



Electricity Authority 2014/15 Work Programme

Report as at 30 June 2015

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Key to colour symbols used in this report

| | | |
|---|---|---|
|  <p>Project milestones achieved or on track to be achieved</p> |  <p>Project milestones are at risk</p> |  <p>Project milestones not achieved or not able to be achieved</p> |
|---|---|---|

Introduction and purpose

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. The published 2014/15 work programme includes more details about the projects reported against in this report.

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.

The work programme is flexible

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 projects 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 during the year. These amendments are shown as tracked changes revisions and new projects are *italicised*.

Overall performance standards for the year

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 30 June 2015 |
|-----|--|---|---------------------------------|---------------------------------------|
| 1.1 | Retail data project | Retail market competition | Yes | Phase 1 completed Phase 2 underway |
| 1.2 | What's My Number (WMN) campaign | Retail market competition | N/A | |
| 1.3 | Competition effects of saves and win-backs | Retail market competition | Yes | Completed |
| 1.4 | Hedge market development | Retail and wholesale market competition | Potentially | |
| 1.5 | National market: frequency keeping | Wholesale market competition | No | |
| 1.5 | National market: instantaneous reserves | Wholesale market competition | No | |
| 1.6 | Transmission pricing investigation | Efficient pricing | No | |

| # | Second priority projects | Programme | Code completed in 2014/15 year? | Status at 30 June 2015 |
|------|---|---|---------------------------------|------------------------|
| 1.7 | Transparency of consumer's electricity charges | Retail market competition | Yes | Completed |
| 1.8 | Research project: effects of low fixed charges | Retail market competition and efficient pricing | No | |
| 1.9 | Review of more standardisation of use of systems agreements (UoSA) | Retail market competition | No | |
| 1.10 | Review of instantaneous reserve (IR) markets | Wholesale market competition | No | |
| 1.11 | Distribution pricing review | Efficient pricing | No | |
| 1.12 | Transpower's proposed variation to the current TPM (operational review) | Efficient pricing | Not achieved | |

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

| # | Implementation projects | Implemented in 2014/15 year? | Status at 30 June 2015 |
|-----|--|------------------------------------|------------------------|
| 2.1 | Retailer default provisions | Yes - 31 December 2014 | Completed |
| 2.2 | Settlement and prudential security: implementation | Yes - 24 March 2015 | Completed |
| 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 – FIR changes 17 December 2014 | |
| 2.5 | Efficient procurement of extended reserves: implementation | No | |
| 2.6 | Improved market modelling of losses | Yes – 31 March 2015 | Completed |
| 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 | 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. | Make Code amendment and introduce market facilitation measures for access to consumption data, if necessary, by 30 June 2015. Begin implementation if necessary. Progress, as far as possible, voluntary arrangements for access to tariff and connection data. |  Phase 1: access to consumption data - completed in January 2015. Phase 2: access to retail tariff data and connection data - consultation took place from 23 June to 4 August 2015. Phase 3: access to retail monitoring data - this phase is to be considered after phases 1 and 2. |

| # | Top priority projects (listed in the SPE) | Why we're doing the project | Deliverables | Comment |
|-----|---|---|--|---|
| 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. |  <p>The 2015 programme kicked off with a short campaign in March and the main campaign over the winter months.</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 | Competition effects of win-backs and saves – 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>Completed. The Authority decision was announced on 21 October 2014. The save protection regime came 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>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> |  <p>Hedge market development is being pursued through a broad review being carried out by the Wholesale Advisory Group (WAG) and specific initiatives being promoted by the Authority.</p> <p>The WAG engaged in a detailed investigation, to determine if current hedge market arrangements allow participants to effectively manage the risks they face in the spot market. WAG reported to the Board by June 2015 and the report will be released shortly.</p> <p>The Authority is also working directly with the industry to promote market-making. A paper was published in June on ways in which ASX positions can be used to offset spot market prudential security requirements.</p> |

