



# Electricity Authority Work Programme

**1 July 2018 – 30 June 2019**

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30 June 2018

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## Executive summary

The Authority's work programme details the major projects we intend to progress during the 2018/19 financial year. The most important priority 1 projects for 2018/19 are set out in table 1 below:

**Table 1: Summary of priority 1 projects**

Programme	Ref#	Priority 1 projects	MDC phase	Project % completion	
				2017/18	2018/19
<b>Programme A:</b> Evolving technologies and business models	<b>A1</b>	Equal access	Initiate	10%	60%
	<b>A2</b>	Multiple trading relationships	Initiate	20%	100%
<b>Programme C:</b> Pricing and cost allocation	<b>C1</b>	Transmission pricing review	Develop	70%	90%
	<b>C2</b>	Distribution pricing: review of pricing principles	Develop	60%	100%
	<b>C3</b>	Spot market settlement on real-time pricing <sup>1</sup>	Develop	40%	100% <sup>2</sup>
<b>Programme D:</b> Risk and risk management	<b>D1</b>	Extended reserve implementation	Develop / Implement	25%	40%

<sup>1</sup> The RTP is currently in design phase. An RTP implementation project will be added to the work programme if and when funding is secured.

<sup>2</sup> The design phase will be completed upon publishing the decision paper for the final RTP design.

## Introduction and purpose

### Our strategic framework

Our 2017–21 SOI sets out our strategic framework, along with impact measures and targets reflecting our long-term strategic intentions for the next four years. At its strategy session in October 2017, the Authority’s Board agreed to slightly amend the framework to:

- remove Maintain Compliance as a separate market development strategy, noting this remains a key function for the organisation
- highlight the strategic importance of lifting our organisational capability by including our Organisational Capability Strategies.

The 2018/19 Statement of Performance Expectations (SPE) introduces the amended strategic framework, as shown in Figure 1.

**Figure 1: The Electricity Authority’s strategic framework**



## Linking our strategy and work programme

To remain responsive to changes in our operating environment, we review the focus of our work programme each year. We then set out in the SPE how our work for the coming year is expected to contribute to achieving our strategic objectives.

The work programme represents our major projects for the coming year. It does not include our business-as-usual activities and minor projects, or any 'pending' projects that we currently do not have the resources to pursue.

Along with the exercise of our functions, the work programme also makes a significant contribution to achieving our strategic objectives. The work programme framework has five distinct programmes (A to E), each linked to delivery of one or more of our key strategies. The specific links between our programmes and our strategic priorities are described in Table 2.

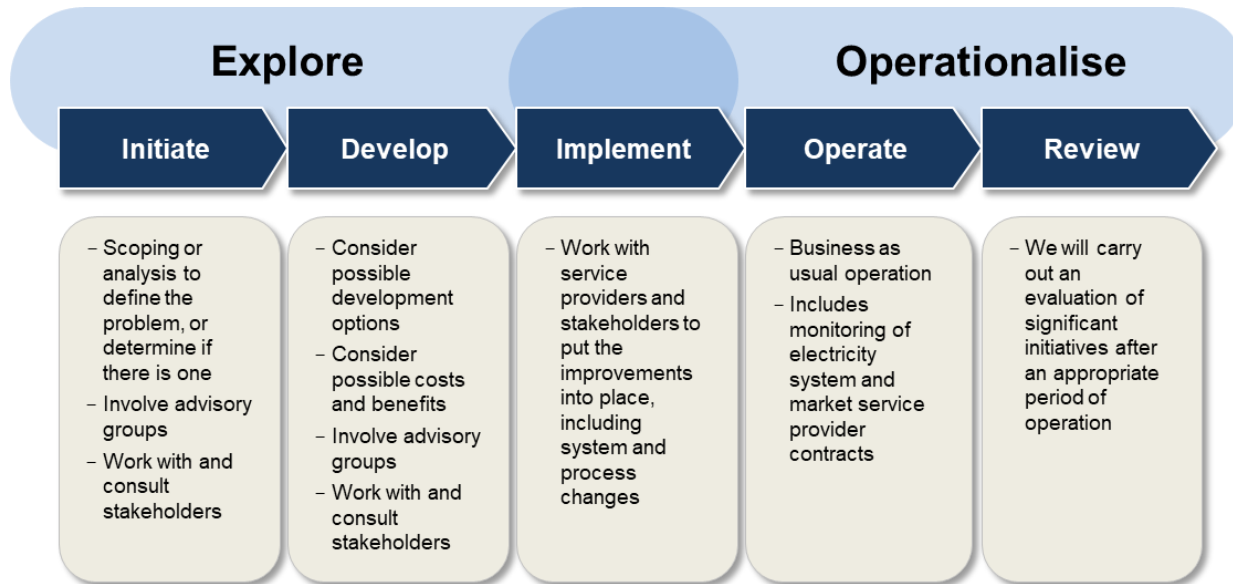
**Table 2: A summary of our work programme framework**

