

# MINUTES

Meeting number: 26

Venue: Transpower boardroom, Waikoukou, 22 Boulcott Street, Wellington

Time and date: 9.31am until 1.14pm, Thursday, 28 March 2019

## Members Present

- Hon Heather Roy (Chair)
- Anne Herrington
- Barbara Elliston
- Greg Skelton
- Nathan Strong (from 9.39am)
- Bruce Turner

## Apologies

- Marc England
- Vince Hawksworth
- Guy Waipara

## In attendance

Name	Title	Agenda item # attended
<b><u>Electricity Authority (Authority):</u></b>		
Rory Blundell	General Manager Market Performance	#1-14 (9.31am to 1.07pm)
Grant Benvenuti	Manager Market Operations	#1-14 (9.31am to 1.07pm)
Callum McLean	Senior Adviser Market Operations	#1-14 (9.31am to 1.07pm)
<b><u>Transpower:</u></b>		
John Clarke	General Manager Operations and Innovation	#1, 8-11 (9.31am to 9.33am, 10.56am to 12.15pm)
Lisa Tinkley	Senior Market Analyst – Trends	#1, 8-11 (9.31am to 9.33am, 10.56am to 12.15pm)
Katherine Moore	Operations Planning Manager	#8-11 (10.56am to 12.15pm)
Bennet Tucker	Market Security Services Manager	#8-11 (10.56 am to 12.15pm)
<b><u>Other:</u></b>		
Steve Haultain	Associate, Advisian	#7 (10.14am to 10.52am)
Erik Westergaard	Senior Associate, Advisian	#7 (10.14am to 10.52am)

*The meeting opened at 9:31am*

## 1. Attendance and apologies

- 1.1. John Clarke welcomed the SRC to Waikoukou and gave attendees a health and safety briefing. The Chair thanked Transpower for hosting the meeting.

*John Clarke and Lisa Tinkley left the meeting*

- 1.2. The Chair welcomed members to the twenty-sixth meeting of the Security and Reliability Council (SRC).

- 1.3. The Chair noted that apologies were received from Guy Waipara, Marc England and Vince Hawksworth.
- 1.4. A quorum was established.

## 2. Changes to disclosure of interests

- 2.1. The group agreed to amend the distributed list of interests to:
  - 2.1.1. add Anne Herrington's Electricity Price Review Panel membership
  - 2.1.2. remove Greg Skelton's membership at Utilities Disputes Limited
  - 2.1.3. add Barbara Elliston's directorship at Infratec
  - 2.1.4. update Guy Waipara's job title.
- 2.2. The Chair reviewed the interests register in light of those amendments and approved members to act despite those declared interests.
- 2.3. The Chair noted that in the interests of transparency, she would like her professional involvements to be listed in a separate section to the members' interests.

- 1. Action:** Secretariat to add a separate section to the standard disclosure of interests paper that records the Chair's professional activities and involvements.

## 3. Previous minutes

- 3.1. The minutes of the 24 October 2018 meeting were accepted as a true and accurate record.

*Anne Herrington moved, Greg Skelton seconded.*

## 4. Correspondence

- 4.1. The Chair gave an overview of the correspondence.

*Nathan Strong joined the meeting*

## 5. Glossary and overview of meeting agenda

- 5.1. The members noted the reduced use of acronyms and agreed that the secretariat will reduce the use of acronyms further and ensure any acronyms used are explained in the relevant paper.

## 6. Action list and updates

- 6.1. The group noted the actions and that:
  - 6.1.1. the hydrological situation has changed considerably since the paper was written and is no longer poor
  - 6.1.2. the secretariat should prepare a paper to explain the hydro risk curves
  - 6.1.3. the 'mean storage' figures on the hydro risk curve chart vary, which suggests they are rolling means
  - 6.1.4. the grid security situation in Wellington during the current grid maintenance of the Wilton-Central Park transmission lines highlights the

importance of grid redundancy, planning of outages and implications of an elevated terror alert status.

- 2. Action:** Secretariat to prepare a paper that explains what the hydro risk curves represent and how they work.
- 3. Action:** Secretariat to prepare a paper that explains what the grid reliability standards are and how they were derived, how they are used, how n-security outages are decided upon and planned for, and includes any available data on the uses of n-security and any related lessons learned.

