
Programme: Efficient pricing.....	12
2. Other outputs	13
Programme: Implementation projects	13
Other Code and market facilitation measures.....	16
Programme: Provision of education, models and data	20
Programme: Fit-for-purpose market services.....	21
Programme: More efficient market operations	22
Programme: Compliance	23
Appendix: Pending projects	25

Executive summary

The Authority's work programme details the projects we intend to progress during the 2014/15 financial year.

The programme is set out in terms of:

1. **Key regulatory projects:** work that may result in significant new Code amendments or involves significant market facilitation initiatives. Table 1 details the key regulatory projects and whether they will be completed in 2014/15.
2. **Other outputs:** includes implementation projects, other Code amendments and market facilitation measures (including operational projects to enhance consumer participation), post-implementation review work for market development, monitoring, information and education initiatives, market services projects, and compliance initiatives. Table 2 identifies the key implementation projects from this section.

Our focus in the 2014/15 work programme is on projects to further enhance retail market competition. This reflects our drive to deliver long-term benefits to consumers. The aim of this work is to create a market where retailers can enter and exit with ease, and to ensure there is a 'level playing field' on which they compete for customers. We are also aiming to make it easy for consumers to find and choose the best tariff plans for their particular circumstances, understand and respond to tariff changes and make other electricity decisions.

Four out of the top six key regulatory projects target improvements to retail market competition. Many of the second priority projects also focus on improvements to retail market competition.

Our work programme targets both the supply-side and demand-side of the retail market. The supply-side projects aim to reduce barriers to retailer entry and expansion, for example, the hedge market development project and the project on the competition effects of saves and win-backs. The demand-side projects aim to enhance consumer participation and engagement in the retail market, for example, the What's My Number campaign and the retail data project.

Evidence indicates that those consumers that are engaged and shop-around are able to secure good deals from retailers. One of our key aims is to encourage more consumers to be engaged which would create a virtuous cycle with engaged consumers driving retailers to deliver more consumer-focussed services, which in turn will create more engaged consumers.

Our consumer participation initiatives are underpinned by the What's My Number campaign, which we have run in conjunction with Consumer NZ and the Ministry of Consumer Affairs (now part of the Ministry of Business Innovation and Employment) since May 2011. The campaign has greatly enhanced retail competition by enhancing consumer participation and has led us to identify other consumer participation initiatives to make it easier for consumers to confidently find the best deal in the market.

The two secondary focus areas of the work programme are on projects that will improve:

- wholesale market competition, especially in the ancillary services markets
- efficient pricing, especially the efficient pricing of transmission and distribution services.

Improving wholesale market competition, especially for frequency keeping and instantaneous reserves, will drive down the cost of energy. We have identified the potential to achieve significant cost savings in these areas.

Improving the efficient pricing of transmission and distribution services will increase operational and investment efficiency, not only in these areas but also more widely across the electricity sector. The need to ensure networks are priced efficiently is becoming more pressing as technological change (for example, the growth in the installation of photovoltaic distributed generation) and changes in consumers' consumption behaviour (for example, demand response) mean that the traditional approaches to pricing are becoming inefficient.

Wherever possible we pursue voluntary market facilitation measures rather than Code amendments. We are very mindful of the burden that additional Code provisions can impose on market participants and the value from evolving market arrangements over time rather than fixing them in the Code.

We remain flexible and responsive in the management of this work programme. Reprioritisation may be required during the year, for example if new projects may be required or if new information is available about a specific project. We will review and update this work programme on a regular basis, and summary reports on progress will be published quarterly on www.ea.govt.nz.

Table 1: Summary of key regulatory projects for 2014/15

#	Projects listed in the Statement of Performance Expectations	Programme	Code completed in 2014/15 year?	Existing or new project?
1.1	Retail data project	Retail market competition	Yes	Existing
1.2	What's My Number (WMN) campaign	Retail market competition	N/A	Existing
1.3	Competition effects of win-backs and saves	Retail market competition	Yes	Existing
1.4	Hedge market development	Retail and wholesale market competition	Potentially	Existing
1.5	National markets for ancillary services: - frequency keeping - instantaneous reserves	Wholesale market competition	No	Existing
1.6	Transmission pricing investigation	Efficient pricing	No	Existing
#	Second priority projects	Programme	Code completed in 2014/15 year?	Existing or new project?
1.7	Transparency of consumer's electricity charges	Retail market competition	Yes	Existing
1.8	Research project: effects of low fixed charges	Retail market competition and efficient pricing	No	Existing
1.9	Review of more standardisation of use of systems agreements (UoSA)	Retail market competition	No	Existing
1.10	Review of instantaneous reserve (IR) markets	Wholesale market competition	No	Existing
1.11	Distribution pricing review	Efficient pricing	No	New ¹
1.12	Transpower's proposed variation to the current TPM (operational review)	Efficient pricing	Yes	New ²

