

STRATEGY AND PRIORITIES

SECURITY AND RELIABILITY COUNCIL

This paper is to aid the Security and Reliability Council's (SRC) discussion of its strategic environment. It provides a framework for considering the SRC's strategic issues, sets out some discussion material, and includes a brief environment scan of current strategic issues.

Note: This paper has been prepared for the SRC. Content should not be interpreted as representing the views or policy of the Electricity Authority.

Background

The Security and Reliability Council's (SRC) statutory function is to provide independent advice on the performance of the electricity system and the system operator, and reliability of supply issues.

A previous survey of SRC members found that “establishing an agreed SRC strategy would help drive a work programme and agenda relevant to the SRC brief, ensure the SRC is fulfilling its role, and provide the Authority with more meaningful, actionable advice.” The SRC concluded once a year there should be an opportunity to discuss the current SRC work programme, explore emerging strategic issues, consider these in the context of the SRC role and develop an agreed SRC strategy.

David Hunt of Concept Consulting will act as facilitator in a workshop style session, with a brief to assist the SRC in considering security and reliability issue relating to the transition to 100 percent renewable energy by 2030. An agenda for this session has been provided in the attached slides. Key components of the strategy session will be:

1. A brief recap on the SRC's role and function.
2. A scan of recent developments and risks relevant to security and reliability.
3. Reflect on the SRC's existing strategy document and identify any gaps.
4. Identification of the SRC's top priorities for next 12-24 months.

As background for the session, the SRC will receive briefings on:

1. Generation investment outlook – a presentation from the Authority/Concept
2. Aotearoa New Zealand Energy Strategy – a presentation from MBIE's Energy and Resources Markets team.

The attached slides are to aid SRC discussion

As preparation for the SRC's strategy session, the secretariat has compiled the attached supporting material. It builds on the five key strategic themes developed out of the past SRC risk and strategy sessions and considers the significant developments in the past twelve months that may affect the SRC strategy.

Although set out as Powerpoint slides, the secretariat does not intend to verbally present that material in the meeting. Rather, the slides are intended to provide a framework for considering the SRC's strategic issues and to spur discussion.

In advance of the meeting, we ask that you review the slides and **consider the questions in slide eight**. This preparation will help ensure we can get the most value from the session on the day.

The overall goal of the session is to identify key issues the SRC should include in its forward work programme.

10 August 2022

STRATEGIC ENVIRONMENT

Discussion document

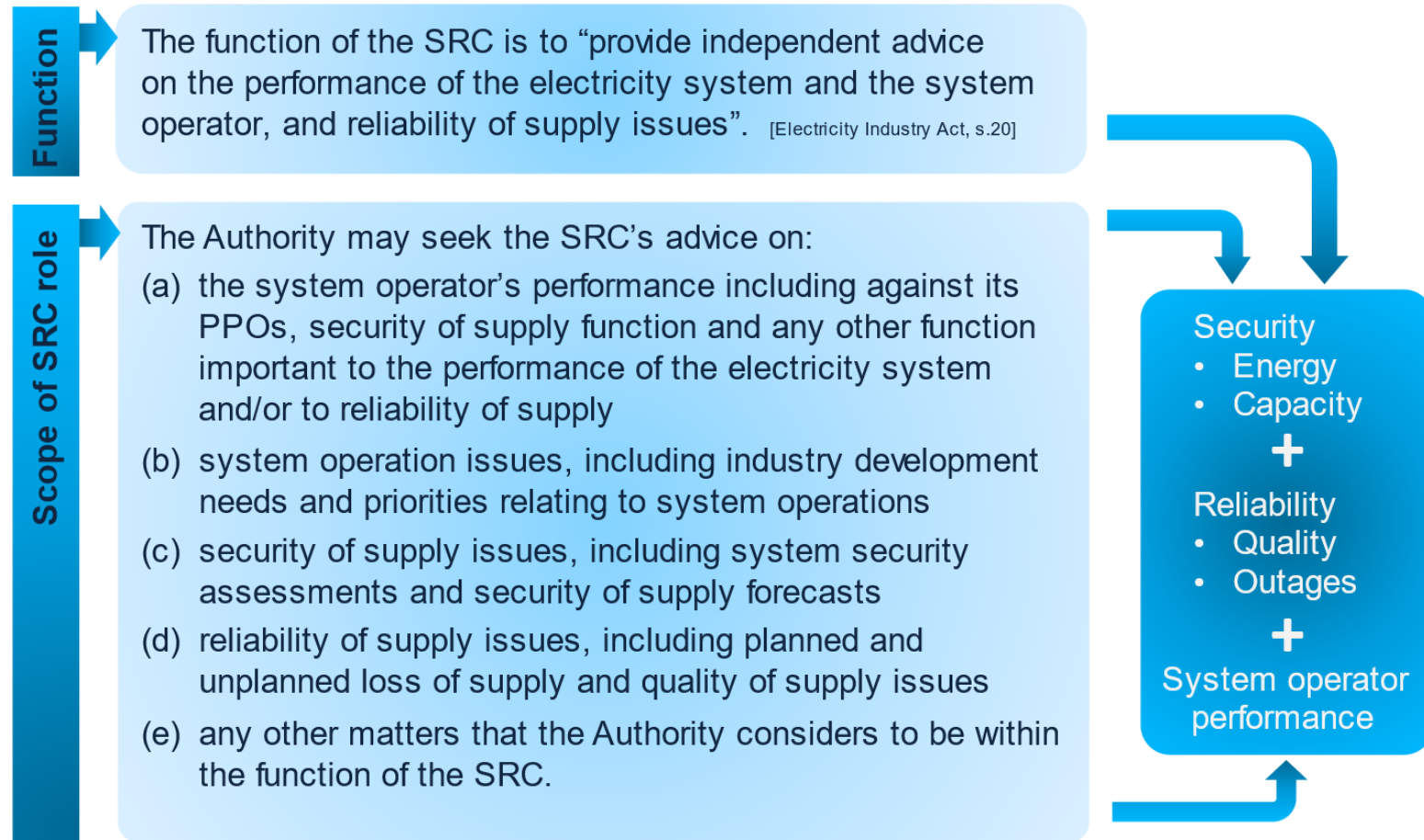
SECURITY AND
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SRC Secretariat

