



Electricity Authority Work Programme

1 July 2016 – 30 June 2017

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Executive summary

The Authority's work programme details the major projects we intend to progress during the 2016/17 financial year. The work programme sets out:

- Priority 1—Key projects.** These are strategically important projects listed in our *Statement of Performance Expectations* (SPE). Key regulatory projects (projects in blue text in Table 1) may result in new Code amendments, or market facilitation initiatives. These projects can involve significant input from providers and stakeholders. Projects in red text are key implementation and operational projects.
- Priority 2 and 3—Other projects:** These include priority 2 and priority 3 regulatory projects, projects to deliver operational efficiencies, and compliance projects.

Table 1: Summary of key projects from SPE (priority 1) and work programme

#	Priority	Project	Programme	Code completed in 2016/17 year?	Existing or new project?
1.1	1	Consumer access to markets covering data exchange, multiple trading agreements and other barriers to mass-market participation in electricity markets	A: Evolving technologies and business models	Not applicable	New
1.2	1	Distribution pricing review	A: Evolving technologies and business models	No	Existing
1.3	1	What's My Number (WMN) campaign	B. Consumer choice and competition	Not applicable	Existing
1.4	1	Spot market refinements	C. Pricing and cost allocation	No	Existing
1.5	1	Transmission pricing review	C. Pricing and cost allocation	Yes	Existing
1.6	1	Implement extended reserve	D. Risk and risk management	No	Existing
1.7	1	Review of security measures	D. Risk and risk management	Possible	Existing
1.8	1	Hedge market development	D. Risk and risk management	Not applicable	Existing

#	Priority	Project	Programme	Code completed in 2016/17 year?	Existing or new project?
1.9	1	Registry service provider tender	E. Operational efficiencies	Yes	Existing

Strategic focus

From November 2010 our initial focus was to address matters in section 42 of the Electricity Industry Act 2010 (the Act). This included a focus on improving reliability of supply, and on initiatives to enhance retail market competition. Our What's My Number campaign was notable success and had an immediate impact in the retail market.

We then moved our focus to ways we could improve wholesale market competition, including through an enhanced hedge market. We continued work to enhance retail competition. This included projects to improve the transparency of electricity charges and to make it easier for consumers to find the best deal in the market.

In 2015/16 we increased focus on the efficiency limb of our statutory objective. This included looking at efficient operation of the electricity industry and efficient pricing of transmission and distribution services.

We expect to complete our review of the guidelines for transmission pricing in 2016/17. This year we are also looking at implications of new technology and potential security of supply issues. These two broad areas of work could have a significant impact over the medium term. We have revised our programmes (grouping of projects) to reflect this updated strategic focus.