Programmes	Programme descriptions	Links to our strategies
<b>Programme A: Evolving technologies and business models</b>	Initiatives to reduce inefficient barriers to the development and use of evolving technologies and business models across the supply chain.	<b>Reduce barriers</b>
<b>Programme B: Consumer choice and competition</b>	Initiatives to promote competition and empower consumer choice in the retail market.	<b>Improve consumer participation</b>
<b>Programme C: Pricing and cost allocation</b>	Initiatives to promote efficient pricing in markets and for monopoly services.	<b>Improve price signals</b>
<b>Programme D: Risk and risk management</b>	Initiatives to promote efficient management of capacity and energy risks.	<b>Improve price signals</b> <b>Increase flexibility and resilience</b>
<b>Programme E: Operational efficiencies</b>	Initiatives to increase the efficiency of electricity market operations, including services provided by market operations service providers.	<b>Supports all our strategies</b>

## Our market development cycle

We are committed to finding the most valuable means of driving competition, reliability and efficiency for the long term benefit of consumers. Our market development work is focussed on activities which enhance market performance and benefit consumers. Many of the Authority’s projects are focussed on identifying issues and problems, consulting on them, and then canvass a range of options if the issues or problems warrant it. When the potential options are sufficiently defined, a cost-benefit assessment can usefully be undertaken to assess and compare their contribution to desired consumer outcomes. A cost-benefit assessment is undertaken on all projects containing a proposal to amend the Code.

Our market development work is summarised by our five-phase market development cycle, as illustrated below. We set challenging targets for our projects every year, but most projects in the work programme require several years to progress through the market development cycle. Additionally, a large proportion of the projects in our work programme are comprised of exploratory activity – all but two of the projects in the 2018/19 work programme are focussed on activities across the initiate, develop and implement phases of the market development cycle.



Investigations into potential problems or opportunities are explored during the initiate phase, where the focus is on issues analysis. If intervention is required, various options and solutions are investigated during the develop phase, including market facilitation measures or amendments to the Electricity Industry Participation Code 2010 (the Code). For each option, the magnitude of potential net economic benefits for consumers is estimated, and the preferred solution is identified. This work also requires us to closely follow the requirements set out in the Electricity Industry Act 2010 (the Act) and our own foundation documents. Approved proposals are passed through for implementation, where projects can sometimes be faced with additional obstacles before becoming incorporated into our business as usual (BAU) activity.

## Our project prioritisation approach

We review the progress of our projects throughout the year, drawing from our programme framework and prioritisation approach to assist us with considering the strategic impact of any project delays before determining what, if any, corrective action will be taken.

Projects in the 2018/19 work programme have been assigned to one of two priority categories (see below). Prioritisation assists us to quickly establish the relative importance of any project delays and to determine appropriate action, which may sometimes include the reprioritisation of resources from lower priority projects:

- a) **Priority 1 projects – top priority:** These projects make the strongest contribution to our statutory objective and strategic impacts. They showcase our market development and implementation capability and reflect our key code amendment and market facilitation initiatives. To ensure the timely delivery of priority 1 projects, the CE may approve the reallocation of priority 2 project resources (if required).
- b) **Priority 2 projects – priority with discretion:** these are also very important projects, and delivery of milestones in the financial year is a key focus for the Authority. However, the CE may approve the reallocation of priority 2 project resources to ensure the delivery of priority 1 projects (if required).

## A more focused work programme

The 2018/19 work programme marks a significant change from previous years. Our aim is to focus more on our priority work and deliver our projects faster, so that benefits for consumers are realised sooner. We have done this by:

- setting more ambitious targets for our top priority projects, with associated changes to budget and resource allocations per project
- reducing the number of active projects on the work programme
- not adding new projects to the work programme while existing high priority projects remain incomplete.

We are confident that by doing fewer projects each year we will achieve more overall.

To effectively manage any disruption arising from this change, the Authority will embark on a work programme transition process.

During the transition process the Authority will consider the projects that were underway in 2017/18 which would typically have continued into the 2018/19 financial year, but which are not on this work programme. A decision will be made for each project as to whether it should continue until completion, be deferred until the following financial year, or be stopped.

Decision making will consider the current status of the project, investment to date and risks of stopping/deferring. Stakeholders will be informed of the outcome of this process in mid-September 2018.



