



Electricity Commission

Report against the
Government Policy Statement on Electricity
Governance, October 2006

For the period to 30 June 2008

Contents	Page
Abbreviations used in this report	3
Introduction	4
Commission powers and approach	4
2. New Zealand Energy Strategy (NZES) and New Zealand Energy Efficiency and Conservation Strategy (NZECS)	5
3. Consumer protection	5
4. Electricity efficiency	6
5. Renewable energy (new heading in 2008 GPS)	8
6. Security of supply	8
7. System operation and wholesale and related markets	10
8. Transmission	11
9. Distribution	15
10. Commerce Commission	15
11. Distributed generation	15
12. Retail	16
13. Accountability requirements	17
Appendix one—FTRs (not included in 2008 GPS)	17

Abbreviations used in this report

Act	Electricity Act 1992
BA	benchmark (transmission) agreement
Board	Board of the Electricity Commission
CDS	<i>Centralised Dataset</i>
CFL	compact fluorescent lamp
Commission	Electricity Commission
DSM	demand-side management
EECA	Energy Efficiency and Conservation Authority
EGR Committee	Electricity Governance Rules Committee
FTR	financial transmission right
GEM	generation expansion model
GPA	grid planning assumptions
GPS	<i>Government Policy Statement on Electricity Governance</i>
GRS	grid reliability standards
GUIRP	grid upgrade investment review policy
GUP	grid upgrade plan
HVDC	high-voltage direct-current
Minister	Minister of Energy
MED	Ministry of Economic Development
MEPS	Minimum Energy Performance Standards
MEUG	Major Electricity Users' Group
MOU	memorandum of understanding
MSP	Transpower's (as System Operator) Market Systems Project
NAaN	North Auckland and Northland grid upgrade
NIGU	North Island (Whakamaru–Pakuranga) grid upgrade
NZEECS	<i>New Zealand Energy Efficiency and Conservation Strategy</i>
NZES	<i>New Zealand Energy Strategy</i>
PPI	Producer Price Index
Regulations	Electricity Governance Regulations 2003
RFP	request for proposal
ROI	request for information
Rules	Electricity Governance Rules 2003
SOI	<i>Statement of Intent</i>
SOO	<i>Statement of Opportunities</i>
SOSPA	System Operator service provider agreement
TPM	transmission pricing methodology
Transpower	Transpower New Zealand Limited

Introduction

Section 172ZK of the Electricity Act 1992 provides that the Minister must set objectives and outcomes to which the Government wants the Commission to give effect, and against which the Commission must report. The Government published the *Government Policy Statement on Electricity Governance (GPS)* in October 2004, and issued an update in October 2006. The Minister provided the Commission with a replacement GPS in May 2008.

The table below provides a summary of the GPS requirements and reports on the Commission's progress against those requirements to 30 June 2008. Where relevant, the table provides paragraph references for both the 2006 and 2008 versions of the GPS and page references for the *2008–2011 Statement of Intent*.

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
Commission powers and approach				
1–3		General expectations on process, approach and consultation	Ongoing requirements	42
4–5	6–7	Consultation	<p>Development completed, ongoing requirements</p> <p>The Commission issued an updated consultation protocol on 14 September 2007, superseding the previous <i>Transmission Consultation Process 2004</i>.</p> <p>The protocol is on the website at: http://www.electricitycommission.govt.nz/opdev/</p> <p>In addition, in 2008 the Commission started a new quarterly publication called 'On the Lines', designed to improve understanding of the work the Commission is undertaking, and provide a detailed overview of major projects. The publication is available at: http://www.electricitycommission.govt.nz/publications/index.html#on-the-lines</p>	42
6	NA	Consultation with the Ministry of Consumer Affairs	New requirement included in the 2008 GPS.	42
7	8	Advisory groups Advisory group support and input	<p>Ongoing requirements</p> <p>Information on advisory groups is available at: http://www.electricitycommission.govt.nz/advisorygroups/</p>	42
8	9	Innovation Encouraging innovation in Commission work	Ongoing requirements	43

