



# Electricity Authority 2014/15 Work Programme

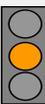
Progress report to 31 December 2014

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## Key to ‘traffic light’ symbols used in this report

	Project milestones achieved or on track to be achieved.		Project milestones are at risk.		Project milestones not achieved or not able to be achieved.
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## Introduction and purpose

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This report provides a report on progress against our work programme. The work programme is available on our website at [www.ea.govt.nz/about-us/corporate-projects/2014-2017-planning-and-reporting/](http://www.ea.govt.nz/about-us/corporate-projects/2014-2017-planning-and-reporting/). The published work programme includes more details about the projects reported against in this report.

The work programme also includes pending projects — those projects that are not planned to be done in 2014/15, but that will be considered in future years or if resources become available in 2014/15.

The ‘traffic lights’ used in this report relate to overall progress against the project milestones, which may go beyond the end of the 30 June 2015 financial year. All milestones are for the end of the financial year (30 June 2015) unless otherwise stated.

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### *The work programme is flexible*

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The work programme is our 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. We review and update the work programme on a regular basis.

This report includes amendments made to the work programme as a result of reviews completed in October 2014 and February 2015. These amendments are shown as tracked changes. Revisions and new projects are italicised.

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### *Overall performance standards for the year*

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The tables below include key milestones or deliverables for the financial 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. We have 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.

## Summary tables

The tables below summarise progress against key projects. More detail is provided in the following sections.

**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?	Status at 31 Dec 2014
1.1	Retail data project	Retail market competition	Yes	On track
1.2	What's My Number (WMN) campaign	Retail market competition	N/A	On track
1.3	Competition effects of win-backs and saves	Retail market competition	Yes	On track
1.4	Hedge market development	Retail and wholesale market competition	Potentially	On track
1.5	National markets for ancillary services: frequency keeping	Wholesale market competition	No	At risk
	National markets for ancillary services: instantaneous reserves	Wholesale market competition	No	On track
1.6	Transmission pricing investigation	Efficient pricing	No	Off track

#	Second priority projects	Programme	Code completed in 2014/15 year?	Status at 31 Dec 2014
1.7	Transparency of consumer's electricity charges	Retail market competition	Yes	On track
1.8	Research project: effects of low fixed charges	Retail market competition and efficient pricing	No	On track
1.9	Review of more standardisation of use of systems agreements (UoSA)	Retail market competition	No	On track
1.10	Review of instantaneous reserve (IR) markets	Wholesale market competition	No	On track
1.11	Distribution pricing review	Efficient pricing	No	On track

#	Second priority projects	Programme	Code completed in 2014/15 year?	Status at 31 Dec 2014
1.12	Transpower's proposed variation to the current TPM (operational review)	Efficient pricing	Yes	On track

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

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

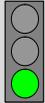
## 1. Key regulatory projects

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)	Why we're doing the project	Deliverables	Comment
1.1	<b>Retail data project</b> – 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.</p> <p>Progress, as far as possible, voluntary arrangements for access to tariff and connection data.</p>	 We have completed consultation on an issues and options paper. Work is now being carried out on: <ul style="list-style-type: none"> <li>- Access to consumption data – consultation completed, Decision paper to be released in January 2015.</li> <li>- Access to retail tariff data and connection data – a consultation paper is expected to be published in the fourth quarter.</li> </ul> Once the above are well progressed access to retail monitoring data will be considered.

#	Top priority projects (listed in the SPE)	Why we're doing the project	Deliverables	Comment
1.2	<b>What's My Number campaign</b> – 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.	 <p>New campaign launched in July 2014.</p> <p>The campaign approach is more targeted than in previous years, focussing on engaging harder-to-reach consumers in specific market segments.</p> <p>Results to date from tracker surveys show reasonable consistency with previous years.</p>
1.3	<b>Competition effects of win-backs and saves</b> – Identify effects on retail competition of win-backs and saves and options for addressing adverse effects.	Current arrangements may not create a level playing field for new and expanding retailers.	Complete the review of win-backs and saves. Complete Code amendments, if necessary, by 30 June 2015. Implementation to be commenced in 2014/15.	 <p>Consultation was carried out in June-July 2014.</p> <p>The Authority decision was announced on 21 October. The save protection regime will come into force on 12 January 2015.</p>

