

# ANNUAL CORPORATE PLAN 2021/22

Four-monthly progress report  
1 July – 31 October 2021



# INTRODUCTION

## The Annual Corporate Plan

Our Annual Corporate Plan sets out our activities for 2021/22 that will promote our strategic priorities, address regulatory risks and harms, and deliver sector outcomes. It replaces the previous work programme format and includes the key development projects we have committed to for the 2021/22 financial year.

The Annual Corporate Plan provides an opportunity to demonstrate how our work supports delivery against our sector ambitions, specifically thriving competition; low-emissions energy; and innovation flourishing.

At the centre of everything we do, and implicit within these activities, are the associated ambitions of consumer centricity and trust and confidence.




The Annual Corporate Plan is available on our website: <https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/our-work-programme/>

## What's in this report?

This report provides a progress update on the activity areas identified in the Annual Corporate Plan, for the four-month period 1 July – 31 October 2021.

For each activity area, we have provided a summary of the activity to date against the desired annual progress.

A traffic light system indicates the status of each activity area in terms of achieving the overall 2021/22 outcomes of the activity area.

-  The activity area is on track to achieve the annual outcomes
-  The activity area is delayed and/or at risk of not achieving the annual outcomes
-  The activity has/will not achieve the annual outcomes

## Other key areas of work

In addition to the activity areas in the Annual Corporate Plan, the Authority is undertaking a number of key workstreams to support the transition to a low-emissions energy system.

*The Market Development Advisory Group's examination of how the wholesale market will operate under 100 percent renewables*

The Authority's Market Development Advisory Group (MDAG) is undertaking a project investigating price discovery (including market operation and new investment in generation) in the wholesale electricity market under a 100 percent renewable electricity supply. A problem definition paper is in development, with the intention of publishing and seeking feedback in early 2022.

### *Responding to the 9 August event*

The Authority is continuing to respond to the 9 August 2021 event that left many New Zealanders without power on one of the coldest nights of the year. Using our powers under section 16(1)(g) of the Electricity Industry Act 2010, we are investigating the event, seeking assurance for consumers that any systemic and process issues that led to the electricity cuts are corrected.

On 10 September 2021, the Authority released its report *Immediate assurance review of the 9 August demand management event*, which marked the first phase of the Authority's review into the event. Phase one of the review found shortcomings in the system operator's response and included a number of recommendations for the system operator. We are now working closely with Transpower to ensure the recommendations are implemented.

We have since published the finalised scope of the phase two review, which includes identifying lessons learned from the experiences of the industry during the event. The review will consider many roles including, but not limited to, the system operator, lines companies, generators, retailers, and the Authority.

Alongside the review, the Authority is investigating the claim of an undesirable trading situation (UTS) made by Haast Energy Trading and Electric Kiwi, and later joined by Flick Energy (Flick Electric) and Switch Utilities (Vocus).

We are also considering alleged breaches of the Electricity Industry Participation Code 2010 relating to the event and continue to support MBIE in their investigation.

### *Internal Transfer Pricing*

On 31 August 2021, the Authority released a decision to mandate annual disclosure of mass market internal transfer prices (ITPs) by large integrated generator retailers, the methodology used to derive them, and the disclosure of retail gross margin reports by certain retailers. More information disclosure will provide greater transparency for market participants. Consumers will benefit in the long-term through more information being available to participants buying electricity on the wholesale market. Over time, better access to information can lead to more efficient pricing and encourages better and more innovative product offerings for consumers to choose from. The Code amendment came into force on 30 November 2021.

# SUMMARY CORPORATE PLAN 2021/22

## Purpose

Enhance New Zealanders' lives, prosperity and environment through electricity

### Strategic priorities

Low-Emissions Energy



Thriving Competition



Innovation Flourishing



Consumer Centricity

Trust and Confidence

### Sector ambitions

Unlocking the potential for more renewable generation is a focus for the Authority. The Authority has two main priorities for this strategic priority:

- Our electricity market settings enable an efficient transition to reliable low-emissions energy in New Zealand
- Network and market price signals support the lowest overall cost to consumers

The Authority has two main impacts which drive thriving competition, which is a key enabler to deliver a better energy future – driving progress, affordability, efficiency and valuable outcomes for New Zealand:

- Market settings enable competition between distributed energy resources (DER's) and established technology solutions
- New entrants can compete on a level playing field with established participants

Evolution of the electricity system will be achieved through innovation and disruption, with both participants and the Authority thinking beyond the status quo. Our role is to help unlock the full benefits of innovation for consumers by making sure the settings are conducive to innovation and industry success:

- The regulatory system accommodates new business models
- The availability and transparency of industry data is continuously improved

### Electricity Authority regulatory approach / Statutory objective

To promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers



## Thriving Competition

Market competition is a key enabler to deliver a better energy future – driving progress, affordability, efficiency, and valuable outcomes for New Zealand

### Sector ambitions

Market settings enable competition between distributed energy resources (DER's) and established technology solutions

New entrants can compete on a level playing field with established participants

The activity areas under thriving competition are progressing well with majority on track to being completed in the 2021/22 financial year. The Distribution Sector Strategy activity area has been identified as amber.