¹ Although a new project, it follows on from the *Review of Electricity Distribution Businesses' 2013 Pricing Methodologies, November 2013* carried out by Castalia Strategic Advisors. The Authority announced at that time that it intended to consider its next steps.

Table 2: Summary of key implementation projects for 2014/15

#	Implementation projects	Implemented in 2014/15 year?
2.1	Retailer default provisions	Yes - 31 December 2014
2.2	Settlement and prudential security: implementation	Yes - 24 March 2015
2.3	Multiple frequency keepers (MFK): implementation in the South Island	Yes - 4 August 2014
2.4	Inter-island instantaneous reserve sharing: implementation	Yes - 31 March 2015
2.5	Efficient procurement of extended reserves: implementation	No
2.6	Improved market modelling of losses	No
2.7	Financial transmission rights (FTR) 2014 Allocation Plan: implementation	Yes - 30 November 2014

² This project has arisen because the Code requires the Authority to consider TPM proposals submitted by Transpower provided there is not more than one proposal per 12 month period.

Introduction and purpose

Purpose of the work programme

The work programme is a non-statutory planning document. It provides indicative information about projects for 2014/15. This work programme represents a full commitment of our resources. Any additional projects or changes to projects will therefore be carefully managed.

Input received through consultation

We consulted on the proposed 2014/15 appropriations and work priorities from 10 September to 22 October 2013. Project-specific comments from the consultation were considered as part of development of this work programme. Refinement of the work programme has also considered more recent developments, including the identification of top priority projects by the Board as listed in the Statement of Performance Expectations (SPE)³.

Flexibility

We remain flexible and responsive in the management of this work programme. Reprioritisation may be required during the year, for example if new projects may be required, or if new information becomes available about a specific project. We will review and update this work programme on a regular basis.

Reporting

Summary reports on progress will be published quarterly on our website.

Pending projects

Potential projects that cannot be resourced in 2014/15 have been recorded as pending projects. These are listed in the appendix for completeness and transparency reasons.

³ Available at www.ea.govt.nz/about-us/strategic-planning-and-reporting/statement-of-performance-expectations/

1. Key regulatory projects

This section identifies projects that typically involve addressing policy issues about the market, and will generally result in significant Code amendments or market facilitation measures. This work will require significant consultation and engagement with consumers, generators, retailers and lines businesses.

Programme: Competition in retail markets

This programme includes initiatives to promote retail competition by reducing barriers to entry and expansion of retailers (the supply side) and by facilitating consumer participation (the demand side). Many of the supply side initiatives are in the spot, hedge and distribution segments of the market. The demand side initiatives are primarily about providing consumers with information to make choices between retailers. Part of the work in this area is funded from a new initiative approved in the 2014 Budget, called *Facilitating Consumer Participation*.

#	Top priority projects (listed in the SPE): name and description	Why we're doing the project	Deliverables
1.1	Retail data project – consider options to promote retail competition by improving access to retail data.	Poor access to retail data could inhibit consumer decision-making and market monitoring.	<p>Make Code amendment and introduce market facilitation measures for access to consumption data, if necessary, by 30 June 2015.</p> <p>Begin implementation if necessary. Progress, as far as possible, voluntary arrangements for access to tariff and connection data.</p>
1.2	What's My Number campaign – This campaign - promotes the benefits of comparing and switching retailers.	Our evidence indicates that a targeted version of the campaign could further raise consumer awareness, understanding and motivation to participate in the market.	Successful programme delivery as indicated in the annual monitoring report for the 2014 calendar year.