## 7. Distributors' emergency preparedness and management

*Erik Westergaard and Steve Haultain joined the meeting*

- 7.1. The secretariat and its consultants provided an update to the group on a small sample of distributors' emergency management plans. The secretariat noted that the Commerce Commission has relevant reporting due out soon and has agreed to present this to the next SRC meeting. The consultants also noted in Australia, the regulator requires the relevant participants to have a single 'Red Folder' that contains all of the organisation's emergency plans. This is to ensure all relevant staff have ready access to the plans. Some New Zealand companies had a 'Red Folder' but it is not a regulatory requirement.
- 7.2. The members discussed:
  - 7.2.1. consumers would be well served if the industry can bring the lowest-performing distributors up to a good standard
  - 7.2.2. some distributors plan and train to use the coordinated incident management system used by Civil Defence and other emergency services during incidents. Distributors that do so should find emergency communication to be more efficient and effective; distributors that do not may find emergency communication to be sub-optimal
  - 7.2.3. when it comes to making capital investments in emergency preparedness, distributors work within the constraints of the Commerce Commission's regime
  - 7.2.4. how the regulatory regimes of the Ministry of Civil Defence and Emergency Management and the Commerce Commission interact should be examined
  - 7.2.5. the lowest hanging fruit is likely to be obtained by encouraging under-performing distributors to learn from peers exhibiting best practice. The Electricity Networks Association (ENA) may play a role in doing so, such as coordinating a generic guideline as a minimum performance standard for all distributors. Members agreed a request from the Authority to the ENA may be appropriate but a decision on advice would be made following the session with the Commerce Commission at the June SRC meeting.
- 7.3. The group agreed:

- 7.3.1. the secretariat need not research foreign jurisdictions' emergency management
- 7.3.2. to provide no advice to the Electricity Authority at this time and to consider this again after the next SRC meeting.

*Erik Westergaard and Steve Haultain left the meeting*

## 8. Performance of the system operator for the year ending 30 June 2018

*John Clarke, Bennet Tucker, Katherine Moore and Lisa Tinkley joined the meeting*

- 8.1. Representatives from the Authority provided an overview of the report.
- 8.2. A member considered that the system operator being inside Transpower may hamper the independence and transparency of market and system operations, relative to an independent system operator. In response to members' questions, system operator representatives advised:
  - 8.2.1. A 2008 review of the electricity industry concluded that it was suitable having the system operator continue to be a part of Transpower. Transpower has restructured its operations team to capture synergies between real-time grid and system management. Transpower has committed to consultation and any closer integration of grid owner and system operator functions.
  - 8.2.2. Some overseas comparisons are possible and system operator does look to learn from overseas system operators. System operator is a member of the Association of Power Exchanges, has a very close relationship with its Australian counterpart, is a member of the International Council on Large Electric Systems (CIGRE), and studies a selection of events such as the 2018 major failure in eastern Australia.
  - 8.2.3. In relation to the matters discussed in paragraphs 4.5-4.10 of the Authority's report, the system operator noted it was shocked by the event and a lot of lessons were learned.
  - 8.2.4. Major events are likely to warrant a separate system operator report.
  - 8.2.5. Independent reviewers get involved earlier to monitor and challenge internal review.
  - 8.2.6. Communication is a part of the system operator's and grid owner's roles, with responsibilities clearly defined. The 2 March 2017 event did highlight that control room conversations have not been formal enough, which has become a focus for training. The system operator is also reviewing the suitability of its notices.
- 8.3. A member commented that it is hard to see the system operator's priorities for restoration of load. The member questioned the system operator whether they were constrained by any bottlenecks and whether they could run more restoration in parallel? The system operator responded that in the last few years they have:
  - 8.3.1. undertaken two separate 'black start and restoration' simulation exercises with a selection of relevant distributors

8.3.2. investigated whether multiple black start service providers could operate simultaneously.

8.4. The SRC concluded:

8.4.1. It was interested in whether the system operator was performing adequately in relation to the manner in which it manages its role with respect to Transpower's other roles. The secretariat should present any relevant evidence to the group.

8.4.2. The system operator should improve the transparency of its reporting, ensuring Transpower's respective roles are clear.

## 9. 2019 annual Security of Supply Assessment

9.1. System operator representatives introduced the paper and gave an update on the hydrological situation. The South Island had been hit by storms that released a lot of water very quickly. South Island hydro-electric lakes had increased by 800 GWh in two days, which is the energy equivalent of receiving 60 shiploads of coal.

9.2. The system operator advised that it intended to consult with industry in late 2019 on what scenarios ought to be used in the 2020 security of supply assessment.