Goals

1. Recap on SRC function and scope of advice
2. Scan current environment and update SRC 'Strategic Themes' document as necessary
3. Identify **top three** priority themes/issues for the coming work programme

The function of the SRC



Scope of SRC advice

Authority scope

Functions and powers under the Electricity Industry Act 2010

SRC scope

Matters related to “the performance of the electricity system and the system operator, and reliability of supply issues”

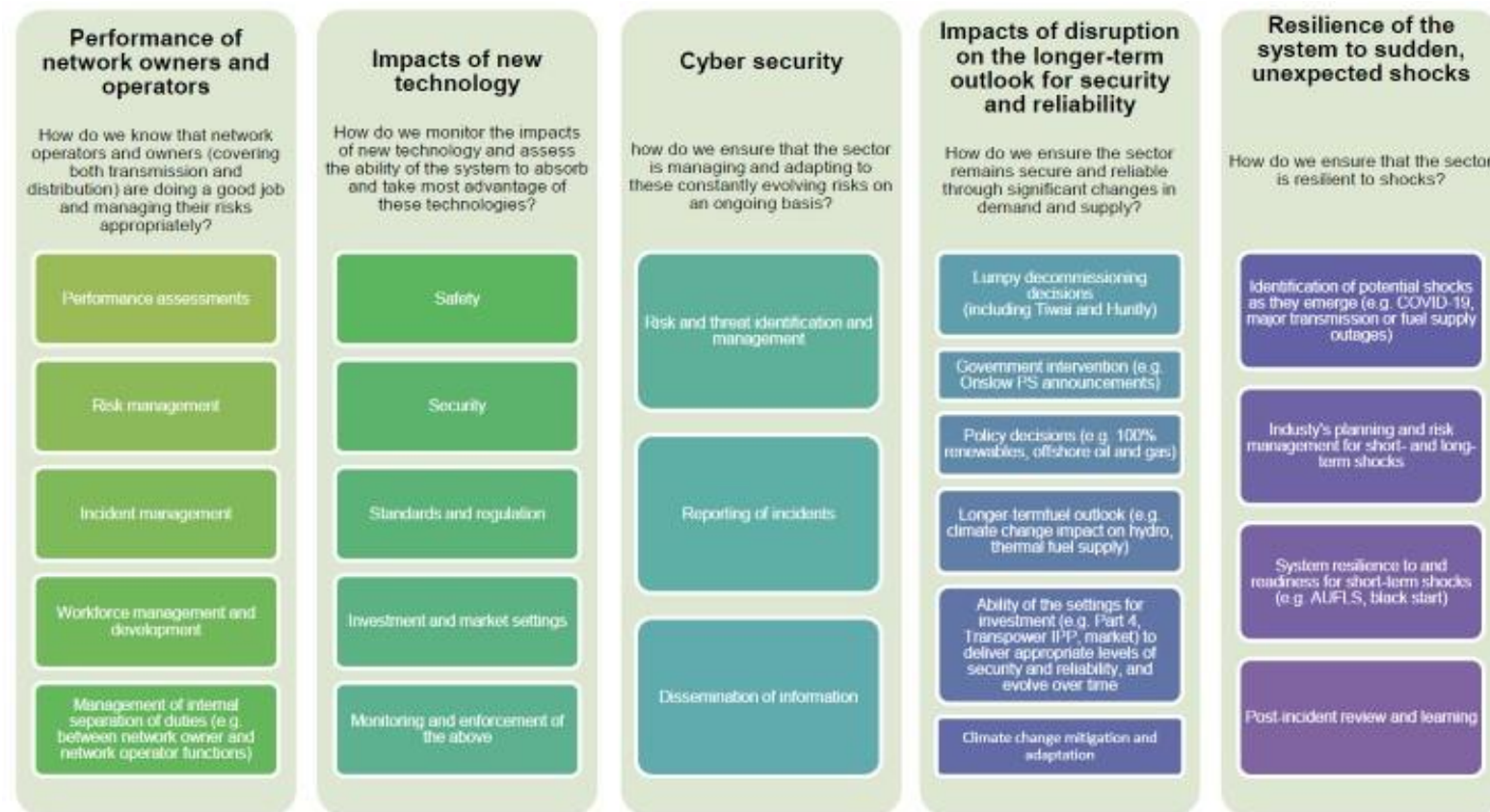
Commerce Commission scope

Functions and powers under the Commerce Act 1986

The SRC can (and should) provide advice on any security/reliability aspect of the electricity industry.

The Authority is the direct recipient of all SRC advice. Where advice is relevant to another party, the Authority passes that advice to the relevant party.

‘Strategic themes’ from SRC’s earlier strategy session provide the foundation



PEST analysis to identify key factors affecting security/reliability outlook*

Policy

- 100% renewable generation target by 2030 reframed as aspirational
- Increased support for decarbonisation projects (e.g. GIDI fund)
- Government investigation into storage solutions (NZ battery project) ongoing
- Development of new Aotearoa NZ Energy Strategy underway

Social

- Increasing reliance on electricity as energy source
- Increasing concern about climate change
- Rising use of internet enabled devices/platforms
- Rising number/severity of cyber attacks
- Heightened focus on supply risks post August 2021 power cuts and recent problems in Australia

Items that have changed from 2021 are shown in green

* Although some items could be categorised under multiple headings, only one is included for brevity

Economic

- Steep rise in carbon, oil and coal prices
- Rising power demand, but some uncertainties remain
- Growing need for 'flexibility sources' (demand response, storage etc)
- Skills shortages in some areas
- Supply outlook remains tight
- Inflation pressures

Technology

- Gas market uncertainties