| # | Second priority projects | Why we're doing the project | Deliverables | Comment |
|-----|--|---|--|---|
| 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. |  <p>Completed. Consultation took place from June to September 2014.</p> <p>The submissions and a summary of submissions were published in the second quarter.</p> <p>Guidelines were finalised in April 2015.</p> |
| 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. |  <p>In December the RAG was asked to investigate in two stages:</p> <ul style="list-style-type: none"> - examine the effects on operational (pricing) efficiency - examine the effects on competition and reliability. <p><u>The RAG is preparing a research paper that it expects to finalise early in the 2015/16 financial year</u> <u>The RAG is preparing a discussion paper, which is expected to be released early in the 2015/16 financial year.</u></p> |

| # | Second priority projects | Why we're doing the project | Deliverables | Comment |
|-----|--|---|---|---|
| 1.9 | <p>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.</p> | <p>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.</p> | <p>Complete a summary of submissions and decide on approach to UoSA (voluntary or regulated). Consult on Code amendment, if needed, in 2015/16.</p> | <p> 2014/15 deliverable completed. Consultation took place from April to May 2014. The Board considered the submissions in November 2014. In February 2015 the Board decided to continue development of the default UoSAs. A consultation paper and draft default UoSA are being prepared and are expected to be released in the first quarter of the 2015/16 financial year. We are targeting a final decision by May 2016.</p> |

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 | Comment |
|-----|--|---|---|--|
| 1.5 | National markets for ancillary services: - frequency keeping (FK) – Develop a national market for frequency keeping to enhance wholesale market competition | <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><i>Work programme target revised in January 2015: initiate development of frequency management strategy.</i></p> |  <p>Approach revised. On track with revised approach.</p> <p>New information from testing of bi-pole controls for the HVDC link altered the net benefit results for this project. As a result no Code amendments were considered in 2014/15.</p> <p>The potential impact of this new information on several frequency keeping initiatives is being evaluated and a revised plan is being developed.</p> |

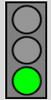
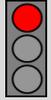
| # | Top priority projects (listed in the SPE) | Why we're doing the project | Deliverables | Comment |
|-----|---|-----------------------------|--|--|
| 1.5 | <p>National markets for ancillary services:</p> <p>- instantaneous reserves (IR) – Develop a national market for instantaneous reserves to enhance 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> | | 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>After consultation in the third quarter, a decision was made that no Code amendments are required. Design work has commenced and is currently being finalised.</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 | <p>Review of instantaneous reserve (IR) markets – undertake a fundamental review of the instantaneous reserve markets to reduce barriers and enhance performance. This is a WAG project.</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>WAG completes its investigation and reports to the Board by 30 June 2015.</p> <p><i><u>New deliverable added in February 2015: Report to the Board with a detailed proposal by 30 June 2016.</u></i></p> |  <p>WAG completed its investigation in March 2015 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.</p> <p>We expect to report to the Board in 2015/16 on the result of our review work with the system operator.</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) | Why we're doing the project | Deliverables | Comment |
|-----|--|--|---|---|
| 1.6 | <p>Transmission pricing investigation – Review of the transmission pricing methodology (TPM) to promote overall efficiency of the electricity industry.</p> | <p>We are reviewing the current arrangements in order to better promote operational and investment efficiency in the transmission sector and the broader electricity market.</p> | <p>Complete working paper process by 31 December 2014. Release second issues paper by 30 June 2015.</p> | <p> Following consideration of submissions made on specific working papers, the Authority decided to prepare an options working paper outlining a package of options for a TPM.</p> <p>The options working paper and a companion paper were published on 16 June, closing on 11 August 2015.</p> <p>The options working paper presents options for a new TPM and includes indicative charges. The companion paper provides details about a new charging method that the Authority hasn't previously consulted on.</p> <p>The second issues paper for consultation is now expected early in the 2016 calendar year.</p> |

