

FN-25-14 Fortnightly report 18 July 2025

This report summarises items that may be of interest to the Minister for Energy but do not require a formal briefing. Further information can be provided on request. Substantive items and decision papers will be provided by briefing.

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1. Current and upcoming publications and advice

Publication: 2025 <i>Ancillary Services Procurement Plan</i> decision paper	
Strategic outcome	Secure and resilient
Purpose	<p>The Authority will publish a paper approving the System Operator's amended <i>Ancillary Services Procurement Plan</i> (the <i>Procurement Plan</i>).</p> <p>The <i>Procurement Plan</i> outlines how Transpower (as the statutorily contracted System Operator of the national grid) secures the essential services needed to maintain grid stability and reliability.</p> <p>The changes make the power system more reliable by lowering the risk of running short on important backup services. They also allow more providers to take part, which means more competition, better prices, and fewer outages for consumers.</p>
Action and timing	Intended publication: 29 July 2025, pending Board decision.
Publication: 2025 Electricity Allocation Factor	
Strategic outcome	Efficient
Purpose	<p>As discussed with your office, on 28 July 2025, the Authority will send you the annual <i>Determination of the 2025 Electricity Allocation Factor</i>. This comes to you in your capacity as Minister of Climate Change.</p> <p>The Electricity Allocation Factor estimates the effect of the Emissions Trading Scheme on wholesale electricity prices. It represents the increase in electricity prices caused by placing a price on carbon emitted during the production of some electricity types.</p> <p>The Electricity Allocation Factor is important to businesses that purchase substantial electricity and impacts the allocation of New Zealand Units under the government's allocation scheme.</p>
Action and timing	The Ministry for the Environment (with support from the Environmental Protection Authority) will publish and announce the 2025 Electricity Allocation Factor after you have signed the briefing.

2. Consultation: upcoming and underway

Energy Competition Task Force initiative 2D: Establishing an Emergency Reserve Scheme	
Strategic outcomes	Secure and resilient
Purpose	<p>The Authority will consult on a new Emergency Reserve Scheme to help make the electricity system more reliable and keep the power supply secure.</p> <p>The Emergency Reserve Scheme was set out in our proposed roadmap for industrial demand flexibility, as a potential ‘immediate action’ to take ahead of winter 2026.</p>
Action and timing	Regulatory consultation period: four weeks, 31 July - 28 August 2025
Amendments to Transmission Pricing Methodology	
Strategic outcome	Efficient
Purpose	The Authority will consult on two changes to the Transmission Pricing Methodology that will enable more accurate and efficient pricing.
Action and timing	Regulatory consultation period: four weeks, 1-29 August 2025
Review of Code amendment to the System Operator’s information gathering powers	
Strategic outcome	Secure and resilient
Purpose	<p>The Authority will consult on a change so the System Operator can permanently collect accurate thermal fuel information. This will promote:</p> <ul style="list-style-type: none"> • accurate forecasting of electricity supply and demand, and • effective risk management during periods of supply stress. <p>The Authority made an urgent change in March to enable this information collection, but the change is due to expire.</p>
Action and timing	Regulatory consultation period: four weeks, 8 August - 5 September 2025

Energy Competition Task Force initiative 1B: Super-peak standardised flexibility product

Strategic outcomes	Secure and resilient and Efficient
Purpose	<p>The Authority will consult on regulating the super-peak standardised flexibility product (hedge contract), which has been trading on a voluntary basis since January 2025.</p> <p>We are proposing steps to strengthen voluntary trading and consider whether regulation is needed soon.</p> <p>This would help reduce the cost of super-peak hedges, leading to lower overall costs and better affordability for consumers.</p>
Action and timing	Regulatory consultation period: six weeks, mid-August - late September 2025

This table notes consultation underway, as outlined in FN-25-13 and -12:

Title	Consultation period
Evolving multiple retailing and switching	3 June - 29 July 2025
Battery energy storage systems roadmap	24 June - 31 July 2025
Promoting reliable electricity supply – Code amendment proposal on common quality-related information	1 July - 12 August 2025
Enabling consumer mobility by improving access to electricity product data	15 July -12 August 2025
Future system operation	24 June - 19 August 2025

3. Upcoming Electricity Industry Participation Code 2010 amendments

3.1. The following table has Electricity Industry Participation Code amendments that need to be presented to the House by the Minister's office within 20 working days following the date on which the amendment is made.