Introduction and purpose

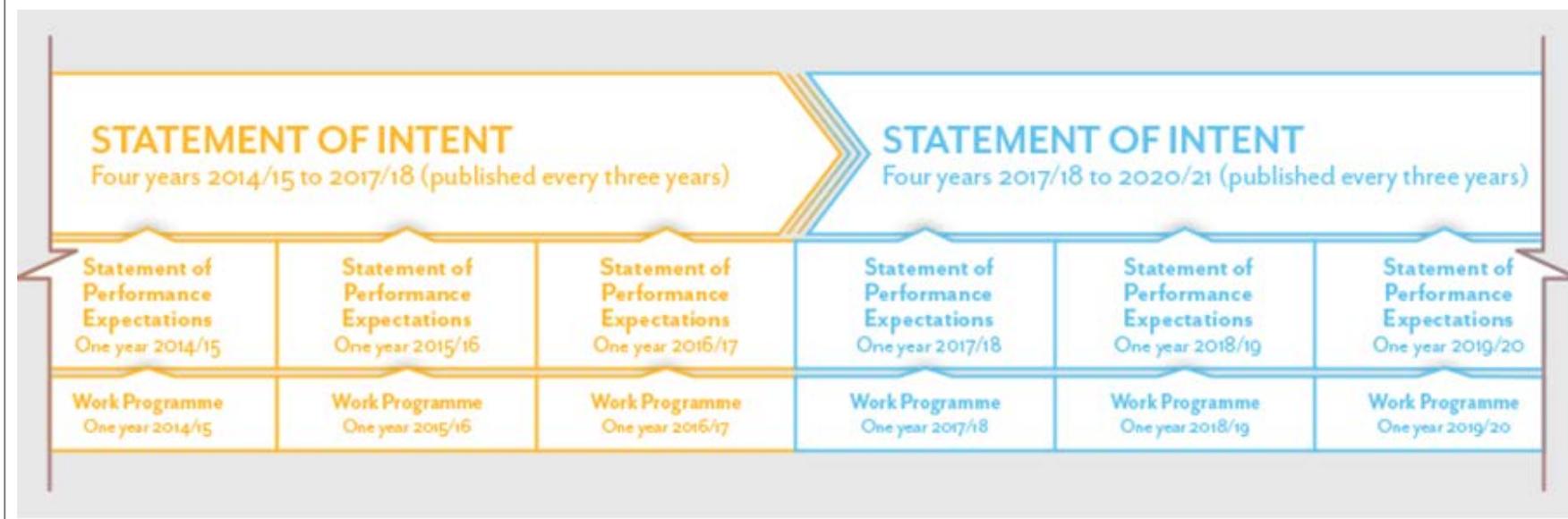
Our planning documents

Our *Statement of Intent* (SOI) sets out our long-term strategic intentions. We publish an SOI at least every three years. Our *Statement of Performance Expectations* (SPE) is a partner document to the SOI. The SPE provides details of our planned work and financial forecasts for one year.

The work programme is a non-statutory planning document. It provides indicative information about major projects for the 2016/17 financial year.

We have a range of business-as-usual activities and minor projects that are not listed in this work programme. We have also identified potential projects that we currently do not have the resources to pursue. These potential projects are not listed in this work programme.

Figure 1: the *Statement of Intent*, *Statement of Performance Expectations* and work programme



We have considered stakeholder input in finalising this work programme

When developing this work programme we considered submissions from stakeholders on our consultation on the 2016/17 appropriations and work programme.

We have also considered the work programme for strategic alignment, and the resources available to carry out the planned work. We also considered the resource implications for stakeholders and service providers.

Our market development approach

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

We have revised our market development programmes to reflect our strategic focus

Our previous work programmes grouped projects into eight programmes. Four of these eight previous programmes were focussed on market development projects. These reflect the traditional demarcation between retail market, wholesale market and transport activities:

- (a) Competition in retail markets (including facilitating consumer participation)
- (b) Competition in wholesale and ancillary services markets
- (c) Efficient pricing
- (d) Reliability.

Our *2016/17 Statement of Performance Expectations* (SPE) identifies two broad areas that could have a significant impact over the medium term—the implications of new technology and potential security of supply issues:

“In regard to new technology, the electricity industry faces potentially far-reaching changes in the near future from evolving technology. These technologies could create a wide range of options for how electricity is generated and used, giving consumers far greater choice and individual control than ever before. It could also have significant implications for market participants, with the potential for new and disruptive players to enter and grow market share.

The uptake of these technologies is expected to result in significant change for the electricity industry and require changes to the Electricity Industry Participation Code 2010 (Code) and our market systems. The Authority aims to:

- ensure there are no inefficient barriers to the adoption of new technologies, whether by existing market participants, new entrants or consumers
- ensure, as far as practicable, that decision makers face efficient prices for inputs and outputs regarding new technologies.

Security of supply issues arose in the second half of 2015 when Contact Energy and Mighty River Power announced the closure of the Otahuhu B and Southdown thermal generation plants. At the same time, Genesis Energy was considering the future of its remaining coal-fired plants at Huntly. It has now announced these units will be retained until at least December 2022.”

We have decided to re-orient the structure and presentation of the work programme to take into account the SPE strategic focus. In particular we consider evolving technologies and innovation in the electricity industry are increasingly blurring the traditional demarcation between retail market, wholesale market and transport activities.

The Authority is concerned that the current market Code and market facilitation measures, market administration and operational processes and its compliance arrangements—developed when the traditional ‘bulk supply’ approach was prevalent—may be inefficiently inhibiting mass-market forms of generating, storing, transporting and purchasing electricity. The Authority is keen to remove any inefficient barriers to these developments, including removing any inefficient barriers to residential consumers purchasing directly from the wholesale electricity market or directly from local generators.