| # | Second priority projects | Why we're doing the project | Deliverables | Comment |
|------|---|--|--|---|
| 1.11 | <p>Distribution pricing review – investigate efficient distribution pricing arrangements.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p> | <p>We will review the current arrangements in order to achieve better operational and investment efficiency in the distribution sector and the broader electricity market.</p> | <p>Scope and timetable established.</p> <p>Next steps to be determined.</p> | <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 consideration by the Board in the first quarter of the 2015/16 financial year.</p> |
| 1.12 | <p>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.</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 submitted its proposal on 13 February 2015. It subsequently submitted further components in March. Seven components were submitted, and we decided to consult on four of these, starting on 21 April with six weeks for consultation.</p> <p>Three components of the proposal were referred back to Transpower. On 8 May Transpower resubmitted the HVDC component without modification. We consulted separately on this component on 23 June, closing 14 July 2015.</p> <p>The results of the April consultation were considered on 26 June. The Board decided not to proceed further with the regional coincident peak demand (RCPD) quantity adjustment provision component of Transpower's proposed variation. Further work is to be carried out on the cost benefit assessment for the three remaining components. Subject to this further assessment, the Code amendment is expected to be completed early in the 2015/16 financial year.</p> |

2. Other outputs

Section 18 inquiry

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|---|---|
| 2.35 | <p>Section 18 inquiry into Auckland power outage</p> <p><i>(Project added to the work programme on 7 October 2014 as the result of Ministerial request.)</i></p> | On 7 October 2014, the Minister requested this inquiry under section 18 of the Electricity Industry Act 2010 (the Act). | Complete the report to the Minister by 30 April 2015. |  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. Information we are waiting for includes the Vector and Transpower technical expert report, which has been delayed. We expect to complete the review in November 2015. |

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 | 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. |  <p>Registry changes completed. Implementation was completed by 31 December 2014. A retailer familiarisation session took place on 23 June 2015. External guidelines are being finalised. The last of the Code obligations goes live in August 2015.</p> |
| 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). |  <p>The Code came into effect on 24 March 2015 and all of the relevant system changes have been successfully put into operation.</p> |

| # | Project | Why we're doing the project | Deliverables | Comment |
|-----|--|--|--|--|
| 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. | <p>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.</p> <p>Complete the post-implementation review for MFK in the North Island by 31 December 2014.</p> <p><u>Scope and timetable revised in February 2015: new target date is September 2015.</u></p> |  <p>Implementation completed. South Island cut-over was completed in August 2014 as planned.</p> <p>Post implementation review underway. A draft report was considered in February 2015 and as a result the scope and timetable were amended. On track for finalisation of the expanded review by September 2015.</p> |
| 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. | <p>Procurement plan approved by 28 February 2015.</p> <p>System operator system changes implemented by 31 March 2015.</p> |  <p>The system operator implemented systems changes for fast instantaneous reserve (FIR) on 17 December 2014.</p> <p>Further work is being undertaken for sustained instantaneous reserves (SIR). Information paper consulted on 8 June to 16 July 2015. Subject to the results of consultation, implementation could be completed by September 2015.</p> |

| # | Project | Why we're doing the project | Deliverables | Comment |
|-----|---|---|--|--|
| 2.5 | <p>Efficient procurement of extended reserves: implementation – 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>Tender completed for extended reserves manager role. Preferred supplier approved in February 2015.</p> <p>The time required to complete the appointment of the extended reserve manager means the Technical Requirements Schedule and selection methodology could not be completed by 30 June 2015.</p> |
| 2.6 | <p>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.</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>Completed. Implementation completed and changes made to SPD market system 31 March 2015.</p> |

| # | Project | Why we're doing the project | Deliverables | Comment |
|-----|---|--|---|---|
| 2.7 | <p>FTR 2014 allocation plan: implementation – Implementing the 2014 FTR Allocation Plan including:</p> <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. | <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>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.</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>Completed. Part 6 Code amendments made in June 2014. 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 came into effect on 23 February 2015.</p> <p>In December we published guidelines for distributed generators and distributors.</p> |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|--|---|--|--|
| 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. |  Completed. Closure report completed in the third quarter. |
| 2.10 | Metering (Part 10) impact review – 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. Report considered by the Board in June 2015 and published for consultation. |

