

25 March 2022

Dr Nicki Crauford  
Electricity Authority Chair  
Electricity Authority  
PO Box 10041  
Wellington 6143

Dear Nicki

## Advice resulting from the 2 March 2022 meeting of the Security and Reliability Council

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.

### At the March SRC meeting

At its 2 March meeting, the SRC received presentations from the National Emergency Management Agency (NEMA), the system operator and MartinJenkins, as part of its theme of resilience of the power system to sudden unexpected events.

The SRC received a confidential report from InPhySec on the results of the 2021 cyber security survey and a presentation from the National Cyber Security Centre (NCSC) along with updates on other Authority workstreams. The SRC has provided a separate letter about the confidential cyber-security papers it received.

### Emergency Preparedness

The SRC acknowledges NEMA's work on changes to the Civil Defence and Emergency Management (CDEM) Act to promote sector resilience and emergency planning. The SRC encourages the Authority to promote further collaboration between industry participants and NEMA and welcomed the ongoing education and simulations work NEMA is doing with the system operator.

The Authority should also gain a level of assurance from the generally consistent approaches and high level of professionalism among generators in their emergency preparedness.

Emergency management is a dynamic process. There is a need for participants to properly induct new staff and factor in training, drills and testing to ensure a continued focus on emerging issues and how they can be addressed. The Authority should consider whether the current requirements and incentives are working. For example, generation participants

should be encouraged to review training and induction processes and simulation schedules regularly to ensure all staff are familiar with emergency protocols.

The MartinJenkins report noted generators had varying views on black start capabilities and whether they are sufficient to restore the grid in a timely way after a significant emergency. For assurance, the Authority should consider seeking confirmation from the system operator that black start capability is sufficient to meet the Authority's desired service restoration timeframes in an array of potential emergency situations, both nationally and in the event of grid islands.

The SRC is pleased to see the ongoing involvement of the system operator in *GridEx*<sup>1</sup>, as an example of collaborative testing. Members consider an ongoing commitment to this type of coordination and collaboration is important for the system operator in maintaining industry and consumer confidence. If there is no current requirement for the system operator to continue involvement in *GridEx* exercises, the Authority may want to consider its inclusion in the next system operator service provider agreement (SOSPA) review.

The MartinJenkins report noted some generators based their emergency preparedness on a recognised emergency preparedness standard. The Authority should also consider endorsing an existing non-mandatory accreditation standard or establishing one to further promote an increased level of industry preparedness. A cost-benefit analysis and impact assessment should precede commitment to any approach.

Members appreciated presentations from the Authority and Transpower's communications teams and acknowledge the need for communications plans and processes to remain flexible, depending on the emergency. Members consider it would be appropriate for the SRC Chair to receive notice of supply emergencies, enabling the involvement of members and timely input from the SRC, where this would assist.

### **Electricity (Hazards from Trees) Regulations 2003 – urgent review needed**

SRC members are increasingly frustrated by the lack of progress from the Ministry of Business, Innovation and Employment (MBIE) on reviewing the regulations. Members noted that unplanned customer outages and asset damage from recent weather events were related to tree damage on distribution networks.

MBIE's dedicated webpage for the regulations has not been updated since June 2020 and refers to the last action as a series of workshops in 2019. The webpage also refers to MBIE creating options for proposed consultation on the issue, which has still not occurred.

The SRC strongly encourages the Authority to take a significantly firmer approach on this issue for both the long-term benefit of consumers and the reputation of the sector. Given

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<sup>1</sup> GridEx exercises are a series of biennial grid security exercises designed to evaluate the response of the electricity sector to a cyber incident, strengthen utilities' crisis response functions, and inform security improvements.

the relevance of this issue to distributors and recent commentary from the Electricity Networks Association (ENA) about its impact, this work may gain greater traction through Authority-led sector collaboration.

### **Demand-side management**

The SRC considers there is a risk the industry's approach to regulation and security of supply issues may be too focused on the supply side and there is a need to take a holistic approach that has a greater focus on demand-side capability.

The 9 August 2021 event illustrates this point by highlighting the important role for distributors and retailers and the need to get accurate timely information to and from the demand-side to maintain security and reliability.

Members briefly discussed the issues relating to demand-side management at the 2 March meeting. At the Chair's request members are continuing to discuss how the demand side is being incorporated and will collate their thoughts for the secretariat. The aim is to help assess whether current and proposed workstreams, including those across the sector, have any gaps that need addressing. The secretariat can pass on responses and feedback to the SRC and points of clarification where needed.

### **System Leadership - 9 August**

The SRC appreciated an update from the system operator and Authority staff on the *System Leadership* project workstreams to improve electricity security and reliability.

Members were concerned that comments made by the system operator at the meeting indicates the system operator may view the events of 9 August 2021 as being solely or principally caused by a lack of generation. Members consider such sentiment is not supported by the review findings and downplays the impact communications and information from the system operator had in consumers being disconnected on 9 August.

Wherever possible, the Authority should take the opportunity to lead the conversation on these issues and ensure the system operator presents accurate and consistent information to industry, government and consumers.

Members also considered the SRC Chair should receive notice and updates of emergency situations, as part of the SRC's statutory mandate, enabling input and advice from members where beneficial.

Members confirmed they did not see any further role for SRC in the System Leadership workstreams but encouraged the Authority to conclude this work.

### **Future Security and Resilience (FSR)**

The SRC has a keen interest in the FSR workstreams and appreciated an update from the system operator and Authority project leaders.

Members encouraged the project teams to review the roadmap, at least annually, to ensure priority settings are correct and be pro-active about any necessary changes.

The SRC recommends the Authority progress what can be done and to take an agile approach in its engagement by continuing to draw on the experiences and initiatives from stakeholders and other countries. As previously advised, this should include vulnerable consumers, regardless of their demographic and ability to take advantage of future technologies.

There is consensus among members and the project team that periodic updates and deeper dives, where appropriate, at future SRC meetings will support the work and its aims.

### **Issues associated with low hydro storage and inflows**

The SRC received a paper and presentation from the system operator on energy and capacity issues associated with low hydro storage and inflows. Members acknowledge the work the system operator has done on the analysis of these low probability high impact worst-case scenarios and encouraged this work.

Comments included there is likely to be a capacity issue in a future where there is no thermal generation, so care needs to be taken with assumptions that factor in thermal generation.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'H Roy', is positioned above the printed name.

Hon Heather Roy

**Chair of the SRC**

cc: SRC members, Grant Benvenuti (Authority)