

20 August 2019

Hon Heather Roy
Chair
Security and Reliability Council (SRC)

By Email

Dear Heather

The SRC's advice of 17 May 2019

Thank you to the SRC for its letter of advice to the Authority Board dated 17 May 2019. The advice arose from the 28 March 2019 SRC meeting.

The Board noted all of the advice and on behalf of the Board I respond below to two elements of that advice.

Separation of Transpower roles

The SRC expressed an interest in "...understanding the appropriateness of the system operator's separation from other Transpower roles and welcomes relevant evidence."

There are various pieces of evidence available and we invite you to discuss further with your secretariat what would be useful for the SRC's purposes. Please be aware:

- There is no single, comprehensive document examining all the relevant considerations.
- There is relevant work underway, such as the review of the system operator's policy statement that includes a conflict of interest policy.
- The Electricity Technical Advisory Group considered the independence of the system operator. The findings of that consideration are useful context for understanding the existing arrangements. I understand your secretariat provided those findings to the 8 August 2019 meeting of the SRC.

The separation of Transpower roles is a matter of considerable interest to the Board, especially our System Operations Committee.

Reduced grid security in Wellington during late-March 2019

The SRC provided advice in relation to the reduced grid security in Wellington during late-March 2019. The SRC concluded that the situation "warrants an independent review by the Authority that identifies and promotes any lessons learned" and noted that it "directed its secretariat to prepare a paper providing information about grid reliability and incidence of consumers on reduced grid security."

The Board agree that a review into this situation is warranted. However, The Board would appreciate hearing the SRC's perspective on this event and respectfully request that the SRC complete the review instead. We look forward to receiving the SRC's advice from that review.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. Stevenson-Wallace', with a stylized flourish at the end.

James Stevenson-Wallace
Chief Executive

cc: SRC members, Rory Blundell (Authority)

28 August 2019

Dr Brent Layton
Chair
Electricity Authority
PO Box 10041
Wellington 6143

Dear Brent

Advice resulting from the 8 August 2019 meeting of the SRC

The Security and Reliability Council (SRC) is tasked with providing the Electricity Authority (Authority) with independent advice on the performance of the electricity system and the system operator, and reliability of supply issues.

The SRC considered and discussed three papers at its 8 August 2019 meeting. This letter is the SRC's advice arising from two of those papers.

On 8 August, the SRC also met with the Authority Board. The SRC thanks the Board for their time and would appreciate further opportunities to engage with the Board, especially on the topic of the Electricity Price Review.

Transpower's business continuity planning and incident management

The SRC received a presentation from the system operator about its business continuity planning and incident management. While the presentation focussed on the system operator's practices, the SRC's advice also relates to the whole of Transpower.

The SRC's advice to the Authority is:

- to be aware that the system operator self-assesses the maturity of its incident management as 'developing'
- Transpower should involve a broader set of stakeholders (such as industry, police, emergency management groups, major electricity users and community representatives) when developing its communications plans because:
 - it is important that Transpower does not make assumptions about what information stakeholders would want prior to, or during, an outage
 - Transpower communicates using mediums that consumers see and media report against, and this can set consumer expectations

- Transpower needs to ensure it has effective communications with relevant parts of the industry supply chain so that there is an effective ability to communicate consistent information to stakeholders.

Results from the annual survey of SRC members

The SRC received a paper from its secretariat about the results of the annual survey of SRC members.

The SRC's advice to the Authority is:

- the SRC is planning to schedule four meetings a year by default (instead of three), in order to accommodate a more proactive work programme and to provide more frequent advice to the Authority
- additional SRC meetings may be needed to cater for the work arising from the Electricity Price Review
- the SRC considers it would benefit from having:
 - access to expertise in cyber-security
 - membership with better expertise in the gas industry—the SRC would like the Authority Board to take account of this when next appointing SRC members
- there are good reasons (such as more meetings, more papers and access to cyber-security expertise) for the Authority to allocate additional resourcing to the SRC.

There is no further advice arising from the matters discussed at the SRC's 8 August 2019 meeting.

Yours sincerely



Heather Roy
Chair of the SRC

cc: SRC members, Rory Blundell (Authority)

16 September 2019

Hon. Heather Roy
Chair
Security and Reliability Council (SRC)

By email: heatherjroy@gmail.com

Dear Heather

Response to your letter of 28 August 2019

Thank you for your letter of 28 August 2019 that gives the SRC's advice arising from its 8 August 2019 meeting. The Board received and considered your letter at its meeting on 5 September 2019 and asked me to write to you on its behalf in response to your letter.

We note your advice about the system operator's business continuity planning and incident management. This has been a matter of interest to our System Operations Committee and we welcome further advice in due course that assists with our oversight of the system operator's performance.

We appreciate the advanced notice that the SRC intends to meet more regularly. The outcomes of the Electricity Price Review will be significant for the Authority's resourcing requirements and we will be sure to consider the SRC's needs as an important part of our decision-making. As we discussed in person, we are supportive of the SRC having better gas industry knowledge and access to cyber-security expertise.

Thank you and the other members of the SRC for meeting with us on 8 August 2019. It was a lively and fruitful discussion. We would like an SRC meeting with the Authority's Board to be an annual fixture—ideally timed to serve as an input into our annual strategic review, which usually occurs in September.

Power system security during concurrent outages of major assets in March 2020

The Board has concerns at the concurrent outages of the HVDC and OMV's Pohokura gas production facility in March 2020. We would like the SRC's advice about what level of concern is warranted and whether there are additional actions that the Authority, the System Operator and market participants could be taking to mitigate risk. Additionally, and less urgently, we would like the SRC's advice on whether there are viable opportunities to improve the current regulatory and market arrangements for coordination of outages.

Yours sincerely



Brent Layton
Chair

22 October 2019

Hon Heather Roy
Chair
Security and Reliability Council (SRC)

By Email

By email: heatherjroy@gmail.com

Dear Heather

Response to your letter of 30 July 2019

Thank you for your letter of 30 July 2019 that gives the SRC's advice arising from its 20 June 2019 meeting. The Board and I received and considered your letter at the Board's meeting on 8 August 2019. Your advice on risk and strategy was also useful for the Board's annual strategy review held on 4 September 2019.

As a result of your advice I have directed staff:

- to promote, and encourage the electricity industry to promote, the getready.govt.nz website in order to improve consumers' emergency preparedness
- to bring the SRC's advice about 'state of the network' reports and Commerce Act regulation to the attention of the Commerce Commission
- to encourage secondary networks (networks within networks) to consider adopting the Network Transformation Roadmap as a strategic guide for their investment and operational decision-making.

I am taking the opportunity to review how we currently service and engage with the SRC. I would be interested in any suggestions that you have with respect to how we could improve our engagement approach with the Committee, and how we go about commissioning of advice.

Yours sincerely



James Stevenson-Wallace

cc: SRC members, Rory Blundell