A summary of progress between 1 July and 31 October 2021 is as follows.

- A range of guidance has been developed to support and promote positive relationships between retailers and domestic consumers, supporting the overall Consumer Care activity area.
- The uptake of consumers using Powerswitch and Utilities Dispute has increased through projects completed under EPR Recommendation C. Work to require distributors to offer retailers standard default terms for use of their network has been completed.
- The projects in EPR Recommendation D, reinforcing wholesale market competition, are largely complete with two projects nearing completion.
- The Authority is progressing work following consultation on the July discussion paper *Updating the Regulatory Settings for Distribution Networks* under the Distribution Sector Strategy activity area, however delays are anticipated in achieving the 2021/22 outcome.
- A new trading conduct rule has replaced previous High Standard of Trading Conduct provisions. The Authority is monitoring this new rule to ensure that settings are conducive to innovation and industry success.
- The Authority published its decision on the 2019 UTS actions to correct in August 2021.
- Consultation on the compliance strategy under the Monitoring and Compliance Reset activity area commenced on 12 October 2021. Workshops were completed in October and November 2021 on developing a risk-based compliance monitoring programme.

An overview of the activities included under thriving competition is provided in the table below.

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>Consumer Care:</b> Reducing energy hardship. This recommendation will produce a clearer picture of the size of the problem, ensure greater co-ordination of initiatives, and boost energy efficiency.</p>	<p>➤ Promote positive relationships between retailers and domestic consumers, domestic consumers maximising potential to access electricity and minimising harm from payment difficulties</p>	<p><i>Progress and complete implementation of the consumer care package.</i></p>	<p>● Since 1 July 2021 a range of guidance and resources has been developed, including:</p> <ul style="list-style-type: none"> <li>▪ a <b>practice note</b> to support retailers to understand information disclosure requirements</li> <li>▪ a <b>retailer consumer care policy template</b> published following a four-month collaborative process led by the Electricity Retailers Association of New Zealand (ERANZ) on our request. The template enables more consistency of policies between retailers</li> <li>▪ a <b>consumer overview brochure</b> has been published, giving the public information on the type of experience they can expect from retailers following the guidelines</li> <li>▪ An <b>overview brochure for support agencies and health practitioners</b> has been developed and was published in early December 2021.</li> </ul> <p>The Authority has received and reviewed initial alignment plans from electricity retailers representing approximately 99.7% of domestic ICPs. Intended alignment is high.</p> <p>Other resources under development include:</p> <ul style="list-style-type: none"> <li>○ an updated <b>health practitioners' notice</b> (HP Notice) used to certify a consumer's medical dependency on electricity</li> <li>○ an updated <b>individual emergency response plan</b> (to replace an ERANZ template) used to help medically dependent consumers plan steps to take to stay safe in the event of interruption to their electricity supply.</li> </ul>

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>EPR recommendation C:</b> Increasing retail competition. Retail competition has grown in recent times, including new products, plans and services.</p>	<ul style="list-style-type: none"> <li>➤ Help improve awareness of Powerswitch and the Utilities Disputes process</li> <li>➤ Develop a streamlined process for customer requests for consumption data</li> <li>➤ Require distributors to offer retailers standard default terms for use of their network</li> <li>➤ Develop and implement a pilot scheme helping non-switching customers to find better deals</li> </ul>	<p><i>Policy decisions in relation to EPR recommendations will be made by December 2021.</i></p> <p><i>Policy decisions in relation to EPR recommendations will be implemented by June 2022.</i></p>	<ul style="list-style-type: none"> <li>● The project to improve the awareness of Powerswitch and the Utilities Dispute process went live on 1 April 2021. Compliance is being monitored via auditor reports and so far, no breaches have been identified by auditors. Utilities Disputes has seen the number of queries increase since the April Code change.</li> </ul> <p>As part of the Authority’s work updating the regulatory settings for distribution networks, we are considering options to streamline access to consumption data for distributors and third parties, which would likely address any issues consumers currently have with accessing their consumption data. We intend to publish a consultation paper in early 2022 outlining our views of the issues with distribution networks and recommended options for some of the more easily resolvable issues. Distributors are required to offer retailers standard default terms for use of their network. All distributors have published their default distributor agreements (DDAs) and we are aware of approximately 80 DDA contracts having been entered into.</p> <p>A consumer switching pilot has been completed and was successful in prompting non-switching consumers to use Powerswitch.</p>



Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>EPR recommendation D:</b> Reinforcing wholesale market competition. Actions to strengthen competition and improve confidence in the wholesale market.</p>	<ul style="list-style-type: none"> <li>➤ Improve availability of wholesale market information</li> <li>➤ Progress hedge market enhancements through code amendments and the procurements of commercial market makers</li> <li>➤ Increase reporting and awareness of the financial performance of vertically integrated participants</li> <li>➤ Pro-actively monitor and report on wholesale market performance</li> </ul>	<p><i>Policy decisions in relation to all these EPR recommendations will be made by September 2021.</i></p> <p><i>Policy decisions in relation to all these EPR recommendations will be implemented by June 2022.</i></p>	<ul style="list-style-type: none"> <li>● The project to improve availability of wholesale market information was completed in early 2021. Code changes came into effect on 1 April 2021 and participants are disclosing information on a quarterly basis through a portal.</li> <li>The EPR recommendation relating to progressing hedge market enhancements through Code amendments and the procurement of commercial market makers has been completed. The Authority is continuing further enhancements to the market through commercial market making.</li> <li>The project to increase reporting and awareness of the financial performance of vertically integrated participants is largely complete. The enabling Code change came into force on 30 November 2021. Implementation activities are underway to support this. The work to proactively monitor and report on wholesale market performance is nearing completion, with implementation in Q3 of 2021/22.</li> </ul>
<p><b>Distribution Sector Strategy:</b> Ensuring regulatory settings for the distribution sector support the transition to a low-emissions economy while promoting competition, reliability, and efficiency for the long-term benefit of consumers.</p>	<ul style="list-style-type: none"> <li>➤ Clearly identify the issues affecting the distribution sector and options to address the issues</li> <li>➤ Informed by industry feedback, prioritise and stage options based on urgency, value, and ability to implement</li> <li>➤ Identify preferred options based on net benefits to consumers and consult with industry</li> </ul>	<p><i>A package of preferred options will be ready to implement by June 2022.</i></p>	<ul style="list-style-type: none"> <li>● The Authority received a total of 51 submissions on the July discussion paper <i>Updating the Regulatory Settings for Distributions Networks</i>. We now plan to undertake further work and follow-up engagements with submitters for a more complete understanding of the issues and possible remedies. We plan to publish a second consultation paper early next year that presents our view on the issues, the work programme to take these issues forward, and recommended options that can address some of the issues.</li> <li>The Authority is on track to identify preferred options for some of the issues affecting the distribution sector by June 2022. However, for the more complex issues preferred options will likely be identified in the second half of 2022.</li> </ul>

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>Settings are conducive to innovation and industry success</b> which means a proactive, agile, and forward-looking regulatory approach.</p>	<ul style="list-style-type: none"> <li>➤ Implement the new trading conduct provisions</li> <li>➤ Examine settings in the distribution sector to provide for and allow faster uptake of new business models, products, and technologies for consumers</li> </ul>	<p><i>The Authority will reduce the uncertainty around the interpretation and applicability of the new trading conduct rule. Engagement with stakeholders will be ongoing.</i></p>	<ul style="list-style-type: none"> <li>● The Authority has amended the Code by replacing the previous High Standard of Trading Conduct (HSOTC) provisions with a new trading conduct rule that is easier to interpret and apply by industry participants. This amendment came into force on 30 June 2021. The Authority continues to actively monitor the new rule as part of an enhanced monitoring, enforcement, and compliance regime. The Authority has published its monitoring approach and a series of FAQs to support understanding of the new rule.</li> <li>The distribution sector settings are being examined through the distribution strategy work. Staff received submissions from stakeholders on what will allow faster uptake of new business models and technologies in response to the discussion paper <i>Updating the Regulatory Settings for Distributions Networks</i>. The Authority now plan to undertake further work and follow-up with submitters for a more complete understanding of the issues and possible remedies.</li> </ul>
<p><b>Increase active monitoring of market activities and outcomes.</b></p>	<ul style="list-style-type: none"> <li>➤ Complete the actions to correct for the 2019 UTS</li> <li>➤ Actively monitor trading conduct within the context of the new provisions</li> <li>➤ Publish analysis and insights in relation to trading conduct to increase transparency and support industry compliance</li> </ul>	<p><i>Publish the 2019 UTS actions to correct. Publish insights and analysis on trading conduct.</i></p>	<ul style="list-style-type: none"> <li>● The actions to correct the 2019 UTS were published on 17 August 2021. The Authority has decided to reset prices between 3 and 27 December 2019 and is working with NZX and Transpower to implement the actions to correct. The Authority is actively monitoring trading conduct, with analysis and insights published weekly.</li> </ul>