#	Top priority projects (listed in the SPE): name and description	Why we're doing the project	Deliverables
1.3	<p>Competition effects of win-backs and saves – Identify effects on retail competition of win-backs and saves and options for addressing adverse effects.</p>	<p>Current arrangements may not create a level playing field for new and expanding retailers.</p>	<p>Complete the review of win-backs and saves. Complete Code amendments, if necessary, by 30 June 2015.</p> <p>Implementation to be commenced in 2014/15.</p>
1.4	<p>Hedge market development – A Wholesale Advisory Group (WAG) project looking at potential improvements in hedge markets e.g. over-the-counter (OTC) hedge trading and futures trading.</p> <p>Includes a consideration of market making arrangements for new Australian Securities Exchange (ASX) products.</p> <p>Explore if ASX positions can offset energy market prudential security requirements (may require a Code amendment).</p>	<p>We want to ensure good availability of hedges to ensure a level playing field for all retailers and generators.</p> <p>Any initiatives undertaken in this area are expected to reduce barriers to entry and expansion for retailers.</p>	<p>Complete the WAG review of hedge markets and commence design of any Code amendments or market facilitation measures that result from the review.</p> <p>Market making occurring on some new ASX futures products.</p> <p>Possible Code amendment on prudential security offsets in 2015/16.</p>

#	Second priority projects: name and description	Why we're doing the project	Deliverables
1.7	Transparency of consumer electricity charges – Consider options for providing improved transparency about electricity charges to allow consumers to see what is driving price changes.	Current arrangements may undermine consumer perceptions of the retail market. Improving transparency should increase consumer understanding of charges and options available to them.	Complete consultation on options. Make Code amendments and introduce market facilitation measures if necessary.
1.8	Research project: effects of low fixed charges – Retail Advisory Group (RAG) project to investigate the effects of the low fixed charges regulations and their impacts on competition and efficiency.	The current duplication of tariffs and restrictions on some tariffs may be harming retailer innovation and competition.	Scope and approach agreed with the RAG by 31 October 2014.
1.9	Review of more standardisation of use of systems agreements (UoSAs) – The objective of this project is to promote retail competition and efficiency in the electricity industry.	The current wide range of UoSAs may inhibit retailer entry and expansion, especially in outlying regions. Some UoSAs may also inhibit retailer entry and expansion within particular networks.	Complete a summary of submissions and decide on approach to UoSA (voluntary or regulated). Consult on Code amendment, if needed, in 2015/16.

Programme: Competition in wholesale markets

This programme includes projects to:

- improve the process for offer and dispatch in the spot market
- improve the competition and efficiency in instantaneous reserves, frequency keeping, extended reserves and potentially other ancillary service markets.

#	Top priority projects (listed in the SPE): name and description	Why we're doing the project	Deliverables
1.5	<p>National markets for ancillary services:</p> <ul style="list-style-type: none"> - frequency keeping – Develop a national market for frequency keeping to enhance wholesale market competition - instantaneous reserves – Develop a national market for instantaneous reserves to enhance wholesale market competition. Update market design to enable the transfer of instantaneous reserves from one island to the other via the high-voltage, direct current (HVDC). Implementation dependent on HVDC bi-pole control systems being fully in service. 	<p>We are working to enable parties in the North Island to compete in the South Island and vice versa.</p> <p>We also expect efficiency gains as national markets should reduce total procurement requirements.</p>	<p>Conceptual design for a national market for frequency keeping completed and enabling Code provisions drafted for a national market for frequency keeping by 30 June 2015.</p> <p>Conceptual design for a national market for instantaneous reserves completed and enabling Code provisions drafted for a national market for instantaneous reserves by 30 June 2015. Code amendment made in 2015/16. Go live achieved by mid-2017.</p>

#	Second priority projects: name and description	Why we're doing the project	Deliverables
1.10	<p>Review of instantaneous reserve markets – undertake a fundamental review of the instantaneous reserve markets to reduce barriers and enhance performance. This is a WAG project.</p>	<p>Current arrangements may create barriers for some types of instantaneous reserve. We will be looking for options to reduce unnecessary barriers to increase competition.</p>	<p>WAG completes its investigation and reports to the Board by 30 June 2015.</p>

Programme: Efficient pricing

The programme seeks to improve the efficiency of spot market pricing in the wholesale market and develop appropriate arrangements for allocating the costs of transmission and distribution services.

#	Top priority projects (listed in the SPE): name and description	Why we're doing the project	Deliverables
1.6	Transmission pricing investigation – Review of the transmission pricing methodology (TPM) to promote overall efficiency of the electricity industry.	We are reviewing the current arrangements in order to better promote operational and investment efficiency in the transmission sector and the broader electricity market.	Complete working paper process by 31 December 2014. Release second issues paper by 30 June 2015.