With these strategic considerations in mind, the new market development programmes for 2016/17 are:

- (a) Evolving technologies and business models
- (b) Consumer choice and competition
- (c) Pricing and cost-allocation
- (d) Risk and risk management
- (e) Operational efficiencies.

These new programmes are described below. The compliance programme remains unchanged.

Contributions to our statutory objective

The tables that follow show how projects link to the competition, reliability and efficiency limbs of our statutory objective. The ticks show moderate or major contributions projects are expected to make.

Flexibility

This work programme represents a full commitment of our resources. However, we may need to reprioritise during the year, for example if new projects may be required, or if new information becomes available about a specific project. We will review and update this work programme on a regular basis.

Reporting

We will publish four-monthly summary reports on progress.

Figure 2: Our strategic framework and the programmes covered in this document



Programme A: Evolving technologies and business models

This programme covers initiatives to reduce inefficient barriers to development and use of evolving technologies and business models across the supply chain. This includes reducing inefficient barriers to:

- any consumers purchasing directly from the wholesale electricity market or directly from local generators
- mass-market demand response (DR) and aggregators of mass-market DR
- mass-market distributed energy resources (DERs) and aggregators of mass-market DERs. DERs include traditional distributed generation, batteries, micro-grids and 'prosumer' situations.

This programme aligns with our *reduce barriers* strategy in the SPE. Work streams within this programme are:

- 1) work stream: reducing barriers to new technologies and business models arising from market trading arrangements
- 2) work stream: reducing barriers to new technologies and business models arising from industry contractual arrangements, such as with distributors.

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
1	1.1	-	Data and data exchange A 1	Review of the data and data exchanges between participants (including service providers). The right information needs to be provided at the right times, and at an appropriate level of accuracy.	<p>We want to make sure consumers benefit from changes in the retail market. The changes include greater diversity of participants, high penetration of 'data-rich' smart meters, new retail products, greater diversity of customer service expectations, and new market initiatives such as our retail data project.</p> <p>Some stakeholders have strongly argued that improving data exchange could greatly reduce transaction costs.</p> <p>Better data and data exchange has the potential to promote retail competition and efficient market operation.</p>	Scope problem definition and issues prior to developing consultation paper.	✓	-	✓
1	1.1	-	Multiple trading arrangements at an ICP A 1	Only a single trader can currently be responsible for an ICP. This project will look at the feasibility and options to allow for multiple traders at an ICP.	Allowing multiple traders to operate at an ICP would create an opportunity for new services (eg, community-owned, and other small scale generators) to enter the market without requiring commercial arrangements with parties they are likely to be competing against.	Identify issues and scope potential options.	✓	✓	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
3	3.1	-	Dispatchable demand: conforming nodes A 1	A project to enable an aggregator to aggregate load over several GXPs and several retailers. This involves an expansion of the dispatchable demand (DD) regime.	We are seeking more efficient use of DD, which will also promote competition in the spot market and efficient reliability of supply.	Confirm feasibility and priority of project.	✓	✓	✓
1	1.2	1.7	Distribution pricing review A 2	A review to investigate the implications of evolving technologies for pricing of distribution services	We want to make sure distribution prices signal efficient investment in and use of evolving technologies. Prices that are service-based and cost-reflective will contribute to efficiency in the broader electricity market.	Hold a conference in August 2016 to discuss the work so far and results of the 2015/16 consultation. Decide next steps by the first quarter of the 2017 calendar year.	-	-	✓
1	1.1	-	Barriers to mass-market participation in electricity markets A 2	We will examine other options to facilitate mass-market participation in electricity markets such as reducing barriers from distributor contracts.	We want to remove any contractual barriers to small scale providers of energy and demand-response.	Identify issues and determine next steps.	✓	✓	✓
3	3.2	-	Guiding regulatory principles for demand response A 2	Finalise the draft guiding regulatory principles for demand response. This should assist distributors and other parties to adopt efficient approaches to contracting for DERs.	There several competing uses for demand response. The guiding regulatory principles should improve efficient use of demand response.	Finalise the guiding regulatory principles.	✓	✓	✓

