

**ANNUAL CORPORATE PLAN
2021/22**

CHIEF EXECUTIVE FOREWORD

Electricity plays a critical role in our lives – as individuals, communities and nationwide. The Electricity Authority (the Authority) is the regulator of the electricity markets – as rule maker and rule enforcer our role is to provide a stable regulatory regime for a dynamic system which has and will continue to face significant change.

The Authority is part of a wider regulatory system which serves the New Zealand public – this is a privileged position and one which carries significant responsibility. Our purpose reflects the broader social and economic environment in which we operate and our stewardship of the sector:

We are the kaitiaki of electricity. Our purpose is to enhance New Zealanders' lives, prosperity and environment through electricity.

Stewardship of the sector is even more critical as we steer through the next few years. Mass electrification, retirement of thermal generation, a volatile climate and a pandemic puts an unprecedented level of pressure on the system. The Authority's focus is on providing stability and certainty through activities which benefit consumers for years to come. This is a long-term focus in which we make decisions now that will benefit our children, and our children's children.

The Authority's strategy seeks to align our role with five sector ambitions; consumer centricity; trust and confidence; low emissions energy; thriving competition and innovation flourishing. The strategy provides the vision and steer to guide our work into the future. With sector input, we commit to activities that support delivery against the ambitions. This ensures that as a regulator, everything we invest time and resource in will have maximum impact for consumers.

This Annual Corporate Plan communicates our intended activities for the 2021/22 – the plan replaces the previous work programme format and provides an opportunity to demonstrate how our work supports delivery against the sector ambitions, specifically low emissions energy; thriving competition and innovation flourishing. This activity-based reporting provides a greater level of transparency and the opportunity for the Authority to clearly articulate our priorities, their contribution to supporting the Authority to deliver against the sector ambitions, and their intended impact.

Implicit within these activities are the associated ambitions of consumer centricity and trust and confidence. At the centre of our decision-making are consumer outcomes and everything we do seeks to build trust and confidence. We know these are areas in which we can improve – that's why they are ambitions while being central to everything we do. The Authority will continue to capture the diverse perspectives and aspirations of consumers as we develop and enforce rules. We will also continue to build trust and confidence in the Authority and the electricity sector through greater transparency, understanding and improved behaviours.

This plan represents our public commitment to activities for the coming year that we consider will have the most impact and benefit to New Zealanders. It does not represent everything we do given the need to respond to emerging risks throughout the year but serves as a channel to articulate our current priorities and intended targets.

INTRODUCTION

Our purpose

Enhance New Zealander's lives, prosperity and environment through electricity

The Authority was established as an independent Crown entity to regulate the electricity industry for the long-term benefit of consumers. We oversee the operation of the electricity system and markets, developing, setting and enforcing the rules the markets must follow (the Code) and holding industry to account by actively monitoring the market's behaviour and performance.

Acting as kaitiaki, our regulatory stewardship aims to both protect the progress and strengths of New Zealand's electricity system for generations to come and ensure industry participation continually builds new strengths and adds value as it delivers the outcomes for consumers that Parliament expects of us.

Our independence is valuable for promoting high-performing electricity markets – reducing the risk of intervention and increasing predictability in how the regulatory regimes operate. This is important for sectors like electricity that are technically complex and rely on long-lived capital-intensive investments.

While this means we give advice rather than take direction, we are attuned to the external environment in which we operate and the Government's key priorities. Our work needs to meet the requirements of legislation and best practice guidance provided by central agencies, the Office of the Controller and Auditor-General (OAG) and Audit New Zealand.

What's in this plan?

This 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. This plan should be read alongside our Statement of Intent 2021-2025, which is our public accountability document required under sections 139 and 141 of the Crown Entities Act 2004. It outlines our long-term strategic intentions for the period of 1 July 2021 to 30 June 2025.

STRATEGIC PRIORITIES

In our Statement of Intent 2021-2025, we identified the following strategic priorities. These priorities guide and reflect the initiatives and activities outlined in this plan.

Low-Emissions Energy



Unlocking the potential for more renewable generation is a focus for the Authority. We work hard maintaining, developing and implementing market rules that give investors' confidence and signal where additional generation is required.

Consumer Centricity



We have focused on creating long-term benefit for consumers through development of market-oriented solutions to place downward pressure on price, embrace new technology and enhance consumers' choice of plans, packages and retailers.

Trust and Confidence



It is increasingly important to actively build trust and confidence in the industry and regulation through greater transparency, understanding and improved behaviours. Consumers expect participants to be held to account to rules designed to provide long-term benefit. Participants require a stable investment framework and regulatory environment to enable decision making that will deliver further benefit to consumers.