#	Second priority projects: name and description	Why we're doing the project	Deliverables
1.11	Distribution pricing review – investigate efficient distribution pricing arrangements. <i>Note: this is a new project that wasn't on our work programme in 2013/14.</i>	We will review the current arrangements in order to achieve better operational and investment efficiency in the distribution sector and the broader electricity market.	Scope and timetable established. Next steps to be determined.
1.12	Transpower's proposed variation to the current TPM (operational review) – Transpower has started an operational review of the current TPM. We are expecting a proposal from Transpower to change the current TPM. <i>Note: this is a new project that wasn't on our work programme in 2013/14.</i>	The Code requires us to consider TPM proposals submitted by Transpower provided there is not more than one proposal per 12 month period.	Assess and consult on Transpower's proposal. Respond and implement a Code amendment (if required) by 30 June 2015.

2. Other outputs

Programme: Implementation projects

This programme covers the effective and efficient implementation of market development initiatives completed in 2013/14. The programme includes project reviews (against deliverables) and post-implementation reviews (against impacts sought) of completed projects.

#	Project name and description	Why we're doing the project	Deliverables
2.1	Retailer default provisions – Implementation of retailer default provisions into market operations systems (involves changes to market operations service provider (MOSP) systems, process documentation and participant information).	Consumers need to be confident that an alternative retailer will be available to supply them in the event of their retailer defaulting. Generators and distributors need to be confident about the level of risk they are accepting.	Implementation completed by 31 December 2014.
2.2	Settlement and prudential security – Implementation of outcomes of settlement and prudential security review into clearing manager systems (and other operational changes as required – including process for disconnection of defaulting direct purchase consumers – see project 2.12 below). Specifically includes amendment to the Levy Regulations to include allocation of Part 14A costs.	Implementing the Code amendments made in December 2013 is expected to significantly reduce barriers to entry for independent retailers, enhancing retail market competition.	Code comes into effect on 24 March 2015. Project closure completed by 30 June 2015. Levy Regulations amended (completed by MBIE).

#	Project name and description	Why we're doing the project	Deliverables
2.3	Multiple frequency keepers (MFK) – Implementation of MFK changes for the South Island.	MFK allows multiple parties to compete to provide frequency keeping in each half-hour. Stronger competition is expected to reduce energy costs.	Complete South Island implementation. Interim arrangements in place with Contact will go-live August 2014. Meridian is expected to be involved by 31 October 2014. Complete the post-implementation review for MFK in the North Island by 31 December 2014.
2.4	Inter-island instantaneous reserve sharing: implementation – A system operator initiative to use some of the increased capabilities of the new HVDC control system to reduce instantaneous reserves procurement costs in advance of the full national instantaneous reserves market implementation.	Stronger competition in the instantaneous reserves market from the interim arrangements is expected to reduce energy costs. The interim arrangements also facilitate the development of the full national instantaneous reserves market.	Procurement plan approved by 28 February 2015. System operator system changes implemented by 31 March 2015.
2.5	Efficient procurement of extended reserves: implementation – efficient procurement of load for extended reserves (automatic under frequency load shedding (AUFLS)). <i>Note: this is a new project that wasn't on our work programme in 2013/14.</i>	The new arrangements are expected to result in more efficient provision and use of extended reserves.	Code amendment finalised and gazetted by 1 August 2014. Complete regulations to create new extended reserves service provider role (which will be finalised by MBIE before we select). Technical Requirements Schedule finalised by Transpower by 30 June 2015. Selection methodology completed by 30 June 2015 (dependent on timeframe for establishing service provider role).

#	Project name and description	Why we're doing the project	Deliverables
2.6	Improved market modelling of losses – Improve the representation of losses in the system operator's scheduling, pricing and dispatch model (SPD). A Code amendment will not be required.	The improved modelling could reduce dispatch costs, achieving operational efficiency gains.	Complete design stage and publish Authority information paper by 31 December 2014.
2.7	FTR 2014 allocation plan: implementation – Implementing the 2014 FTR Allocation Plan including: <ul style="list-style-type: none"> - three additional FTR nodes as proposed in the within island basis risk (WIBR) project - introduction of reconfiguration auctions - sloped bids and extended assignment rights - consequential changes to clearing manager methodology and systems. 	The new allocation plan reduces barriers to entry in the retail, hedge and generation markets, enhancing competition in those markets.	Implement by 30 November 2014. Possible post-implementation review of locational price risk management project in 2015/16 or 2016/17.
2.8	Operational review of Part 6 – Implementation of amendments to Part 6 of the Code approved at 4 June 2014 meeting. No market systems changes required.	The new arrangements bring operational efficiency gains as they introduce simplified processes for the connection of certain types of small-scale distributed generation and they reduce the risk of unintended Code breaches.	Implementation completed by 30 June 2015. Includes participant education, and updated guidelines and factsheets.
2.9	Dispatchable demand: implementation – Completion of the section 42 implementation project.	The post-project review will assess how well the implementation project was carried out.	Complete post project review by 31 August 2014.