- Thermal-related reviews underway (Contact, Genesis)
- Declining cost outlook for new gen and batteries, but upward pressure in near term
- Rising use of artificial intelligence
- Rising uptake of distributed energy resources

How factors identified in 2022 PEST analysis map to Strategic Themes

		Performance of network operators and owners	Impacts of new technology	Cyber security	Impacts of disruption on the longer term outlook for S&R	Resilience of system to sudden unexpected shocks
P	Aspirational target of 100% renewable generation target 2030				✓	
P	Increasing support for decarbonisation projects				✓	
P	NZ battery project underway				✓	
P	Development of NZ Energy Strategy underway				✓	
E	Steep rise in carbon, oil and coal prices		✓		✓	✓
E	Rising power demand, but some uncertainties remain				✓	
E	Growing need for 'flex' sources	✓	✓		✓	✓
E	Skills shortages in some areas	✓				✓
E	Supply outlook remains tight					✓
E	Inflationary pressures					✓
S	Increasing reliance on electricity for energy	✓		✓	✓	
S	Increasing concern about climate change				✓	
S	Rising use of internet enabled devices/platforms	✓	✓	✓		✓
S	Rising number/severity of cyber attacks			✓		✓
S	Heightened focus on supply risks	✓				✓
T	Gas market uncertainties				✓	✓
T	Thermal-related reviews underway				✓	✓
T	Declining cost outlook for gen and batteries, but upward near term pressure				✓	
T	Rising use of artificial intelligence		✓		✓	
T	Rising uptake of distributed energy resources				✓	

Preparation before the meeting

To get the most out of the session, ***we ask that you come prepared to answer the following questions :***

1. Given the developments in the past year, is there anything in the SRC's 'Strategic themes' document that needs updating?
2. What are the **top three issues** that the SRC should focus on over the next 2 -3 years? In identifying these issues, SRC members should consider:
 - relevance of each issue to SRC functions
 - importance of each issue to achieving sector ambitions
 - extent to which SRC can add a perspective/value not already covered by other bodies/processes.