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>Monitoring and Compliance Reset:</b> Ensuring confidence in the Authority’s role as regulator, through monitoring, intervention, and enforcement.</p>	<ul style="list-style-type: none"> <li>➤ Develop and consult on a new long-term compliance strategy for the Authority</li> <li>➤ Develop a risk-based compliance monitoring program</li> <li>➤ Drive more timely decision-making on enforcement cases through process improvements and raising capability</li> </ul>	<p><i>The Compliance Strategy and Compliance Monitoring Strategy will be completed and implementation underway.</i></p>	<p>● Consultation on a new long-term compliance strategy commenced on 12 October 2021.</p> <p>The design of a risk-based monitoring framework is also underway. Workshop one was completed in October 2021 on likelihood of undetected non-compliance. Workshop two on level of harm was completed in November 2021. To support more timely decision-making the majority of compliance and enforcement cases are being decided on by delegated authority to the General Manager Legal, Monitoring and Compliance.</p> <p>The Authority’s Compliance team is also undertaking in-house training. Topics include privacy law, metering, and registry.</p>



## Low-emissions Energy

Electrification is a key enabler in the transition to a low-emissions economy – with the need to electrify New Zealand’s heat, transport and increase low-carbon generation. We need to promote a stable investment environment with robust rules and clear price signals

### Sector ambitions

Our electricity market settings enable an efficient transition to reliable low-emissions energy in New Zealand

Network and market price signals support the lowest overall cost to consumers

The activity areas under low-emissions energy are progressing, with 100 percent currently on track to being completed in the 2021/22 financial year. A summary of progress between 1 July and 31 October 2021 is as follows.

- The Authority published a proposed transmission pricing methodology for consultation in October 2021. The Authority has published information to support distributors in the pricing reform.
- The Authority has commenced the *Future security and resilience* programme of work relating to EPR Recommendation G. The Authority will also be implementing a Code amendment to enable batteries to participate in the reserves market.
- The review of competition in the spot and forward market has been completed and consultation papers were published in October 2021. An independent review of security of supply settings was completed in October 2021. These reviews contribute to the overall outcomes for the security of supply activity area.
- There are also a number of transition-related activities that are not reported on under the Annual Corporate Plan, including MDAG’s investigation of wholesale market operation under 100 percent renewables and the continued implementation of real-time pricing.

An overview of the activities included under low-emissions energy is provided in the table below.

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>Price signals:</b> improving the efficiency of transmission and distribution pricing to send better signals to consumers about the cost of using these networks and promote more efficient investment in DER and networks.</p>	<ul style="list-style-type: none"> <li>➤ Complete the Authority’s Transmission Pricing Methodology (TPM) review, targeting implementation of any changes by 1 April 2023</li> <li>➤ Year on year improvement in the efficiency of distribution pricing</li> <li>➤ Continue the implementation activities for the real-time pricing (RTP) project, including software development, industry engagement and education and the system operator operational policy updates</li> </ul>	<p><i>Decide on any new TPM (subject to any further work identified during the consultation phase). Publish annual distribution pricing scorecards and/or decide on whether to use further regulatory tools to promote pricing reform. Deliver phase two of the market systems software implementation for RTP.</i></p>	<ul style="list-style-type: none"> <li>● The Authority assessed the proposed TPM submitted by Transpower on 30 June 2021 and published a revised proposed TPM for consultation in October 2021 (this is the final process step before making a decision on whether to incorporate a new TPM into the Code). The Authority published scorecards for distributors’ 2021 pricing methodologies, and a revised Distribution Pricing Practice Note for consultation in September 2021. The Practice Note will assist distributors in understanding what good pricing looks like and clarify our expectations on the timing of reform. Phase two software delivery for RTP is on track for completion in March 2022.</li> </ul>
<p><b>EPR recommendation G:</b> Preparing for a low-carbon future. More generation capacity will be needed as part of the electrification of the economy – meaning more investment, predominantly in renewable energy, such as hydro, geothermal and wind.</p>	<ul style="list-style-type: none"> <li>➤ Complete an investigation of Code changes required to develop reliability standards for inverters</li> <li>➤ The Authority will focus the G2 project on technological changes on system stability</li> <li>➤ Implement Code changes to allow batteries to participate in the reserves market</li> </ul>	<p><i>Complete the first stage of investigations of the security and resilience of the electricity sector.</i></p>	<ul style="list-style-type: none"> <li>● The Authority has commenced the <i>Future security and resilience</i> programme of work and received the draft phase one report from the system operator. This will be consulted on and finalised in the second period of the financial year. Following consultation, the Authority has decided to amend the Code to enable batteries to participate in the reserves market. The required system enhancements are underway and on schedule. We have received advice from the system operator in relation to reliability standards for inverters and will progress further work as part of the <i>Future security and resilience</i> workstream.</li> </ul>

