

## REGISTER OF TOP SECURITY AND RELIABILITY RISKS

## SECURITY AND RELIABILITY COUNCIL

This paper is to help the SRC brainstorm about electricity industry risks with the objective of ensuring that they spend their time dealing with the most consequential matters that could manifest over a mix of timeframes.

**Note:** This paper has been prepared for the purpose of the Security and Reliability Council (SRC). Content should not be interpreted as representing the views or policy of the Electricity Authority.

# Register of top security and reliability risks

## 1. Purpose and background

- 1.1. This paper presents the latest version of the SRC's register of top security and reliability risks (Table 1). The register supports the SRC to triage their time and attention in a risk-based way.
- 1.2. Risks are sorted into four categories:
  - a) risks that could manifest within one year.
  - b) risks that could manifest within five years.
  - c) risks that could manifest in more than five years.
  - d) persistent risks that could manifest at any time.
- 1.3. Within each category, risks are ordered by the SRC secretariat's rough estimation of consequence and likelihood.

## 2. Changes since the previous version

- 2.1 There were three changes to the register as a result of the 22 October 2020 SRC meeting:
  - a) example added to clarify the types of unreliable social media comments (S8)
  - b) new long-term risk added to include the generation market structure not reacting to physical structural change, reducing investment incentives (L8)
  - c) new persistent risk added to capture that the availability of obtaining sufficient gas supply may limit gas fired thermals (P9)
- 2.2 The secretariat has, based on its own understanding of risks, added a new item (S3) reflecting the weakened generation investment incentives arising from central government's investigation of pumped hydro storage.
- 2.3 At the 8 August 2020 SRC meeting, an action was created to assess the impact of coincident risks and include this analysis by the March 2021 version of the risk register. The secretariat is considering how to complete that analysis and expects to meet the deadline.
- 2.4 Additions to the register are marked in red and removals with ~~strikethrough~~.

## 3. Questions for the SRC to consider

- 3.1 The SRC may wish to consider the following questions.

- Q1. What content changes would the SRC like made to this risk register for the next meeting?
- Q2. What further information, if any, does the SRC wish to have provided to it by the secretariat?
- Q3. What advice, if any, does the SRC wish to provide to the Authority?

**Table 1: Top security and reliability risks**

<b>Short term</b> Within 1 year	<b>Medium term</b> Within 5 years	<b>Long term</b> More than 5 years	<b>Persistent</b> Could arise at any time
<p>S1: COVID-19 coronavirus harms industry's:</p> <p>a) personnel capability/travel.</p> <p>b) availability of imported goods/services.</p> <p>c) general level of preparedness and responsiveness for managing incidents.</p>	<p>M1: Market response to significant industrial demand reductions.</p>	<p>L1: Impact of increased climate and weather-related outages.</p>	<p>P1: Cyber-attack damages power system assets and/or cuts supply.</p>
<p>S2: Risk of lack of preparedness for a second wave of COVID-19 causing further economic hardship (with consequent impact on potential reduction in maintenance).</p>	<p>M2: Review of 'Tree Regs' fails to capture potential to boost reliability.</p>	<p>L2: Gas supply running down (in part due to exploration uncertainty) reduces generation adequacy and availability</p>	<p>P2: Physical attack (war, terrorism, sabotage) damages power system assets and/or cuts supply.</p>
<p>S3: Generator investor incentives weakened due to uncertainty arising from central government investigation of pumped hydro storage.</p>	<p>M3: Government setting of carbon goals.</p>	<p>L3: Ageing and/or under-invested generation, dist. and transmission assets lead to increased failures.</p>	<p>P3: Natural disaster damages power system assets and/or cuts supply.</p>
<p>S4: Black out risk rises if four-block extended reserve scheme delayed/poorly implemented.</p>	<p>M4: Thermal generation (Huntly, Taranaki) existence and availability adversely affecting back-up supply.</p>	<p>L4: Reduced resilience through greater dependence on automation/AI.</p>	<p>P4: National or international pandemic harms access to international specialists and reduces ability for work crews to travel domestically.</p>
<p>S5: Reduced output from hydro due to</p>	<p>M5: Poor standards</p>	<p>L5: Undersized generation fleet</p>	<p>P5: Insufficient information</p>

<b>Short term</b> Within 1 year	<b>Medium term</b> Within 5 years	<b>Long term</b> More than 5 years	<b>Persistent</b> Could arise at any time
National Policy Statement on freshwater management.	governance permits inadequate standards and/or significant non-compliance of equipment against standards.	due to demand growth from greater electrification.	sharing and planning amongst industry participants in relation to reliability of supply risks.
S6: Uncertainty about how Electricity Price Review conclusions will be implemented.	M6: Increased peak demand on some LV networks from electric vehicles.		P6: Changes in industry live line and supply restoration operating guidelines lead to reduced supply reliability performance.
S7: Changing strategic priorities of the regulator increases investment uncertainty for industry participants.	M7: Commerce Commission's regulatory control period #3 impacts on reliability and asset health.	L6: Loss of industry knowledge and capability through an aging workforce.	P7: AUFLS is not set per the current Code requirements.
S8: Unreliable social media commentary impacting on assets or personnel in the industry (e.g. critical comments inciting physical attacks on repair personnel or equipment).		L7: Reliability treated less like a public good as new technology makes it more customisable.	P8: LV network congestion due to rapid increase in small scale distributed generation.
S9: Dry winter / official conservation campaign.		L8: Generation market structure not reacting to physical structural change, reducing investment incentives, e.g. pumped hydro, thermal decommissioning.	P9: Availability of obtaining sufficient gas supply may limit gas fired thermals.