#	Top priority projects (listed in the SPE)	Why we're doing the project	Deliverables	Comment
1.4	<p><b>Hedge market development</b> – A Wholesale Advisory Group (WAG) project looking at potential improvements in hedge markets e.g. over-the-counter (OTC) hedge trading and futures trading. Includes a consideration of market making arrangements for new Australian Securities Exchange (ASX) products. 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. 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. Market making occurring on some new ASX futures products. Possible Code amendment on prudential security offsets in 2015/16.</p>	<p> The Wholesale Advisory Group (WAG) and Authority workstreams are on-going. The WAG is taking a fresh look at hedge market performance and opportunities. The WAG released a discussion paper in November 2014 on options for the further development of the hedge market. The WAG is expecting to make recommendations to the Board in April or May 2015. The Authority is promoting voluntary market-making with participants and providers. The Chief Executive has met with the largest six generator/retailers to encourage them to market-make new ASX products. The Authority is drafting an issues and options paper investigating the benefits of increased marketing making on ASX products. The paper is planned to be released in the fourth quarter.</p>

#	Second priority projects	Why we're doing the project	Deliverables	Comment
1.7	<b>Transparency of consumer electricity charges</b> – 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.	 Consultation took place from June to September. The submissions and a summary of submissions were published in the second quarter. Guidelines are to be drafted and consulted on in early 2015.
1.8	<b>Research project: effects of low fixed charges</b> – 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.	 In December the RAG was asked to investigate in two stages: - examine the effects on operational (pricing) efficiency - examine the effects on competition and reliability. The RAG expects to report to the Board after each stage.
1.9	<b>Review of more standardisation of use of systems agreements (UoSAs)</b> – 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.	 Consultation took place from April to May 2014. The Board considered the submissions in November 2014. Next steps are to be considered at the Board's February 2015 meeting.

## 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)	Why we're doing the project	Deliverables	
1.5	<p><b>National markets for ancillary services:</b></p> <ul style="list-style-type: none"> <li>- <b>frequency keeping (FK)</b> – Develop a national market for frequency keeping to enhance wholesale market competition</li> </ul>	<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><b>Frequency keeping:</b> conceptual design investigations are proceeding. New information available from Transpower's testing of the bi-pole controls for the HVDC link impacts on the CBA justification for a national market. Less frequency keeping services may be required in the future. Transpower's trial is to be completed in the third quarter, at which point further consideration will be given to the implications for a range of frequency keeping projects.</p>

#	Top priority projects (listed in the SPE)	Why we're doing the project	Deliverables	
1.5	<p><b>National markets for ancillary services:</b></p> <ul style="list-style-type: none"> <li>- <b>instantaneous reserves (IR)</b> – 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.</li> </ul>		<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>	<p> <b>Instantaneous reserves:</b> WAG report received by the Board in August.</p> <p>The Authority published an information paper in December 2014 on proposed changes to the market clearing engine to enable a national instantaneous reserves market. Consultation closes on 17 February 2015.</p> <p>Interim arrangements were put in place in December 2014 for inter-island reserves sharing. The Authority intends to replace the interim arrangements with the implementation of a national market for instantaneous reserves in mid-2017.</p>

#	Second priority projects	Why we're doing the project	Deliverables	Comment
1.10	<b>Review of instantaneous reserve (IR) markets</b> – undertake a fundamental review of the instantaneous reserve markets to reduce barriers and enhance performance. This is a WAG project.	Current arrangements may create barriers for some types of instantaneous reserve. We will be looking for options to reduce unnecessary barriers to increase competition.	WAG completes its investigation and reports to the Board by 30 June 2015.  <i>New deliverable added in February 2015: Report to the Board with a detailed proposal by 30 June 2016.</i>	 WAG discussed its initial review on 28 November. As a result of its initial work WAG has completed its investigation and recommended to the Board that the initiative is likely to produce a significant net benefit and consequently that the Authority and system operator should develop the proposal in more detail. We expect to report to the Board in 2015/16 on the result of our review work with the system operator.