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 | 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. |  Initial target not achieved. The initiation stage of review was completed and reported to the Board in March 2015. |
| 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. |  Completed. The existing Code amendment was reconfirmed and the changes were launched on 24 March 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. | Response to RAG recommendations 31 December 2014. Next steps to be determined by 30 June 2015. |  The Board considered RAG's recommendations in June 2014. The Board has requested clarification on one aspect of the RAG report. RAG is currently addressing the Board request with input from the retailer working group. |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|--|--|--|
| 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. |  Deliverables completed. The RAG report was considered by the Board in November and 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. |
| 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. |  The June 2014 Code amendments go live in October 2015. A longer implementation period has been set at the request of industry participants. The Authority considered submissions on the remaining issue and a Code amendment was approved in June 2015. |
| 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 recommendations to the Board by 30 November 2014 <u>December 2015</u> . <i>(Work programme timetable updated in February 2015 to reflect revised approach.)</i> |  On track for revised timetable. The RAG discussion paper was published on 21 April and closed on 2 June 2015. The RAG report is expected to be considered by the Board in Aug/Sept 2015. |

| # | Project | Why we're doing the project | Deliverables | Comment |
|--------------------------------|---|--|--|--|
| <p>New in Mar. 2015</p> | <p>Dispatchable demand constrained payments issue –This project has come about from an urgent Code amendment proposed by NZX.</p> <p><i>(Project added to the work programme in January 2015.)</i></p> | <p>To address two issues that have arisen with dispatchable demand:</p> <ul style="list-style-type: none"> - constrained on/off compensation for bids that are changed after a dispatch instruction has been issued - the potential for very high constrained off payments when infeasibilities appear in the NRSS (the schedule from which the dispatch instruction is issued). | <p>Board paper for April 2015 meeting to propose approach.</p> | <p> Consultation completed on issue relating to late bid revisions. Submissions being reviewed.</p> <p>Next steps for second issue relating to infeasibilities in non-response schedule (NRS) are expected to be considered by the Board in October 2015.</p> |

Programme: Wholesale markets

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|--|--|---|---|
| 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. | <p>Report to the Board with recommendations by 1 May 2015 on potential projects for the Authority's work programme <u>principles for demand response development</u>.</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> |  A paper on principles for demand response development was approved at the April 2015 Board meeting. Publication expected in August. |

Programme: Efficient pricing

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|--|---|--|---|
| 2.18 | <p>Offer and dispatch: review of gate closure – 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> |  Gate closure testing successfully completed. The scope of this project was expanded in December 2014 to include bid and offer revisions. Consultation on Code amendments published 7 July, closing 19 August 2015. |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|---|--|
| 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. | Code amendment consultation paper by 31 December 2014. Code amendment completed by 30 June 2015. Implementation in 2015/16. |  <p>The Code amendment was approved in February 2015. Goes live in July 2015.</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. | Code amendments completed by 30 June 2015. Implementation in 2015/16. | <p>On hold</p> <p>The Code was approved in July 2013. This project was put under review in February 2015 when the cost benefit assessment was considered unfavourable. Further consideration is being given to a way forward.</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 | Asset owner performance obligations (AOPOs): fault ride-through – 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>Code completed by 31 December 2014.</p> <p><u>Code completed by 30 June 2015.</u></p> <p><i>(NB The timetable was revised in October 2014 and subsequently deferred to allow higher priority work to proceed.)</i></p> |  <p>This work was deferred to enable higher priority work to be resourced.</p> <p>Code amendments are now expected to be consulted on and finalised, if required, in 2015/16.</p> |
| 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. | <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>On hold</p> <p>Project put on hold in January 2015.</p> <p>First consultation round completed in July 2014.</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.</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 | Comment |
|------|---|---|---|--|
| 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 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. |  Work continues on expanding and enhancing the consumer section of the Authority website. |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|---|--|
| 2.24 | Price hydro model extension – 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. |  Report completed and being reviewed. |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|--------------------------------------|--|
| 2.25 | AUFLS event review – 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. |  Completed. Published in May 2015. |
| 2.36 | Hydrology review: Review of all hydrology data. Alignment with NIWA and Opus data to meet the needs for SO SOS team and the Authority. <i><u>(Project moved from pending to active in October 2014. Resources were reallocated to enable this work to be completed in 2014/15.)</u></i> | We have an on-going function of providing information. This initiative will improve information quality and availability. | Complete the review by 30 June 2015. |  Review completed. Updated datasets and reports available on the electricity market information website (EMI) shortly. ¹ |