#	Project name and description	Why we're doing the project	Deliverables
2.10	<p>Metering (Part 10) impact review – Post implementation review of impacts and outcomes of the Part 10 Code amendments.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p>	The post-implementation review will look at whether the new Code is delivering the expected impacts and outcomes.	Complete post-implementation review by 30 June 2015.

Other Code and market facilitation measures

This programme covers other Code development and market facilitation measures (work we do to influence the direction and conduct of the market short of making Code).

Programme: Competition in retail markets

#	Project name and description	Why we're doing the project	Deliverables
2.11	Spot market review – Initiation of a review of the spot market to identify potential refinements to its design to enable improved hedge market and retail market competition.	We want to reduce any barriers to retail competition arising from current market arrangements.	Complete initiation stage of review by 31 December 2014 with recommendations on how to proceed.
2.12	Settlement and prudential security: disconnection provisions – Finalise the disconnection provisions with affected parties.	There is a need to finalise the disconnection provisions with affected parties to enable implementation of the settlement and prudential Code amendment in December 2013.	Finalisation of Code amendment by either reconfirming the existing Code amendment as is, or making additional modifications to the Code amendment by 30 June 2015.
2.13	Domestic contracting arrangements – RAG project in 2013/14. Consider three issues with domestic contracting arrangements.	We want to ensure the operational efficiency of domestic contractual arrangements.	<p>Response to RAG recommendations 31 December 2014.</p> <p>Next steps to be determined by 30 June 2015.</p>

#	Project name and description	Why we're doing the project	Deliverables
2.14	Barriers to group switching – Project to identify barriers to group switching and to identify options to reduce barriers if they exist. RAG project.	We want to reduce barriers to retail competition by facilitating consumer participation in the retail market.	RAG recommendations expected by 30 September 2014. Response to RAG recommendations by 31 December 2014. Next steps to be determined by 30 June 2015.
2.15	Review of half hour switching process – A comprehensive review of switching rules was completed in 2013/14 and Code amendment approved 27 June 2014 for a wide range of minor issues. The Board has requested further consultation on one issue.	We are addressing one outstanding issue from the 2013/14 review of the switching process for half hour meters.	Further consultation to occur on alternative switching method in order to enable competition and new retail product offers. Implementation completed by 30 June 2015. Minor changes will be required to Registry.
2.16	Review of secondary networks – RAG project considering the competition and efficiency effects of secondary networks.	We want to remove unnecessary barriers to retail competition in secondary networks.	RAG recommendation expected 30 November 2014. Respond to RAG recommendation by 31 March 2015. Next steps to be determined by 30 June 2015.

Programme: Wholesale markets

#	Project name and description	Why we're doing the project	Deliverables
2.17	<p>Demand-side response review – Assessment of potential projects to ensure that demand-side response is able to be utilised across all relevant markets, with appropriate price signals.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p>	Ad-hoc demand-side response programmes may undermine efficient pricing in the spot market. It also potentially impacts on reserves (incl. extended reserves) and ancillary services markets.	Report to the Board with recommendations by 1 May 2015 on potential projects for the Authority's work programme.

Programme: Efficient pricing

#	Project name and description	Why we're doing the project	Deliverables
2.18	Offer and dispatch: review of gate closure – Review of gate closure for offers and bids (energy and instantaneous reserves).	Reduced gate closure times should lead to more efficient use of resources and increased levels of wholesale market competition.	<p>Cost benefit analysis completed by 31 December 2014.</p> <p>Consultation on CBA and Code amendment by 30 June 2015.</p>
2.19	Offer and dispatch: industrial co-generation – Modify the Code and market system for market participation by industrial co-generators.	We want to reduce barriers to market participation by industrial co-generators	<p>Code amendment consultation paper by 31 December 2014.</p> <p>Code amendment completed by 30 June 2015.</p> <p>Implementation in 2015/16.</p>
2.20	Allocation of constrained-on costs – Review the calculation and allocation of constrained-on costs.	We want to ensure constrained-on costs are allocated more efficiently.	<p>Code amendments completed by 30 June 2015.</p> <p>Implementation in 2015/16.</p>

Programme: Reliability

This programme includes initiatives to improve the resilience (quality and reliability) of the electricity system.