## 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)	Why we're doing the project	Deliverables	Comment
1.6	<b>Transmission pricing investigation</b> – 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.	 <p>Following consideration of submissions made on specific working papers, the Authority has decided to prepare an Options working paper outlining a package of options for a TPM. The options working paper will assist the development of the second issues paper.</p> <p>The preparation of an options working paper will delay the release of the second issues paper by a few weeks after the conclusion of the financial year.</p>

#	Second priority projects	Why we're doing the project	Deliverables	Comment
1.11	<b>Distribution pricing review</b> – 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.	 <p>The approach and scope was agreed by the Board in November 2014. An incremental approach is being taken.</p> <p>An issues paper is being developed for consultation in the fourth quarter.</p>

#	Second priority projects	Why we're doing the project	Deliverables	Comment
1.12	<p><b>Transpower's proposed variation to the current TPM (operational review)</b> – Transpower has started an operational review of the current TPM. We are expecting a proposal from Transpower to change the current TPM.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p>	<p>The Code requires us to consider TPM proposals submitted by Transpower provided there is not more than one proposal per 12 month period.</p>	<p>Assess and consult on Transpower's proposal.</p> <p>Respond and implement a Code amendment (if required) by 30 June 2015.</p>	 <p>Transpower completed an initial consultation in the first quarter.</p> <p>In late November Transpower published a second consultation paper, including draft proposals closing on 19 December 2014.</p> <p>Transpower is currently considering submissions on its second consultation paper and intends to submit its proposed TPM amendments to the Authority in February 2015.</p>

## 2. Other outputs

### Section 18 inquiry

#	Project	Why we're doing the project	Deliverables	Comment
2.35	<p><b>Section 18 inquiry into Auckland power outage</b></p> <p><i>NB added to the work programme on 7 October 2014 as the result of Ministerial request.</i></p>	<p><i>On 7 October 2014, the Minister requested this inquiry under section 18 of the Electricity Industry Act 2010 (the Act).</i></p>	<p><i>Complete the report to the Minister by 30 April 2015.</i></p>	 <p><i>We have commenced work on the inquiry into the outage that started on Sunday 5 October 2014.</i></p> <p><i>We are working with all parties involved to address the questions the Minister has put to us, including understanding the cause of the outage, the economic costs of the outage and whether there are any system wide issues that need to be addressed.</i></p>

## Programme: Implementation projects

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

#	Project	Why we're doing the project	Deliverables	Comment
2.1	<b>Retailer default provisions</b> – 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.	 <p>Policy and supporting documentation (eg tender documents) being prepared.</p> <p>External guidelines being prepared.</p> <p>Registry changes underway.</p> <p>Decisions on Code refinements published on 23 December 2014.</p> <p>Implementation was completed by 31 December 2014.</p>
2.2	<b>Settlement and prudential security</b> – 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.	<p>Code comes into effect on 24 March 2015.</p> <p>Project closure completed by 30 June 2015.</p> <p>Levy Regulations amended (completed by MBIE).</p>	 <p>Services agreement signed with the clearing manager.</p> <p>System development on track for completion by 24 March 2015.</p> <p>Minor Code amendments completed in October 2013, coming into force on 24 March 2015.</p> <p>Amendments to Levy Regulations proceeding.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.3	<b>Multiple frequency keepers (MFK)</b> – 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.	 <b>Implementation completed:</b> South Island cut-over completed in August 2014 as planned. <b>Post implementation review</b> underway.
2.4	<b>Inter-island instantaneous reserve sharing: implementation</b> – 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.	 The system operator implemented systems changes for fast instantaneous reserve (FIR) on 17 December 2014.  Further work is being considered for sustained instantaneous reserves (SIR).