¹ See www.emi.ea.govt.nz/

Programme: Fit-for-purpose market services

This programme includes the market operations service providers (MOSPs) and the system operator 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>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> | <p> The Authority has been working closely with Transpower to review the SOSPA to ensure that it aligns the system operator with the Authority's statutory objective and encourages and enables the delivery of fit-for-purpose services.</p> <p>While the intended timeline of having a new SOSPA in place by 1 July 2015 has not been achieved, significant progress has been made towards the desired results, such as through Transpower's commitment to a strategic plan that is strongly aligned to the Authority's objectives.</p> <p>The new SOSPA is now expected to be agreed during the first half of the 2015/16 financial year.</p> |

| # | Top priority projects (listed in the SPE) | Why we're doing the project | Deliverables | Comment |
|------|--|--|--|---|
| 2.27 | Market operations service provider (MOSP) review – 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>The Authority undertook an open tender for the delivery of the clearing, reconciliation, pricing and WITS services in the second half of 2014/15, and is on-track to have confirmed arrangements for the ongoing delivery of the services by the end of October 2015.</p> <p>The registry contract has been extended by a year and will now be re-tendered in 2015/16. The extension of the contract by a year is expected to enable the tender, and any new contract, to incorporate any registry changes resulting from the retail data project.</p> |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|--|--|
| 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. |  <p>Draft guidelines prepared and provided to NZX for comment in September 2014. Awaiting NZX response.</p> <p>A new approach is being considered that would require Code amendments, which could not be completed by 30 June 2015.</p> |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|---|--|
| 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. |  Completed. FTP turned off in December 2014. |
| 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. |  The joint development programme has been refreshed and was published April 2015. |

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 | <p>Review of participant audit arrangements – Review audit requirements in the Code. The project does not include MOSP audits.</p> <p><i>Note: this is a new project that wasn't on our work programme in 2013/14.</i></p> | <p>We're reviewing audit requirements to improve efficiency and align with good risk management practice.</p> <p>This has the potential to increase compliance and provide efficiency savings.</p> | Complete a review of audit requirements, and report to Board by 30 June 2015, if required. |  <p>Project commenced in third quarter. Options and recommendations paper considered by the Board in June 2015, with consultation expected in October or November 2015.</p> |

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 | 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. | 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 | 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. <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. |  On 27 June 2015 the Board decided that there is no benefit in proceeding with an audit at this point as the key issues are already identified and are being addressed by the Authority's Compliance team. |

| # | Project | Why we're doing the project | Deliverables | Comment |
|------|---|---|---|--|
| 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> | <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.</p> | <p>Complete at least one audit and report to Board by 30 June 2015.</p> |  <p>On 27 June 2015 the Board decided that there is no benefit in proceeding with an audit at this point as the key issues are already identified and are being addressed by the Authority's Compliance team.</p> |