## Programme A: Evolving technologies and business models

This programme covers initiatives to reduce inefficient barriers to the 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.

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
A1	Equal access	1	<p>The Innovation and Participation Advisory Group (IPAG) is to consider and report on:</p> <p>(a) the effectiveness of the operation of the existing equal access framework for transmission and distribution networks , eg establishing the current feasibility for competitive supply of network support services</p> <p>(b) Potential options to strengthen the equal access framework</p> <p>(c) The design, cost and benefits of any changes (regulations and/or market facilitation measures) identified to strengthen the equal access framework (including arrangements for exchange of network support services).</p>	<p>The Authority is concerned network users are not confident that they will be treated equally when connecting to or using the distribution and transmission networks to either deliver services over the network or provide services to the network itself. The Authority is concerned the lack of confidence will adversely affect competition, reliability and efficiency.</p>	<p>Board <b>decide</b> response to IPAG advice</p>	<p>Initiate</p>

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
A2	Multiple trading relationships	1	This project investigates whether there are inefficient barriers to multiple trading relationships developing as new technology emerges. Barriers could include the data exchange required for these relationships to exist and the technical ability to connect. This project will look at the feasibility and options to allow for multiple traders at an ICP.	<p>Consumers are increasingly able to obtain electricity services (including retail, generation, and demand response) from multiple suppliers. At present, the Code and industry practices limit consumers' ability to establish relationships with more than one electricity services provider.</p> <p>Reducing barriers to multiple trading relationships could promote competition, for example by facilitating development of new business models and services. There is also potential to promote reliability by using diverse, small-scale distributed energy resources.</p>	If needed, <b>amend</b> the Code to reduce inefficient barriers to MTRs	Initiate
A3	Review of distribution sector	2	The Authority anticipates that rapid technological change is going to have an increasing effect on electricity distribution businesses (EDBs). EDBs have varied governance arrangements and widely varying sizes. Some have ancillary businesses that are not regulated.	We want to assess, and better understand the factors which influence, the readiness and capability of EDBs to respond to technological change.	Board to <b>decide</b> on response to the review	Initiate

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
A4	Participation of new generating technologies in the wholesale market	2	Investigate and address any barriers in the code to the efficient operation of new generating technologies in the wholesale market (eg offer, dispatch, spot price arbitrage and ancillary service market participation).	Removing any barriers to different forms of generating technologies in the wholesale market could improve competition, contribute to reliability and potentially improve the operational efficiency of the electricity industry.	<b>Initiate</b> development of consultation paper, possibly as a discussion paper by MDAG.	<div data-bbox="1928 284 2101 352" style="background-color: #003366; color: white; padding: 5px; text-align: center; border-radius: 5px;">                     Initiate                 </div>

## 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.



Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
B1	Default distributor agreement (DDA)	2	<p>A review to consider amending the Code to introduce a default distributor agreement.</p> <p>The contractual relationship between a distributor and retailers is set out in a distribution agreement (also known as a use-of-system agreement (UoSA)). The UoSA sets out the terms of the service provided by a distributor to the retailers trading on its network.</p> <p>The DDA is an important part of developing an equal access framework and promoting more participation, innovation and competition.</p>	<p>A DDA is likely to promote retail competition, reliability and efficient operation. A DDA could reduce entry and expansion barriers, reduce the costs of doing business, and enhance innovation in the retail market.</p> <p>The terms of the relationship between a distributor and retailers are important for retail competition and efficiency.</p>	If needed, <b>amend</b> the code	Develop

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
B2	What's my number and repurposed information campaign	2	Promote to consumers the benefits of comparing and switching retailers using a multi-channel advertising campaign—and consider the benefits of continuing WMN in its current form, to determine whether the campaign needs to evolve given innovation in services and products and emerging technologies.	WMN encourages consumers to shop around by increasing awareness of the possible savings available and that it is easy to switch. However, consumers are increasingly choosing between traditional and emerging innovative services and products, and between suppliers of these products (eg solar, batteries, electric vehicles, etc). As we continue to implement the current campaign, we will be reviewing whether greater long-term benefits to consumers could be realised through a repurposed campaign.	<b>Deliver</b> 2018 WMN winter campaign. <b>Decide</b> to continue WMN and/or to develop repurposed information campaign.	Initiate
B3	Saves and win-backs	2	A project to consider whether changes to the Code are required in response to the post-implementation review of the 'saves' Code provisions. MDAG will complete consultation on an issues paper on 29 June 2018 and then will consider the next steps.	It is important that new entrant retailers have a 'level playing field' for competing for customers, and that saves and win-backs do not impede efficient competition.	<b>Decide</b> response to MDAG recommendations on saves protection scheme.	Develop