9.3. The group discussed how central government climate goals may affect the future generation fleet. A member commented that the Interim Climate Change Commission has been focussed on what *outcomes* are needed to meet climate goals, rather than the implications for the generation fleet or how the outcomes might be met.

9.4. A member expressed concern with the gas market and its impact on electricity, and also expressed an interest in receiving information that is the gas equivalent of the security of supply assessment.

9.5. The system operator noted it had an industry teleconference scheduled for Monday to examine assumptions relating to the hydro risk curves. An SRC member encouraged retesting of hydro risk curve assumptions.

9.6. The SRC concluded:

9.6.1. The quality of the 2019 annual assessment of security of supply was a substantial improvement and the SRC endorsed the system operator's plan to engage with stakeholders on which scenarios to use for 2020.

9.6.2. The results contained no cause for alarm.

*The group broke for morning tea from 11.43am to 11.55am*

## 10. March 2019 New Zealand Generation Balance (NZGB)

10.1. Representatives from the system operator introduced the paper, describing the purpose of the NZGB and the results for March 2019.

10.2. In response to questions from the members, system operator and secretariat representatives noted:

10.2.1. The system operator's forum on outages was attended by 30-40 people with diverse industry interests.

- 10.2.2. The system operator cannot veto outages; asset owners are in control of scheduling their own outages.
- 10.2.3. There is a large financial penalty for generators timing their outages poorly, as they can induce high-price periods that they have reduced generation to cover their contracted commitments.
- 10.2.4. The N-1-G shortfalls aren't a point of concern as they are not historically unusual results and represent an extreme situation.
- 10.3. The SRC concluded:
  - 10.3.1. The March 2019 NZGB report was not alarming, though there is considerable uncertainty about how reliable the contribution of gas-fired generation will be.
  - 10.3.2. It would request the system operator to present trend analysis of how the NZGB results compare over time.
  - 10.3.3. The SRC endorsed the system operator's use of gas-related scenarios to illustrate the impact of gas industry issues on electricity capacity security.

## 11. Implementation of changes affecting the hydro risk curves

- 11.1. The secretariat introduced the paper.
- 11.2. A member noted their organisation is moving away from trading New Zealand electricity futures on the Australian Stock Exchange platform as they find the prices too unreliable.
- 11.3. On balance, the group was slightly in favour of earlier implementation though it was close to a 'line call'. The group found no compelling reason to delay implementation, noting:
  - 11.3.1. changes had been well signalled to industry
  - 11.3.2. hydro risk curves reflect (rather than drive) the underlying supply and demand balance
  - 11.3.3. significant recent rainfall means storage across New Zealand is in very good shape and energy shortfall is unlikely this year.

## 12. Secretariat planning for the risk management framework

- 12.1. The members discussed the paper, noting one of the members' organisations uses a model that may have useful insight.
- 12.2. The SRC concluded by directing the secretariat:
  - 12.2.1. Not to proceed with the full plan outlined in the paper and instead complete the low-cost task of analysing past agendas.
  - 12.2.2. To develop a dashboard of key risks with assessments, suitable for updating and presenting to every SRC meeting. The dashboard would describe risks that may manifest in short/medium/long timeframes.
  - 12.2.3. To allow an extra two hours at the June meeting of the SRC for a discussion of risk and strategy.

- 4. Action:** Secretariat to book diaries to allow an extra two hours at the 20 June 2019 SRC meeting for a discussion of risk and strategy.

### 13. Electricity Pricing Review recommendation G2

- 13.1. The Chair introduced the topic and thanked the members for their emailed feedback to the Authority on G2 earlier in the month. The group recapped some of that feedback and noted correspondence on this issue.
- 13.2. The Chair directed the secretariat to book time in members' diaries for a provisional SRC meeting in August to allow discussion on terms of reference if the direction from the Minister of Energy and Resources is to enact G2.

- 5. Action:** Secretariat to book time in members' diaries for a provisional SRC meeting in August 2019.

### 14. Future schedule of SRC meetings and likely papers

- 14.1. The group noted the schedule.

### 15. General business

- 15.1. The secretariat advised the members of changes in SRC membership.

*Rory Blundell, Grant Benvenuti and Callum McLean left the meeting*

### 16. Annual survey of SRC members

- 16.1. The Chair described plans for the 2019 survey of SRC members.

*The meeting ended at 1:14pm*