#	Project name and description	Why we're doing the project	Deliverables
2.21	Asset owner performance obligations (AOPOs): fault ride-through – Implementation phase - Update low voltage fault ride-through AOPOs.	We are updating low voltage fault ride-through AOPOs to ensure they are fit for purpose with the changing generation mix (e.g. significant wind generation). This should provide a clear definition of what all generators, including intermittent plant, is to do (how it will operate) and hence improve certainty for investors.	Code completed by 31 December 2014.
2.22	Asset owner performance obligations: normal frequency – Review of the frequency AOPOs. Investigation reports produced by the system operator in 2011. Further system operator investigation required - implications for software.	We are reviewing the frequency AOPOs to determine if they are fit for purpose. This should improve efficiency and reliability of the electricity system by placing appropriate incentives on the system operator and asset owners.	Complete consultation process and review submissions by 31 March 2015. Code amendment completed by 30 June 2015.

Programme: Provision of education, models and data

In addition to the business as usual monitoring, investigations and reports, this programme includes work we are carrying out to improve the transparency of industry processes by provision of data and models that enable replication of pricing calculation, counterfactual analysis, and rapid assessment of structure, conduct, and performance of the various markets that make up the electricity industry.

#	Top priority projects (listed in the SPE): name and description	Why we're doing the project	Deliverables
2.23	Consumer education programme – 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. Includes addressing mechanisms for consultation and consumer engagement.	We have an ongoing function of providing information. Improved information availability is expected to increase consumer awareness, understanding and motivation to participate in both the wholesale and retail markets.	Project plan / programme completed by 31 August 2014. Complete at least 75% of 2014/15 targets for the consumer education programme.

#	Project name and description	Why we're doing the project	Deliverables
2.24	Price hydro model extension – Complete the price hydro model and implement forecasting for monitoring.	We have an ongoing function of providing information. This initiative will improve information availability.	Complete the price hydro model by 30 June 2015.
2.25	AUFLS event review – Review of the 12 November 2013 AUFLS event.	We have an ongoing market performance monitoring function of providing information. This review looks into the event and, if necessary, will give rise to market design recommendations.	Complete the review by 30 June 2015.

Programme: Fit-for-purpose market services

This programme includes the market operations service providers (MOSPs) and the system operator provide systems and services that ensure effective market operation, increase market efficiency and facilitate market development.

In addition to the business-as-usual work in relation to operation of the electricity system and markets, we are carrying out projects to improve fitness for purpose and operational efficiency.

#	Top priority projects (listed in the SPE): name and description	Why we're doing the project	Deliverables
2.26	<p>System operator service provider agreement (SOSPA) review – A wide ranging review of the SOSPA arrangements, including:</p> <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 the capital plan - renegotiation of SOSPA. 	<p>We are reviewing the SOSPA to ensure that its arrangements bring normal commercial disciplines to the services being provided. We are also seeking to improve the system operator's strategic alignment with the Authority's statutory objective and market development programme.</p>	<p>Complete the review of the SOSPA for implementation effective at 1 July 2015.</p>
2.27	<p>Market operations service provider (MOSP) review – The review was completed in 2013/14. Next steps are being developed.</p>	<p>We want to ensure that services and systems remain suitable for evolving market requirements, can be developed in a timely and cost-effective manner and are suitably resilient to potential systems failures and outages.</p>	<p>Recommendations to Board on next steps by 30 September 2014.</p>

#	Project name and description	Why we're doing the project	Deliverables
2.28	Systems access policies – Preparation of a wholesale information trading system (WITS) access policy, incorporating NZX WITS use of systems agreement.	We want to ensure clear information is available to participants on how they can access and use WITS.	Complete the WITS access policy by 30 June 2015.
2.29	Registry communications improvements – Improving efficiency of communication between participants and the registry by encouraging participants to take up communication facilities that currently exist.	We want to ensure that services meet participants' needs efficiently and effectively.	Promote communications facilities to participants. FTP turned off 31 December 2014. Other services promoted if found to be necessary.
2.30	Joint process improvement with the system operator – Improve common or coordination processes. In particular alignment of project management processes.	This work should result in more efficient use of project resources in both organisations.	Ongoing work with system operator to develop and establish joint work planning arrangements and processes.