Tracking number	Name	Date made	Date of Gazette notification	Date in force	Due date for presentation to the House
EIPCA-25-0017	Injection Payment Requirements	15 July 2025	16 July 2025	1 September 2025	12 August 2025
EIPCA-25-0018	Time-varying Pricing Requirements	15 July 2025	16 July 2025	1 September 2025	12 August 2025

4. Key external engagements

- 24 July: Fortnightly meeting / Minister for Energy / CE / Chair
- 24 July: Jade Software CE / CE / Chair / Communications and Engagement and Corporate and Market Services staff
- 24 July: Energy Efficiency and Conservation Authority
- 28 July: Winter 2025 / Department of the Prime Minister and Cabinet (DPMC) / Gas Industry Company / Ministry of Business, Innovation and Employment (MBIE) / CE
- 28 July: Quarterly meeting / DPMC / CE
- 1 August: Cogo CEO / CE / Corporate and Market Services staff
- 1 August: Energy Competition Task Force fortnightly meeting / MBIE / Commerce Commission / CE / Chair

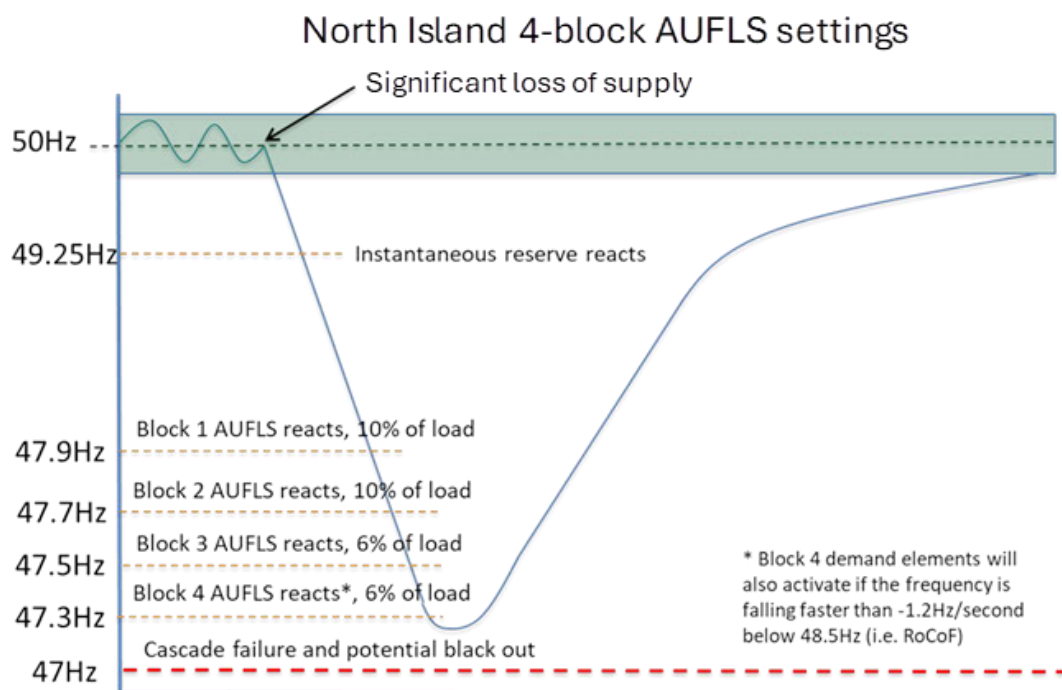
5. Deep dive: Preventing power system failure

Key out-takes:

- Automatic under frequency load shedding (AUFLS) is a critical mechanism that helps prevent power system failure when there are sudden, significant, supply losses.
- The Authority has enhanced the AUFLS mechanism to further increase system resilience (implementation is now 95% complete).