Thriving Competition



We're committed to encouraging participation and reinforcing competition in traditional and emerging markets by putting in place the mechanisms needed to maintain a level playing field. Our regulatory environment needs to enable participants to better manage risk and provide consumers value for money through a growing range of innovative products, services and opportunities to participate.

Innovation Flourishing



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. This demands a proactive, agile and forward-looking regulatory approach to match the pace of change and help innovation flourish.

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

Activity area

Desired annual progress

2021/22 Outcomes

Consumer Care: 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.

- Promote positive relationships between retailers and domestic consumers, domestic consumers maximising potential to access electricity and minimising harm from payment difficulties

Progress and complete implementation of the consumer care package.

EPR recommendation C: Increasing retail competition. Retail competition has grown in recent times, including new products, plans and services.

- Help improve awareness of Powerswitch and the Utilities Disputes process
- Develop a streamlined process for customer requests for consumption data
- Require distributors to offer retailers standard default terms for use of their network
- Develop and implement a pilot scheme helping non-switching customers to find better deals

Policy decisions in relation to EPR recommendations will be made by December 2021.
Policy decisions in relation to EPR recommendations will be implemented by June 2022.

EPR recommendation D: Reinforcing wholesale market competition. Actions to strengthen competition and improve confidence in the wholesale market.

- Improve availability of wholesale market information
- Progress hedge market enhancements through code amendments and the procurements of commercial market makers
- Increase reporting and awareness of the financial performance of vertically integrated participants
- Pro-actively monitor and report on wholesale market performance

Policy decisions in relation to all these EPR recommendations will be made by September 2021.
Policy decisions in relation to all these EPR recommendations will be implemented by June 2022.

Distribution Sector Strategy: 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 for consumers.

- Clearly identify the issues affecting the distribution sector and options to address the issues
- Informed by industry feedback, prioritise and stage options based on urgency, value, and ability to implement
- Identify preferred options based on net benefits to consumers and consult with industry

A package of preferred options will be ready to implement by June 2022.

Settings are conducive to innovation and industry success which means a proactive, agile and forward-looking regulatory approach.

- Implement the new High Standard of Trading Conduct provisions (HSoTC)
- Examine settings in the distribution sector to provide for an allow faster uptake of new business models, products and technologies for consumers

The Authority will reduce the uncertainty around the interpretation and applicability of the new trading conduct rule. Engagement with stakeholders will be ongoing.

Increase active monitoring of market activities and outcomes.

- Complete the actions to correct for the 2019 UTS
- Actively monitor trading conduct within the context of the new provisions
- Publish analysis and insights in relation to HSoTC to increase transparency and support industry compliance

Publish the 2019 UTS actions to correct. Publish insights and analysis on HSoTC.

Monitoring and compliance Reset: ensuring confidence in the Authority's role as regulator, through monitoring, intervention and enforcement.

- Develop and consult on a new long-term compliance strategy for the Authority
- Develop a risk-based compliance monitoring program
- Drive more timely decision-making on enforcement cases through process improvements and raising capability

The Compliance Strategy and Compliance Monitoring Strategy will be completed and implementation underway.



Low-Emissions Energy

Electrification is a key enabler in the transition to a low-emissions economy – with the need to electrify NZ’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

Activity area

Price signals: 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 DER and networks.

EPR recommendation G: 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.

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 **no undue barriers in the way of more parties connecting and operating new renewable generation.**

Security of Supply: Ensuring the electricity sector manages security of supply effectively.

Desired annual progress

- Complete the Authority’s TPM review, targeting implementation of any changes by 1 April 2023
- Year on year improvement in the efficiency of distribution pricing
- 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.

- Complete an investigation of Code changes required to develop reliability standards for inverters
- The Authority will focus the G2 project on Technological changes on system stability
- Implement Code changes to allow batteries to participate in the reserves market

- 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

- Maintain security of supply and ensure market settings support this both now and into the future
- Ensure market outcomes during tight supply are reasonable and efficient

2021/22 Outcomes

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 2 of the market systems software implementation for RTP.

Complete the first stage of investigations of the security and resilience of the electricity sector.

Complete triage of identified barriers for new entrants into connecting and operating renewable generation.

Complete the review of competition in the spot and forward markets, including during the dry event of winter 2021 by Q1 2021/22.

Review security of supply settings in light of Q3/4 2020/21 and make any necessary policy changes by Q4 2021/22.

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

Activity area

Data transparency, insights and automation: 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.

Desired annual progress

- The Authority will reformulate some of our models to make them easier to maintain and their input datasets updated
- 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
- Open Networks Forum will be developed over this financial year

2021/22 Outcomes

The Authority will update selected models and databases to we can apply and deliver sophisticated insights in a timely manner.

The Authority will progress the open networks development programme.