## 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.

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
C1	Transmission pricing review	1	A review of the transmission pricing guidelines.	<p>We want to improve operational and investment efficiency in the transmission sector. This will also contribute to efficiency in the broader electricity market.</p> <p>More efficient transmission pricing will promote more efficient use of the transmission network and more efficient investment in the transmission network and by parties using the transmission network.</p>	<b>Complete</b> development of draft TPM guidelines for consultation.	Develop 

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
C2	Distribution pricing: review of pricing principles	1	Reforms to the pricing of distribution services to promote efficiency and competition, and to facilitate innovation in technology and business models.	<p>We want to make sure distribution prices signal efficient investment in and use of evolving technologies. More efficient distribution pricing will promote more efficient use of, and investment in, the distribution network and across the electricity supply chain. Prices that are service-based and cost-reflective will contribute to efficiency in the broader electricity market.</p> <p>This will promote efficiency and competition as better pricing information will lead to improved decision-making by consumers and other parties using distribution networks.</p>	<p><b>Decide</b> whether to introduce revised market facilitation measure for distribution pricing (pricing principles).</p>	
C3	Spot market settlement on real-time pricing	1	Complete design of the systems, processes, and enabling Code amendments required to implement settlement based on wholesale spot market prices produced in real-time.	<p>We want to reduce barriers to retail competition and new technologies for 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 technology adoption and demand responsiveness to spot market prices.</p>	<p><b>Publish</b> decision paper on final RTP design and Code amendment.</p>	

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
C4	ACOT implementation	2	Implement as required under the Code.	Implementing the approved changes will promote efficient investment in transmission and distributed generation.	<b>Complete</b> implementation of ACOT arrangements as required by the Code	Implement
C5	Implementation of new wind generation offer provisions	2	This project will implement improvements to offer and dispatch Code provisions for wind generators.	To improve offer provisions covering wind generators to ensure that they promote reliability and efficiency in the long-term interests of consumers.	<b>Initiate</b> implementation.	Implement
C6	Review of spot market trading conduct provisions	2	Review trading conduct provisions in light of events that have tested these provisions. Take into account any findings from case studies, performance reports and compliance reports.	To ensure the trading conduct provisions are effective in promoting outcomes consistent with workable competition.	MDAG <b>publish</b> discussion paper, if any.	Develop



## 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.

Project No.	Project name	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
D1	Extended reserve implementation	1	Replace the current 2-block common mandate scheme for automatic under-frequency load shedding (AUFLS) with a centrally-selected 4-block plus df/dt extended reserve scheme	<p>We are seeking more efficient provision and use of extended reserve.</p> <p>Contributes to the efficiency and reliability limbs of the Authority's statutory objective.</p>	<b>Decide</b> on the design of the scheme.	Develop / Implement
D2	Review regulatory settings for official conservation campaigns (OCCs)	2	Review of settings for OCCs, including arrangements for sub-national OCCs, and nature and size of OCC start/stop triggers drawn from hydro risk curves.	To review the hydro risk curve start/stop triggers for OCCs, and consider whether the ability to call a sub-national OCC should be retained, and if so, in what circumstances a sub-national OCC should be called in preference to a nation-wide OCC.	<b>Publish</b> decision paper.	Develop

## 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.

Project No.	Project	Priority	Description	Why we are doing this project	2018/19 target description	2018/19 project MDC stage
E1	Dispatch Service Enhancement (DSE) implementation	2	Amendments to the Code and the Approved Systems Document are needed to enable the system operator to implement its DSE project).  These amendments allow the system operator to replace GENCO as the approved system for issuing dispatch instructions with two alternate communication protocols (ICCP and web services).	Improve efficiency and competition in the wholesale market by lowering entry and operational costs for dispatch and enabling potential new features. DSE is regarded as a key enabling project for settlement on real-time pricing, and for greater participation in dispatch by new technologies.	<b>Publish</b> decision paper and final amendments to the Code and the Approved Systems Document.	Implement
E2	Market enhancements omnibus	2	This project includes a suite of non 'sector-shaping' market enhancement initiatives. This will include initiatives such as operational or fit-for-purpose reviews, the annual Code review program and enhancements to the current market.	These rapidly realisable initiatives are implemented by the Authority's Market Operations team and ensure the smooth running of the market, without diverting resources from the Authority's top priority projects.	<b>At least 80%</b> of market enhancements <b>achieve</b> planned deliverables for the year.	Implement

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