#	Project	Why we're doing the project	Deliverables	Comment
2.5	<p><b>Efficient procurement of extended reserves: implementation</b> – efficient procurement of load for extended reserves (automatic under frequency load shedding (AUFLS)).</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p>	The new arrangements are expected to result in more efficient provision and use of extended reserves.	<p>Code amendment finalised and gazetted by 1 August 2014.</p> <p>Complete regulations to create new extended reserves service provider role (which will be finalised by MBIE before we select).</p> <p>Technical Requirements Schedule finalised by Transpower by 30 June 2015.</p> <p>Selection methodology completed by 30 June 2015 (dependent on timeframe for establishing service provider role).</p>	 <p>Code approved by Board in June 2014.</p> <p>Work proceeding on amendment to regulations with MBIE.</p> <p>Selection methodology being prepared for consultation, which is expected to take place early in 2015.</p> <p>Process for appointing extended reserves manager has started with a tender process completed and a decision on the preferred supplier expected in the third quarter.</p> <p>On 25 November we published a consultation paper on proposed liability limits for the extended reserve manager. Consultation closed on 19 December 2014. The consultation is required before the limit can be specified in the Electricity Industry (Enforcement) Regulations 2010.</p>
2.6	<p><b>Improved market modelling of losses</b> – Improve the representation of losses in the system operator's scheduling, pricing and dispatch model (SPD). A Code amendment will not be required.</p>	The improved modelling could reduce dispatch costs, achieving operational efficiency gains.	Complete design stage and publish Authority information paper by 31 December 2014.	 <p>Information paper published 23 December 2014, closing 3 February 2015.</p> <p>Design work commenced and on track for implementation on 1 April 2015.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.7	<p><b>FTR 2014 allocation plan: implementation</b> – Implementing the 2014 FTR Allocation Plan including:</p> <ul style="list-style-type: none"> <li>- three additional FTR nodes as proposed in the within island basis risk (WIBR) project</li> <li>- introduction of reconfiguration auctions</li> <li>- sloped bids and extended assignment rights</li> <li>- consequential changes to clearing manager methodology and systems.</li> </ul>	The new allocation plan reduces barriers to entry in the retail, hedge and generation markets, enhancing competition in those markets.	<p>Implement by 30 November 2014.</p> <p>Possible post-implementation review of locational price risk management project in 2015/16 or 2016/17.</p>	 <p>Completed. Implementation was completed on 1 November 2014. The relevant Code amendments came into effect at the same time.</p>
2.8	<p><b>Operational review of Part 6</b> – Implementation of amendments to Part 6 of the Code approved at 4 June 2014 meeting. No market systems changes required.</p>	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.	<p>Implementation completed by 30 June 2015.</p> <p>Includes participant education, and updated guidelines and factsheets.</p>	 <p>In June 2014 the Authority approved amendments to Part 6 of the Code. The new arrangements introduce simplified processes for the connection of certain types of small-scale distributed generation (up to 10kW).</p> <p>The simplified process comes into effect on 23 February 2015.</p> <p>In December we published guidelines to help distributed generators and distributors to understand and apply the requirements of the revised Part 6.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.9	<b>Dispatchable demand: implementation</b> – 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.	 Closure report expected to be finalised by January 2015, but this timing has no impact on the project.
2.10	<b>Metering (Part 10) impact review</b> – Post implementation review of impacts and outcomes of the Part 10 Code amendments. <i>Note: this is a new project that wasn't on our work programme in 2013/14.</i>	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.	 Data received from three metering service providers. Analysis to commence.

### ***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	Why we're doing the project	Deliverables	Comment
2.11	<b>Spot market review</b> – 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 <del>31 December 2014</del> <u>March 2015</u> with recommendations on how to proceed.	 Initial target date not met for report to Board in December 2014. <i>NB Target date amended to March 2015.</i>

#	Project	Why we're doing the project	Deliverables	Comment
2.12	<b>Settlement and prudential security: disconnection provisions</b> – 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.	 <p>Work has been carried out with network companies and Transpower regarding the Code. It is expected that we will consult on actions to address outstanding concerns early in 2015.</p>
2.13	<b>Domestic contracting arrangements</b> – RAG project in 2013/14. Consider three issues with domestic contracting arrangements.	We want to ensure the operational efficiency of domestic contractual arrangements.	Response to RAG recommendations 31 December 2014. Next steps to be determined by 30 June 2015.	 <p>The Board considered RAG's recommendations in June 2014 and requested clarification on one point. RAG is currently addressing the Board request with input from the retailer working group.</p>
2.14	<b>Barriers to group switching</b> – 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.	 <p>The RAG report was approved at its September 2014 meeting. The Board considered the report at its November 2014 meeting. The RAG report was published on 18 November 2014. The RAG recommended the Authority take no specific action in respect of group switching and mass market aggregation, but continue addressing general barriers to consumer switching. The Authority accepted the recommendation.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.15	<b>Review of half hour switching process</b> – 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.	 <p>The further consultation on an alternative way of dealing with AMI switch event meter readings was published on 20 January 2015. A recommendation is expected for the April Board meeting 2015.</p>
2.16	<b>Review of secondary networks</b> – RAG project considering the competition and efficiency effects of secondary networks.	We want to remove unnecessary barriers to retail competition in secondary networks.	RAG recommendations to the Board by <del>30 November 2014</del> <u>December 2015</u> .	 <p>A RAG discussion paper is likely to be published and consulted on prior to reporting to the Authority Board.</p> <p><i>Work programme timetable updated in February 2015 to reflect the revised approach.</i></p>