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
9	10	Information Publish high-quality information to support decision-making by market participants and to inform public debate	A significant number of key deliverables completed and ongoing refinement taking place, including: Centralised Dataset (CDS), July 2005, July 2006, April 2007, November 2007 and May 2008. Information on the CDS can be found at: http://www.electricitycommission.govt.nz/opdev/modelling/centraliseddata/ <i>Initial Statement of Opportunities</i> (SOO) published in July 2005. The next SOO is due to be finalised in August 2008. Information on the SOO is available at: http://www.electricitycommission.govt.nz/opdev/transmis/soo In July 2008, the Commission published a draft SOO for consultation. The draft 2008 SOO is available at: http://www.electricitycommission.govt.nz/consultation/2008draft-soo/view In 2006, the Commission developed a generation capacity expansion model (GEM) and has made it available for use by industry participants. The Commission has continued to develop and enhance GEM. In September 2007, the Commission commissioned EGR Consulting to review capacity expansion modelling in order to facilitate industry participants' understanding of the use of models such as GEM and PLEXOS (Transpower sponsored). The report was published on 16 November 2007. GEM updates were released in February and April 2008 including several modifications. GEM documentation is available at: http://www.electricitycommission.govt.nz/opdev/modelling/gem/documentation Regular statistical reports are published for the wholesale and retail markets. Eg retail: http://www.electricitycommission.govt.nz/opdev/retail/regstats wholesale: http://www.electricitycommission.govt.nz/opdev/wholesale/mkrtrep	43
10	11	Administration of Regulations and Rules	Establishment completed, ongoing requirements Electricity Governance Rules Committee (EGR Committee) established. Rulings Panel set up. Market compliance team established. Work completed on 891 notified breaches up to 30 June 2008. More information on compliance processes is available at: http://www.electricitycommission.govt.nz/rulesandregs/compliance/	43
2. New Zealand Energy Strategy (NZES) and New Zealand Energy Efficiency and Conservation Strategy (NZECS)				
11–16	NA	NZES and NZECS general expectations	Ongoing requirements for delivery, reporting and monitoring introduced in the 2008 GPS.	43
3. Consumer protection				
17–20	12 14 116	Domestic consumer contracts Develop model domestic consumer contracts. Monitor uptake of the model contracts and recommend regulation if necessary	Development completed, monitoring underway Alignment process with benchmark (transmission) agreement (BA) underway. The Commission is working on changes to model retail contracts. This covers, among other things, proposed changes to include transparency of energy and lines charges requirements. Further information is available at: http://www.electricitycommission.govt.nz/opdev/retail/model	44
21–22	15–17	Low fixed charges Monitor compliance with and enforce the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004	Development completed, monitoring underway The Regulations came into force on 1 October 2004. The Commission monitors and enforces ongoing compliance with the Regulations.	44

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
23–24	18–19	<p>Arrangements for the benefit of low-income and vulnerable domestic consumers</p> <p>Develop appropriate arrangements to ensure options are available to protect the interests of low-income and vulnerable domestic consumers</p>	<p>Development completed, monitoring underway</p> <p>Paragraphs 18 to 19 of the 2004 GPS required the Commission to develop arrangements for the benefit of low income consumers. These were published in November 2005.</p> <p>In 2007 the Commission issues an updated <i>Guideline on arrangements to assist low income and vulnerable consumers</i>. In February 2008 the Commission amended clause 23 of the guideline in order to comply with the Human Rights Act 1993.</p> <p>Paragraph 23 of the 2008 GPS requires the Commission to monitor compliance with the guideline. The Commission will keep compliance with the guideline under review and revise its recommendation accordingly if required.</p> <p>Information about the guideline is available at: http://www.electricitycommission.govt.nz/opdev/retail/lowincome/</p> <p>Statistics have been published in relation to disconnections for the period January 2006 to September 2007. The statistics are available at: http://www.electricitycommission.govt.nz/opdev/retail/regstats</p>	44
25	20	<p>Arrangements in the event of retailer insolvency</p> <p>Implement arrangements to ensure an orderly transition for consumers where a retailer becomes insolvent</p>	<p>Development continuing</p> <p>Initial analysis completed in July 2006. The project has now been restarted with a new project scope being developed, based on feedback and discussions with MED. Options paper considered by Board at its 1–2 July 2008 meeting and, as a result, the paper is expected to be published shortly.</p>	44
26–32	21–24	<p>Consumer complaints resolution system</p> <p>Ensure a quality complaints system is in place</p>	<p>Development continuing</p> <p>In March 2008, the Electricity Commission and Gas Industry Company (GIC) invited submissions on the consultation document "<i>Approval of a Joint Electricity and Gas Complaints Resolution Scheme</i>". A forum was held in April 2008 to assist stakeholders to understand the proposals in the consultation paper. Submissions closed on 8 May.</p> <p>A number of issues were raised in the consultation process that are being further investigated by the Commission and the GIC. This has resulted in a change to the previously published process and timetable. It is now expected that a call for applications will take place by August 2008, approval of the scheme will take place by June 2009. The scheme could come into operation in September 2009 (subject to there being an application that meets the requirements).</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/retail/consultationdocs/ElecGasComplaints</p>	44
4. Electricity efficiency				
33–39	25 27 32–34	General requirements, inter-agency coordination	Ongoing requirements	45
35	26	<p>Electricity efficiency potential</p> <p>Undertake a review, jointly with EECA, of the potential and cost-effectiveness of efficiency measures</p>	<p>Completed, ongoing updates</p> <p>The <i>Electricity Efficiency Potential Study</i> was published in October 2007.</p> <p>In April 2008 a series of briefings on the results and implications of the electricity efficiency potentials study were held in Auckland, Wellington and Christchurch.</p> <p>Updates to the model will be developed and published on an ongoing basis.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/elec-efficiency/potentialstudy</p>	45