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p>As part of our strategy, the Authority wants to ensure new entrants can effectively compete with established parties. The Authority wants to ensure there are <b>no undue barriers in the way of more parties connecting and operating new renewable generation.</b></p>	<ul style="list-style-type: none"> <li>➤ Undertake a project to identify, triage and address any barriers that exist to the connection and operation of new renewable generation in New Zealand’s electricity market</li> </ul>	<p><i>Complete triage of identified barriers for new entrants into connecting and operating renewable generation.</i></p>	<ul style="list-style-type: none"> <li>● This project is scheduled to commence in the second half of the financial year. Preliminary work investigating the investment environment has been completed as part of the wholesale market competition review.</li> </ul>
<p><b>Security of Supply:</b> Ensuring the electricity sector manages security of supply effectively.</p>	<ul style="list-style-type: none"> <li>➤ Maintain security of supply and ensure market settings support this both now and into the future</li> <li>➤ Ensure market outcomes during tight supply are reasonable and efficient</li> </ul>	<p><i>Complete the review of competition in the spot and forward markets, including during the dry event of winter 2021 by Q1 2021/22.</i></p> <p><i>Review security of supply settings in light of Q3/4 2020/21 and make any necessary policy changes by Q4 2021/22.</i></p>	<ul style="list-style-type: none"> <li>● The initial review of competition in the spot and forward markets is complete (wholesale market competition review). Two separate consultation papers were approved by the Board at its 4 October 2021 meeting and published on 27 October 2021 for consultation.</li> <li>The review into security of supply settings is on target. An independent review was completed in mid-October 2021. A detailed policy settings review was initiated on 2 November 2021, to be completed by end of Q3 2021/22.</li> </ul>



## Innovation Flourishing

Evolution of the electricity system will be achieved through innovation and disruption, with participants and the Authority thinking beyond the status quo

### Sector ambitions

The regulatory system accommodates new business models

The availability and transparency of industry data is continuously improved

Work in the data transparency, insights and automation activity area are on track for completion in the 2021/22 financial year.

An overview of the activity area included under innovation flourishing is provided in the table below.

Activity area	Desired annual progress	2021/22 Outcomes	Progress at 31 October 2021
<p><b>Data transparency, insights and automation</b> will act as key enablers for increased deployment of distributed energy resources, and support consumers' ability to control their energy use and participate in new ways.</p>	<ul style="list-style-type: none"> <li>➤ The Authority will reformulate some of our models to make them easier to maintain and their input datasets updated</li> <li>➤ We will also progress our open networks development programme, including the development of voluntary standards for electric vehicle chargers and medium temperature hot water heat pumps</li> <li>➤ Open Networks Forum will be developed over this financial year</li> </ul>	<p><i>The Authority will update selected models and databases so we can apply and deliver sophisticated insights in a timely manner.</i></p> <p><i>The Authority will progress the open networks development programme.</i></p>	<ul style="list-style-type: none"> <li>● The model reformulation work was undertaken in the 2020/21 financial year and concerns two models – Doasa and GEM. The Doasa work is complete, and the Authority is now using the model. The model is now called Jade and will be published via GitHub.</li> <li>The GEM model reformulation work is expected to be completed in the 2021/22 financial year, though the model is currently able to be used if required.</li> <li>Maintenance of our models and databases is ongoing as part of business as usual (BAU).</li> <li>The Authority has assisted with the development and publication of voluntary standards for electric vehicle chargers and medium temperature hot water heat pumps.</li> <li>The Open Networks Forum has been delayed due to COVID-19; however, we intend to run a forum in February 2022 if COVID-19 restrictions allow it.</li> <li>The Authority has assisted Ara Ake and Kāinga Ora with their pilots on multiple trader relationships and peer-to-peer trades.</li> </ul>