## Programme: Wholesale markets

#	Project	Why we're doing the project	Deliverables	Comment
2.17	<p><b>Demand-side response review</b> – 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 <del>potential projects for the Authority's work programme</del> <u>principles for demand response development</u>	 <p>Work is progressing with the system operator.</p> <p>Work to date has resulted in refocusing the 1 May report onto principles to guide demand response development.</p> <p>Principles paper being prepared for April Board meeting.</p> <p><i>NB The target was refined in October 2014 to reflect the revised direction of the review after the initial project work was completed.</i></p>

## Programme: Efficient pricing

#	Project	Why we're doing the project	Deliverables	Comment
2.18	<p><b>Offer and dispatch: review of gate closure</b> – Review of gate closure for offers and bids (energy and instantaneous reserves).</p>	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>	 <p>The scope of this project was expanded in December 2014 to include bid and offer revisions.</p> <p>Consultation on Code amendments is expected early May-June 2015.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.19	<b>Offer and dispatch: industrial co-generation</b> – 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.	Code amendment consultation paper by 31 December 2014. Code amendment completed by 30 June 2015. Implementation in 2015/16.	 <p>In August 2014 we published a proposal to amend the Code to provide industrial co-generators with more dispatch flexibility to avoid unnecessary costs imposed by the current provisions.</p> <p>This is intended to improve the operational efficiency of the market, and improve the accuracy of dispatch and final pricing schedules.</p> <p>Submissions closed on 8 October 2014. The Code amendment is expected to be completed in the third quarter.</p>
2.20	<b>Allocation of constrained-on costs</b> – Review the calculation and allocation of constrained-on costs.	We want to ensure constrained-on costs are allocated more efficiently.	Code amendments completed by 30 June 2015. Implementation in 2015/16.	 <p>The Code was approved in July 2013.</p> <p>We are working with the system operator and clearing manager on design and costing.</p>

## Programme: Reliability

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

#	Project	Why we're doing the project	Deliverables	Comment
2.21	<b>Asset owner performance obligations (AOPOs): fault ride-through</b> – Implementation phase - Update low voltage fault ride-through AOPOs.	<p>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).</p> <p>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.</p>	<p><del>Code completed by 31 December 2014.</del></p> <p><u>Code completed by 30 June 2015.</u></p>	 <p>Discussion is ongoing with system operator about standards.</p> <p>Study report received from the system operator.</p> <p>A second consultation is expected following the review of the system operator study report.</p> <p>Code amendments are now expected to be completed by the end of the financial year (30 June 2015).</p> <p><i>NB The timetable was revised in October 2014.</i></p> <p><i>This work has been deferred to allow higher priority work to proceed.</i></p>

#	Project	Why we're doing the project	Deliverables	Comment
2.22	<p><b>Asset owner performance obligations: normal frequency</b>            – Review of the frequency AOPOs. Investigation reports produced by the system operator in 2011. Further system operator investigation required - implications for software.</p>	<p>We are reviewing the frequency AOPOs to determine if they are fit for purpose.</p> <p>This should improve efficiency and reliability of the electricity system by placing appropriate incentives on the system operator and asset owners.</p>	<p>Complete consultation process and review submissions by 31 March 2015.</p> <p>Code amendment completed by 30 June 2015.</p>	<p> First consultation round completed in July 2014.</p> <p>Response paper considered at November Board meeting.</p> <p>Industry workshop held on 4 December to address issues raised in submissions.</p> <p>As a result of submissions and Board consideration, alternative market-based solutions are being considered. This work is also being deferred to await the outcomes of Transpower's testing of the bi-pole controls for the HVDC link, because this has implications for frequency keeping services. Code amendments now not likely in 2014/15.</p>

## ***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)	Why we're doing the project	Deliverables	
2.23	<b>Consumer education programme</b> – 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 on-going 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.	 <ul style="list-style-type: none"> <li>Project plan approved.</li> <li>Work is being undertaken on expanding and enhancing the consumer section of the Authority website.</li> </ul>