Programme B: Consumer choice and competition

This programme covers initiatives to promote consumer participation through the retail market. Aspects relating to prosumers and/or consumer participation directly in wholesale markets are covered in programme A. This programme aligns with our *improve consumer participation* strategy. Work streams within this programme are:

- 1) work stream: improving awareness, understanding, motivation and action by mass-market consumers, eg, the What's My Number campaign, the retail data project etc
- 2) work stream: increasing choices available to mass-market consumers by further enhancing competition. This work stream covers pro-competition initiatives that are not already covered in programme A.

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
1	1.3	1.1	What's My Number B 1	This campaign promotes the benefits of comparing and switching retailers.	We seek to increase retail competition through increased consumer awareness of possible savings from shopping around for electricity, and that it is easy to switch.	Successful programme delivery, as indicated by the annual survey for the 2016 calendar year.	✓	-	✓
2	2.1	2.4	Consumer education programme B 1	We will provide information and education to the public about electricity market performance, and the benefits from a competitive market.	Improved availability of information will increase consumer awareness, understanding and motivation to participate in both the wholesale and retail markets.	Increase information available to consumers via the Authority website. Increase the number of visits to the consumer section of the Authority website by 5%.	✓	-	-

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.2	1.2	Retail data B 1	<p>Consider options to promote retail competition by improving consumer's access to retail data.</p> <p>Phase 2: access to retail tariff data and connection data</p> <p>Phase 3: access to retail monitoring data.</p>	<p>Better access to information will increase consumer engagement and lead to more vigorous competition and innovation.</p> <p>Improving access to retail data will enhance price comparison, products. It also assists with developing innovative services.</p> <p>Better data will also support market analysis and monitoring.</p>	<p>Complete voluntary file format for generally available tariff data by December 2016.</p> <p>Continue to engage with potential 3rd parties to promote provision of information to consumers.</p>	✓	-	✓
2	2.3	2.5	Spot prices and risks for consumers B 1	<p>A project to consider arrangements for explaining spot price risk to mass-market consumers, especially residential consumers exposed to the spot market.</p>	<p>Mass-market consumers paying spot prices need access to good information about spot price risks. This is important for residential consumers who that are not hedged.</p> <p>Competition and reliability may be affected if this is not addressed.</p>	<p>Next steps decided by December 2016.</p>	✓	✓	✓
3	3.3	2.18	Why prices matter B 1	<p>A paper describing the importance of electricity pricing for consumers: how prices are formed, why prices should reflect costs, and the implications of inefficient price signals.</p>	<p>This project is expected to support all pricing work we are doing by describing the importance of promoting efficient pricing from a consumer perspective.</p>	<p>Finalise background paper on why prices matter and determine next steps by September 2016.</p>	✓	-	-

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.4	1.5	Default distribution agreement (DDA) B 2	A review to consider amending the Code to introduce a default distribution agreement. The relationship between a distributor and retailers is set out in a distribution agreement (also known as a use-of-system agreement (UoSA)). The UoSA is important for retail competition and efficiency.	A DDA could promote retail competition and efficient operation. A DDA could reduce entry and expansion barriers, reduce the costs of doing business, and enhance innovation in the retail market.	Decision to proceed with further development of a DDA. Second consultation on DDA template.	✓	-	✓
3	3.4	2.6	Review of secondary networks B 2	Advisory group project to consider the competition, reliability and efficiency effects of secondary networks.	We want to remove unnecessary barriers to retail competition in secondary networks and promote efficient operation of the industry.	Advisory group advice on appropriate scope of Authority's regulatory activities relating to secondary networks. Advisory group advice on competition, reliability and efficiency issues.	✓	✓	✓

Programme C: Pricing and cost allocation

This programme covers initiatives to promote efficient pricing in markets and for monopoly services. This programme aligns with our *improve price signals* strategy. Work streams within this programme include:

- 1) work stream: improving market pricing mechanisms, eg, real-time pricing, wind offers, demand forecasting
- 2) work stream: improving administered prices and cost-allocation methods, including the TPM, general distribution pricing, distributed generation pricing principles, cost-allocation of ancillary services.