Programme: More efficient market operations

This programme involves increasing the efficiency of electricity market operations through refining processes proscribed in the Code.

#	Project name and description	Why we're doing the project	Deliverables
2.31	Review of participant audit arrangements – Review audit requirements in the Code. The project does not include MOSP audits. <i>Note: this is a new project that wasn't on our work programme in 2013/14.</i>	We're reviewing audit requirements to improve efficiency and align with good risk management practice. This has the potential to increase compliance and provide efficiency savings.	Complete a review of audit requirements, and report to Board by 30 June 2015, if required.

Programme: Compliance

Compliance plays an integral role in ensuring the integrity of the electricity market by enabling compliance by the industry with the Act, regulations and Code. We take a risk-based and proportionate approach to compliance recognising that most industry participants want to comply with their regulatory obligations voluntarily, or can be encouraged or induced to do so. Our focus is on facilitating voluntary compliance by providing information, education, encouragement, and assistance. However, serious compliance matters are formally investigated and may be subject to enforcement action.

#	Project name and description	Why we're doing the project	Deliverables
2.32	<p>Review of enforcement regulations – Review completed in 2013/14. The report was provided to the Ministry of Business, Innovation and Employment (MBIE). Progress is now dependent on MBIE's work programme and priorities as regulation changes require Cabinet approval.</p>	<p>We consider that an update of the regulations will assist with achieving best practice compliance processes and systems. This will lead to improved compliance outcomes.</p>	<p>There may be a need for our support to MBIE's process if this is pursued in 2014/15.</p>
2.33	<p>Meter certification audits – To ensure that meter equipment providers (MEPs) have recertified interim certified category 1 metering installations in accordance with Code requirements. Forms part of the compliance plan for the new Part 10.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p>	<p>We want to ensure that all category 1 metering installations are appropriately certified, in order to support the efficient operation of market reconciliation processes.</p>	<p>Review of the state of the industry and its ability to meet April 2015 deadline - Board paper for 2 September 2014.</p> <p>Complete at least one audit and report to Board by 30 June 2015.</p>

#	Project name and description	Why we're doing the project	Deliverables
2.34	<p>Metering records accuracy audits – To ensure the metering information in the Registry is aligned between MEPs, distributors, and traders in accordance with Code requirements. Forms part of the compliance plan for the new Part 10.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p>	We want to ensure that there are accurate and reliable metering records to help ensure efficient switching and the efficient operation of market reconciliation processes.	Complete at least one audit and report to Board by 30 June 2015.

Appendix: Pending projects

#	Pending projects	Description
3.1	Distribution company arrangements	A research project to consider the efficiency of distribution network company arrangements.
3.2	Demand side bidding and forecasting (DSBF): impact review	Post implementation review of impacts and outcomes.
3.3	Guidelines for secondary networks: network extensions and customer networks	Development of arrangements for network extensions and the establishment of compliance requirements. (Subject to results of RAG review of secondary networks.)
3.4	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 or within project 2.29.
3.5	Respond to Consumer Law Reform	Consider implications for Authority initiatives arising from Consumer Law Reform. Involves changes to Part 12A and potentially other initiatives.
3.6	Locational price risk management: impact review	Post implementation review of impacts and outcomes.
3.7	Dispatchable demand: post implementation review	Post implementation review of impacts and outcomes.
3.8	Advanced metering guidelines	Complete review of advanced metering infrastructure (AMI) guidelines to align them with the new Part 10 of the Code.
3.9	Responsibility for maintenance of consumer service lines	A project to consider issues relating to ownership of consumer service lines. The Electricity Commission published an information paper 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.
3.10	Wholesale market trading arrangements review	Review Part 13 of the Code relating to trading. Includes spot market, scheduling, dispatch, pricing, hedge market and FTR trading information.