AUFLS helps prevent power system failure

- 5.1. This is an update on implementing an important change to the AUFLS system that will improve system resilience.
- 5.2. AUFLS is the last line of defence¹ to prevent cascade power system failure.
- 5.3. A cascade power system failure is the sudden loss of a large supply source. This causes a large enough drop in system frequency that other generators automatically disconnect to prevent damage to their systems. Their disconnection further reduces grid frequency, leading to more generators disconnecting. Unchecked, this can lead to a total system blackout as all generation disconnects.
- 5.4. There have been three AUFLS events in the last 15 years. To protect the system from events of this size, we rely on an automated load (demand) shedding system, referred to as AUFLS.
- 5.5. AUFLS operate when the power system frequency falls below preset levels after a sudden, significant supply loss. They are set to trip in preset blocks to restore system frequency to near normal levels (below figure refers).



¹ There are other mechanisms in place that prevent power system failure and ensure AUFLs are only needed in the most extreme events.

Code implementation to increase system resilience

- 5.6. In August 2021, the Code was amended to transition from a two block scheme to four smaller blocks. This increases power system resilience by:
- (a) ensuring that load disconnection during an event better matches supply loss, reducing the system instability risk, and
 - (b) better matching the rate at which frequency is falling (increasingly important as more renewable generation comes online).
- 5.7. Transition to the four-block scheme was 95% complete as of 30 June 2025 and is due to be completed by November 2025.
- 5.8. The Authority is monitoring that outstanding transitions are completed as quickly and securely as possible.

6. Energy Competition Task Force work programme update

Initiative	Current stage	Next published milestone	Next update	Status
PPAs (1A)	Update paper published 28 May	Now part of level playing field work	N/A	Complete ✓
Standardised flex product (1B)	First phase completed – standardised super-peak hedge product launched January 2025	Publish options paper on regulating super-peak standardised flexibility product in August (mid-August)	Late July/early August – issues and options paper	On track
Virtual disaggregation (1C)	Outline published for feedback	Now part of level playing field work	N/A	Complete ✓
Level playing field measures (1D)	Outline of measures and proposal for non-discrimination obligations published (submissions closed 7 May) Currently undertaking further targeted analysis and Board-level engagement in response to submitter feedback	As advised on 12 June, potential Code change to introduce principles-based non-discrimination obligations to come before Authority Board on 6 August: <ul style="list-style-type: none"> In principle decision to be announced 12 August with consultation following as soon as possible thereafter (September), to enable Code change decision this year 	Early August – updating you on Board's in principle decision	On track
Initiatives promoting consumer choice (2A-C)	Authority Board approved Code changes on 30 June to require distributor rebates for grid injection and time-varying retail pricing for consumption and supply	Publish Code change decisions (16 July), which require: <ul style="list-style-type: none"> distributors to provide negative charges for grid injection by mass market consumers retailers to provide time-varying price plans for electricity consumption and injection retailers to provide distributors with consumption data to support these changes 	N/A – Code changes published 16 July	Complete ✓
Short-term flexibility revenue (2D)	Issues and options (roadmap) paper published 28 May, consultation closes 3 July Finalising consultation on first roadmap action (emergency reserve scheme)	Publish emergency reserve scheme (ERS) options paper end-July: <ul style="list-style-type: none"> Rewards additional industrial demand response; aim to have this in place for winter 2026 	Mid-July – ERS consultation paper for publication	On track

7. Quarter 1 2025/26 key deliverables

	Key deliverable	Category	Status
July	Proposed changes to help ensure the System Operator has access to the information it needs to operate the power system – improving security of supply	Statutory consultation (1 July)	Delivered ✓
	Options to improve access to data that will improve competition and support the development of new products and services – improving consumer choice and affordability	Statutory consultation (1 July)	Delivered ✓
	Task Force announcements to better reward customers and reduce costs: <ul style="list-style-type: none"> distributors to pay a rebate to consumers when they supply at peak times retailers to offer more time-of-use pricing retailers to better reward consumers for supplying power 	Decision (16 July release)	Delivered ✓
	Improvements to network connection pricing and processes that will help new housing developments, electrify energy use, and grow the economy	Decision (18 July release)	Delivered ✓
August	Task Force in principle decision to introduce non-discrimination obligations that would help independent retailers and generators better compete – supporting innovation and lower prices (subject to Board decision)	In principle decision	On track
	Task Force consultation on options to support lower cost super-peak hedges on the wholesale market – lowering overall costs and improving affordability	Statutory consultation	On track
Sep	Applications open for the Power Innovation Pathway, where innovators receive advice and support to bring new products and services to market	Industry support	On track