#	Project	Why we're doing the project	Deliverables	
2.24	<b>Price hydro model extension</b> – Complete the price hydro model and implement forecasting for monitoring.	We have an on-going function of providing information. This initiative will improve information availability.	Complete the price hydro model by 30 June 2015.	 <ul style="list-style-type: none"> <li>Project underway and on track for completion this financial year.</li> <li>Draft report completed and being reviewed.</li> </ul>

#	Project	Why we're doing the project	Deliverables	
2.25	<b>AUFLS event review</b> – Review of the 12 November 2013 AUFLS event.	We have an on-going 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.	 <p>A draft event review report has been prepared. We are consulting with the system operator on the draft.</p> <p>Publication is expected by March 2015.</p>
2.36	<b>Hydrology review:</b> Review of all hydrology data. Alignment with NIWA and Opus data to meet the needs for SO SOS team and the Authority.	We have an on-going function of providing information. This initiative will improve information availability.	Complete the review by 30 June 2015.	<p><i>NB Project moved from pending to active in October 2014. Resources have been reallocated to enable this work to be completed in 2014/15. Project underway.</i></p>

**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)	Why we're doing the project	Deliverables	Comment
2.26	<p><b>System operator service provider agreement (SOSPA) review</b> – A wide ranging review of the SOSPA arrangements, 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 the capital plan</li> <li>- renegotiation of SOSPA.</li> </ul>	<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>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  </div> <div> <p>The SOSPA re-negotiation is underway.</p> <p>High-level principles for the negotiation have been agreed by the chief executives of Transpower and the Authority.</p> <p>Negotiations with Transpower are proceeding well and we expect the new SOSPA to be operational on 1 July 2015.</p> </div> </div>

#	Top priority projects (listed in the SPE)	Why we're doing the project	Deliverables	Comment
2.27	<b>Market operations service provider (MOSP) review</b> – The review was completed in 2013/14. Next steps are being developed.	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.	Recommendations to Board on next steps by 30 September 2014.	 <p>In December we announced preparations for a tender for the service provider roles of:</p> <ul style="list-style-type: none"> <li>- pricing manager</li> <li>- reconciliation manager</li> <li>- wholesale information trading system (WITS) provider</li> <li>- clearing manager.</li> </ul> <p>We had intended to tender for the registry manager role at the same time. However, we have decided to defer tendering that role for a year while the future data requirements resulting from our retail data initiative are being developed.</p> <p>The RFP is expected to be released in February 2015.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.28	<b>Systems access policies</b> – 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.	 <p>Draft guidelines prepared and provided to NZX for comment.</p>

#	Project	Why we're doing the project	Deliverables	Comment
2.29	<b>Registry communications improvements</b> – 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.	 Completed. FTP turned off in December 2014.
2.30	<b>Joint process improvement with the system operator</b> – 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.	 The joint development programme has been refreshed and was published in November 2014.

### **Programme: More efficient market operations**

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

#	Project	Why we're doing the project	Deliverables	Comment
2.31	<b>Review of participant audit arrangements</b> – 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.	 Project to commence in third quarter.

## 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	Why we're doing the project	Deliverables	Comment
2.32	<b>Review of enforcement regulations</b> – 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.	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.	There may be a need for our support to MBIE's process if this is pursued in 2014/15.	 No action requested by the Ministry of Business, Innovation and Employment (MBIE) to date.
2.33	<b>Meter certification audits</b> – 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.  <i>Note: this is a new project that wasn't on our work programme in 2013/14.</i>	We want to ensure that all category 1 metering installations are appropriately certified, in order to support the efficient operation of market reconciliation processes.	Review of the state of the industry and its ability to meet April 2015 deadline - Board paper for 2 September 2014.  Complete at least one audit and report to Board by 30 June 2015.	 Paper presented to 5 November Board meeting for enforcement options for interim certification.  Work is also being carried out on possible incentives to encourage category 1 meter certification.  Planning has commenced for the audits.  The audits will commence from 1 April 2015.

#	Project	Why we're doing the project	Deliverables	Comment
2.34	<p><b>Metering records accuracy audits</b> – 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.	 <p>Planning has commenced for the audits.</p> <p>The audits will commence after 1 April 2015.</p>