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
1	1.4	1.4	Spot market refinements C 1	Further develop specific initiatives identified in the 2014/15 review of the spot market. Specifically: - settlement on real time pricing - improve inputs into forecast spot prices -some form of an hours-ahead market.	We want to reduce barriers to retail competition and demand response arising from current spot market arrangements. Enhancements to the spot market pricing arrangements have the potential to increase competition in the hedge and retail markets, and improve reliability and operational efficiency through greater demand responsiveness to spot market prices.	Real-time pricing: complete consultation on Code amendment proposal, if required. Improve inputs into forecast spot prices - Hours-ahead market: complete assessment of options and decide whether to develop a Code amendment proposal. Start development of Code amendment proposal, if required.	✓	✓	✓
2	2.5	2.35	Offer and dispatch: wind generation offers C 1	This project will review the spot market offer and dispatch Code provisions for wind generators.	We want to review whether wind generators should be able to economically withdraw their plant when prices fall below operating costs.	WAG information paper expected to be published in July 2016. Consult on Code amendments and assess submissions.	-	✓	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.6	2.13	Dispatchable demand: constrained on/off payments C 1	A project to ensure the correct incentives in the spot market for dispatchable demand (DD) constrained-on/off payments. We also want to look at rules for DD when forecast spot prices are infeasible.	We want to encourage the efficient use of DD.	Price infeasibility: review submissions and make Code amendment by December 2016.	✓	✓	✓
2	2.7	2.11	Implement gate closure and the bid and offer revision provisions C 1	The decisions and reasons was published in November 2015. Implementation of the new Code is dependent on results of solution design process.	Reduced gate closure times should lead to more efficient use of resources and increased levels of wholesale market competition.	Solution design completed by October 2016. Code amendment gazetted (once commissioning date confirmed in solution design).	✓	✓	✓
3	3.5	2.15	Transpower demand response protocol management C 1	Incorporate Transpower's demand response (DR) platform into the spot market. We also want to facilitate the completion of other elements of the Transpower demand response protocol.	We are seeking to increase the efficiency of market outcomes to Transpower's DR initiatives. This will also increase competition for peaking plant. Greater demand responsiveness will also reduce risks of inefficient rationing to achieve reliability outcomes.	Start development of options to incorporate Transpower's DR platform into the spot market.	✓	✓	✓
1	1.5	1.6	Transmission pricing review C 2	A review of the transmission pricing guidelines.	We want to get operational and investment efficiency in the transmission sector. This will also contribute to efficiency in the broader electricity market.	Finalise transmission pricing guidelines. Issue decision and reasons paper.	-	-	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.8	1.9	Part 6 distributed generation pricing principles (DGPP) C 2	<p>A review of Part 6 of the Code pricing principles, to ensure consistency and alignment with distribution pricing principles.</p> <p>We will look at whether the DGPPs are achieving outcomes consistent with our statutory objective.</p>	<p>We will review the pricing principles to ensure that they do not prevent distributors from pricing and charging on a cost-reflective basis.</p> <p>The objective is to promote efficiency.</p>	Complete Code amendment.	✓	✓	✓
2	2.9	2.16	Instantaneous reserve event charge and cost allocation review C 2	<p>Improve the efficiency in allocation of instantaneous reserve costs and the event charge. Includes consideration of the costs of commissioning new generation.</p>	<p>Provide efficient price signals and encourage efficient use and supply of instantaneous reserve. We want to ensure costs are allocated to causers broadly in line with the harm they impose.</p>	Advisory group recommendations provided to the Board.	-	✓	✓

Programme D: Risk and risk management

This programme covers initiatives to promote efficient management of capacity and energy risks. This programme aligns with our *increase flexibility and resilience* strategy. Work streams within this programme are:

- 1) work stream: improving management of capacity and real-time operational risks
- 2) work stream: improving management of energy risks (ie, dry year security of supply risks)
- 3) work stream: further evolution of the hedge market to support the physical markets in work streams D1 and D2.