#	Pending projects	Description
3.11	Offer and dispatch: bid and offer revisions	Review of arrangements for revising bids and offers. Modify the bid/offer rules to clarify compliance requirements and improve the information captured in market systems. Requested by the Compliance Committee.
3.12	Scarcity pricing: impact review	Post implementation review of impacts and outcomes.
3.13	Offer and dispatch: wind generation offers	Modify the Code and market systems to allow wind (intermittent) generators to offer their output at prices above 1 c/kWh. Potential to be combined with under frequency management - wind generation offering instantaneous reserve project.
3.14	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 under TASC with the system operator.
3.15	Under-frequency management: wind generation offering instantaneous reserve	Scope and timetable to be developed.
3.16	Wholesale market information: fuel disclosure – Improved public access to fuel information via MFM. Builds on initiatives recommended by WAG in 2012/13.	Finalise agreement with the major generators on what information will be released to the public on fuel.
3.17	Wind generation inputs into final pricing	Design stage: wind (intermittent) generation inputs into final pricing to be loaded as a generation offer rather than negative load. Involves changes to SPD and for pricing manager systems.
3.18	Frequency keeping cost allocation	On hold until after multiple frequency keepers (MFK) which will determine a better price for frequency keeping. Consideration needed for design alongside national markets for frequency keeping.
3.19	Instantaneous reserve event charge and cost allocation review	Improve the efficiency in allocation of reserve costs and the event charge. Includes consideration of the costs of commissioning new generation.
3.20	Review of Part 6 (pricing principles)	A review of Part 6 of the Code pricing principles, to ensure consistency and alignment with distribution pricing arrangements.

#	Pending projects	Description
3.21	Increase the efficiency of market settlement through greater use of half-hour data	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. Outcome sought is the maximum number of ICPs reconciled using half hour data, in order to improve the accuracy of reconciliation processes.
3.22	Reconciliation loss factor methodology	Develop final recommendations for: <ul style="list-style-type: none"> - calculation and management of distribution losses used in the reconciliation process (complete guidelines and publish) - developing and publishing approach to monitoring and implementation.
3.23	Review use of seasonal adjustment shape	Determine if the reconciliation process should be modified to allow seasonal adjustment shape or residual profile shape (RPS) for calculation of historic estimates.
3.24	Optimisation of non-technical distribution losses	Investigate the reduction in non-technical losses.
3.25	Audit of Transpower's application of the TPM	On hold until new TPM is in place. External audit to confirm whether Transpower's transmission prices have been calculated in accordance with the Transmission Pricing Methodology, in accordance with clauses 12.97 to 12.101 of the Code.
3.26	Offer and dispatch: revise offers in trading period	Enable modification of offers and bids within the trading period.
3.27	Entry of load aggregators into the frequency keeping market	Procurement plan changes to allow dispatch of alternative technology.
3.28	Under-frequency management: inertia	Investigate the potential impacts of reduced levels of inertia on the power system.
3.29	Post contingent event instantaneous reserve management	Review the process by which the instantaneous reserves market is restored and priced post a contingent event.
3.30	Review of Part 12	Includes Benchmark Agreement, Connection Code, Grid Reliability Standards.
3.31	Grid reliability standards	A review of the grid reliability standards in the Code.
3.32	Review of normal frequency principal performance obligations (PPOs)	Review of the system operator PPOs for maintaining frequency in the normal band.
3.33	Efficient cost of reliability: review	Review of the security provisions in the policy statement and Part 8 of the Code.

#	Pending projects	Description
3.34	Under-frequency management: over-frequency arming arrangements	Investigate over-frequency arming arrangements. Investigation work to date to be closed off and results filed for future project.
3.35	Hydrology review	Review of hydrology data. Alignment with NIWA and Opus data to meet the needs for system operator security of supply team and the Authority.
3.36	Generation plant database	Review and update of existing generation database, including ensuring it is more easily maintained.
3.37	Wholesale information trading system (WITS) vision	Addressing the improvements to WITS set out in the WITS vision document. Prioritisation is a first step.
3.38	Business continuity review for market operations service providers (MOSPs)	Business continuity review for MOSPs. Initial stage is assessment of current state and gap analysis, from which the need for a more detailed plan will be established
3.39	System operator monthly reporting.	A review of the value of system operator monthly reporting.(Requested by the Systems Operations Committee in April 2011.)
3.40	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.
3.41	Livening and energisation guidelines	Following from Part 10 project, finalise guidelines.
3.42	Participant definitions under the Electricity Industry Act 2010	Review of definitions of 'generator', 'distributor' and 'trader' under the Act and the Code.
3.43	Review of unmetered load arrangements	Review unmetered load arrangements including distributed unmetered load (DUML) and audit requirements.