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
1	1.6	2.2	Implement extended reserve D 1	The Code was amended in June 2014 to provide for efficient procurement of extended reserve. Implementation includes establishment of a service provider role.	We are seeking more efficient provision and use of extended reserve – the reserve that is operated only in major under-frequency events. Extended reserve is provided via automatic under-frequency load shedding (AUFLS).	Complete consultation on selection methodology. Complete consultation on technical requirements schedule. Complete consultation on draft procurement schedule. Complete consultation on operational Code amendments.	-	✓	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.10	2.9	Review of frequency keeping services D 1	Review future frequency keeping service requirements.	Technical requirements for frequency keeping have changed with the introduction of frequency keeping controls. Depending on the volume of national frequency keeping needed, there may still be benefits in introducing a national market for frequency keeping and/or introducing incentives for governor response.	Publish an information paper and consider submissions. Develop arrangements for incentivised governor response.	✓	✓	✓
2	2.11	2.10	Instantaneous reserve market review D 1	A review of the instantaneous reserve markets to reduce barriers and enhance performance.	Current arrangements create barriers for some types of instantaneous reserve. We will consider options to reduce unnecessary barriers. This will contribute to increased competition and efficiency.	Report from the system operator to test findings with stakeholders. Develop and publish a consultation paper on high-level options if the system operator's report shows net benefits.	✓	✓	✓
2	2.12	2.20	AOPO: fault ride-through D 1	A review of low and high voltage fault ride-through Asset Owner Performance Obligations (AOPOs). We want to make sure these are fit-for-purpose with the changing generation mix.	We're concerned that current arrangements may be creating uncertainty for asset owners. This has the potential to harm reliability.	Complete Code amendment recommendations by July 2016.	✓	✓	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.13	-	Comparison of distributor reliability performance D 1	Analysis comparing distributor performance with New Zealand and other countries.	We want to develop an objective view of reliability performance among New Zealand distributors.	Complete and publish report by 30 June 2017.	-	✓	-
2	2.14	2.1	Implement national market for instantaneous reserve D 1	Implementation will enable the transfer of instantaneous reserves from one island to the other via the high-voltage, direct current (HVDC) link.	Implementation will enable the transfer of instantaneous reserves from one island to the other via the high-voltage, direct current (HVDC) link. This is expected to enhance wholesale market competition through optimising instantaneous reserve requirements at a national level. We also expect efficiency gains as a national market should reduce total procurement requirements.	'Go live' by 1 November 2016.	✓	✓	✓
1	1.7	-	Review of security measures D 2	In 2015/16 we carried out a high-level review of regulatory arrangements for security of supply. Two mechanisms that are to contribute to security of supply were identified for review- the customer compensation regime and the stress testing regime.	We want to ensure that the customer compensation scheme and the stress testing regime are continuing to deliver efficient levels of security of supply.	Consult on and complete decision on review of the customer compensation regime. Consult on and complete decisions on review of the stress testing regime.	-	✓	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
1	1.8	1.3	Hedge market development (top priority projects) D 3	Enhancements to the hedge market to ensure that it continues its upward momentum.	We seek to improve retail competition by giving market participants greater certainty about forward price expectations. This will enhance decision-making. It will also promote greater reliability and efficiency. We have a continuing programme of initiatives to enhance the hedge market.	Work with ASX to design and set up cap products with robust and frequent pricing. Evaluate if ASX positions can offset energy market prudential security requirements. Decide enhancements to arrangements for ASX products.	✓	✓	✓
2	2.15	2.19	Wholesale market information D 3	The WAG is reviewing the wholesale disclosure information exclusion list. As a secondary priority, start work on improved public access to fuel information via market facilitation measures.	We seek to facilitate an active hedge market by enhancing the disclosure of information that influences the forward price curve. A more active hedge market enhances retail competition.	Complete work on information disclosure. Start to prepare an information paper on options for fuel information (for publication in 2017/18).	✓	✓	✓

Priority	2016/17 Number	2015/16 number	Project and work stream	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
3	3.6	-	Hedge market development (lower priority projects) D 3	<p>We will progress enhancements to the hedge market on an ongoing basis. Planned work for 2016/17 includes:</p> <ul style="list-style-type: none"> - financial transmission right (FTR) market enhancements - develop standardised over the counter (OTC) and intermediating contracts - provide transparency around ASX development activity. 	<p>We seek to improve retail competition by providing market participants with greater certainty about forward price expectations. This will also promote greater reliability and efficiency.</p>	<p>FTR: Prepare consultation paper, If changes are warranted.</p> <p>OTC: Begin the process of developing standardised OTC contract templates for a consultation paper, to be published in the 2017/18 year, if warranted.</p> <p>ASX: Start regular publication of ASX work programme updates.</p>	✓	✓	✓

Programme E: Operational efficiencies

Initiatives to increase the efficiency of electricity market operations. In particular, we look at refining processes set out in the Code and initiatives to improve market systems. This programme primarily aligns with our *ensure fit-for-purpose market services* strategy and also contributes to other strategies.

Code improvements include removing barriers to efficient operation and interaction, including via data exchange

Market systems are provided by market operations service providers (MOSPs) and the system operator. We want these services to deliver effective market operation, increase market efficiency, and facilitate market development.

Priority	2016/17 Number	2015/16 number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
1	1.9	2.22	Registry service provider tender	The supply of the registry system and services is being tendered as the existing contract will expire in April 2017.	We want to ensure that services cope with evolving market requirements. The services also need to be value-for-money, and be able to be developed in a timely and cost-effective manner. The services need to continue to be resilient to potential system failures and outages.	Negotiations with the preferred tenderer completed by September 2016. New agreement becomes effective in May 2017.	✓	✓	✓

Priority	2016/17 Number	2015/16 number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.16	-	Clearing manager review of the financial transmission rights (FTR) prudential assessment methodology	The methodology is used by the clearing manager to calculate prudential requirements for FTR participants. The methodology is being revised to improve the calculation of the prudential requirements for FTR products that are not traded frequently enough to be accurately valued.	An urgent methodology change was made in September 2015. The urgent change automatically expires after nine months.	The new methodology, approved in June 2016, is expected to become operational on 1 December 2016. The clearing manager will engage with FTR participants regarding the approach to the calculation of FTR prudential to determine whether a more fundamental review is required.	✓	-	✓
2	2.17	2.24	Systems access policies	Preparation of a WITS access policy that incorporates both the Code requirements and the service provider's use-of-system requirements.	We want to ensure that the rights and obligations of WITS users are clearly defined. We also want to make sure that WITS system performance requirements are not compromised by inappropriate use.	Complete Code amendment that provides for the Authority to prescribe WITS access arrangements and implement the new policy by February 2017.	✓	-	✓
2	2.18	2.26	Reconciliation loss factor methodology	The methodology is an industry guideline that prescribes how distribution losses should be calculated and managed for use in the reconciliation process. We will also publish our intended approach to the monitoring of the use of the guidelines.	We want to improve the accuracy of the reconciliation process through the more accurate determination of distribution losses.	Complete a review of consultation responses and publish the finalised guidelines.	-	-	✓

Priority	2016/17 Number	2015/16 number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.19	-	Efficiency of distribution company arrangements	A research project to consider the efficiency of distribution company arrangements.	We want to reduce transaction costs for retailers and distributors.	Develop and consult on scope.	✓	-	✓
2	2.20	2.30	Review of Code amendment proposals for scarcity pricing	Consultation on a set of Code amendments intended to ensure the scarcity pricing arrangements for the spot market can be operated as intended in all circumstances.	The pricing manager has identified some potential issues with the scarcity pricing Code amendments that came into effect in June 2013. We need to address these issues to ensure they don't prevent the scarcity pricing regime from working in the intended manner.	Complete consultation and make a decision on Code amendments by December 2016.	✓	✓	✓
2	2.21	2.31	Review of participant audit arrangements	The review of participant audit requirements in the Code to improve efficiency and align with good practice. Does not include MOSP audits.	We're reviewing audit requirements to improve efficiency and align with good risk management practice.	Complete the implementation including consultation on the guidelines, and start the new regime by 30 June 2017.	-	-	✓

Priority	2016/17 Number	2015/16 number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
3	3.7	2.27	Review of trader default arrangements for 'direct consumers'	<p>Operational aspects of the new settlement and prudential security arrangements:</p> <ul style="list-style-type: none"> - Work with relevant networks (including Transpower) and directly connected parties to ensure that disconnection provisions in the trader default arrangements can be fulfilled in a default event. - Consider any applications for a shortened post-default exit period. 	<p>We want to make sure the new settlement and prudential security regime works as intended when the Code was drafted.</p> <p>The Code provides for participants to apply to the Authority for a shortened post-default exit period.</p>	<p>Achieve assurance that the necessary disconnections are in place and practical, or identify any necessary amendments to the Code to enable this assurance to be achieved.</p> <p>Consider and make decisions on any applications for a shortened post-default exit period.</p> <p>Review the post-default exit period provisions (this will only be undertaken once at least one application has been considered).</p>	✓	-	✓
3	3.8	-	Review of register content codes	<p>Register content codes are used by participants to describe the characteristics of the electricity supply from a metering installation. The codes allow the accurate allocation of tariffs to consumers.</p>	<p>We want to ensure the principles, structure and rules for the creation of register content codes are fit-for-purpose to accommodate the increased use of new, innovative tariffs that are starting to emerge as a result of the time-of-use functionality of AMI metering.</p>	<p>Complete the review and make recommendations for change (if any) by June 2017.</p>	✓	-	✓

Priority	2016/17 Number	2015/16 number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
3	3.9	2.29	Part 10 operational review	Review operational elements of Part 10 of the Code to ensure efficient operation of the registry and the related processes. We will also review related sections in other Parts of the Code.	The new Part 10, which came into effect in 2013, introduced a number of new obligations and processes relating to metering, switching and the registry. The operation of the market has continued to evolve since that time. We want to make sure these processes are as efficient as possible.	Complete analysis of issues and options. Start Code amendment consultation process for relevant issues (if necessary).	✓	-	✓
3	3.10	2.32	Livening and energisation guidelines	This project is to complete participant guidelines for the livening and energisation of ICPs.	We want relevant participants to understand their Code obligations for livening and energisation of ICPs. The guidelines are intended to increase compliance with the relevant areas of the Code.	Complete consultation on the proposed guidelines (if necessary). Finalise and publish the guidelines by June 2017. Note: this timeframe is subject to successful completion of Code amendments related to Code definitions that will be consulted on in July 2016 as part of the Code review programme.	-	-	✓
3	3.11	-	Review of wholesale market trading arrangements	Review Part 13 of the Code relating to trading. This includes the spot market, scheduling, offering, dispatch, pricing, hedge market and FTR trading information. This would include removing unnecessary barriers to new technology.	Provide efficient price signals and increase competition.	Finalise project plan and governance arrangements.	✓	✓	✓

Priority	2016/17 Number	2015/16 number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
3	3.12	-	Minor Code amendments to improve operational efficiency	Minor Code amendments to address operational or other market efficiency issues that arise during the year.	We need to ensure that the operational aspects of the Code are achieving the most efficient outcomes.	Specific Code amendment proposals will be identified during the year and investigated. Consultation on proposed Code amendments will be undertaken if necessary.	✓	✓	✓

Programme F: Compliance education

This programme includes initiatives to improve participant compliance with the Act, regulations and Code. This programme aligns with our *improve compliance* strategy.

Our compliance function 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.

We recognise that most industry participants want to meet their obligations voluntarily, or can be encouraged or induced to do so. We provide information, education and assistance. However, serious compliance matters are formally investigated and may be subject to enforcement action.

Priority	2016/17 Number	2015/16 Number	Project	Description	Why we are doing this project	2016/17 target	Contribution to statutory objective		
							Competition	Reliability	Efficiency
2	2.22	2.34	Participant education	Educate participants on the operation of the Code, the market, and market systems and processes.	We want participants to be able to get the information necessary to enter and participate in the market. This information needs to be accurate and easy to interpret.	Continue development of the participant education web portal that was piloted in 2015/16. Ongoing participant education includes training sessions and workshops on specific topics.	✓	-	✓

END