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
44	28	Generation Hydro spill information disclosure	Ongoing industry reporting of hydro spill data under a voluntary arrangement. Industry reports are available at: http://www.electricitycommission.govt.nz/opdev/secsupply/sos/overview/hydropill1/	45
46	29	Electricity efficiency—wholesale market including DSM	Development continuing Demand-side bidding and forecasting—a consultation paper was released on 5 July 2007 and closed on 3 September 2007. The consultation paper is available at: http://www.electricitycommission.govt.nz/consultation/dsbJuly07/ An update report is being prepared, with rule changes to follow in preparation for implementation. Implementation relies on the System Operator implementing changes. This will not commence until the System Operator has completed the MSP project (expected in April 2009).	46
45	30	Electricity efficiency—load management	Development continuing Load management and metering technology—the first stage of this project has been completed, providing an understanding of the current status. Phase 2—Load management value and pricing: discussion paper published 13 September 2007. The Commission hosted a conference on 22 November 2007 that presented the findings of work to date and addressed key deliverables for 2007/08 including the minimum guidelines for advanced meters, associated model agreements, and links to distribution pricing. Phase 2 was completed in February 2008 and implementation actions allocated within the Commission. Phase 3—Load management technology: work split into advanced metering and load control. <i>The Advanced Metering Policy and the Guidelines for Advanced Metering Infrastructure</i> were published in May 2008. These are available at: http://www.electricitycommission.govt.nz/opdev/retail/ami/ Due to the complexity of some of the issues involved, some of this work will be addressed through the review of part D of the Rules, to be initiated in 2008/09. Work is progressing on a load control policy.	45
46	31	Electricity efficiency—end use	Ongoing electricity efficiency programmes The Commission's efficient lighting programme—across the lighting, commercial and industrial sectors—has to date resulted in the sale of 4.5 million efficient lamps to New Zealanders, resulting in annual electricity savings of 370GWhr. The programme is targeted at achieving the key objectives of New Zealand's efficient lighting strategy by focusing on areas such as inefficient incandescent, halogen, fluorescent and street lighting as well as improving lighting design. The Commission's commercial sector programme (commenced during 2007/08) has been developed around contracting 11 programme partners to undertake efficiency projects within pre-agreed economic criteria. Over 200 projects are expected to be generated by this programme over the next two years—targeting equipment such as HVAC systems, refrigeration equipment, commercial lighting, and building management systems in commercial office buildings, hospitals, tertiary institutions, food stores and commercial enterprises with refrigeration equipment. In the industrial sector the Commission is focusing on programmes targeting motors (through a nationwide bounty scheme for inefficient motors) and compressed air (through a best practice operation and audit programme). The Commission is currently on track for the <i>New Zealand Energy Efficiency and Conservation Strategy</i> target of 3PJ per annum of electricity savings by 2012. Information about the Commission's electricity efficiency programmes is available at http://www.electricitycommission.govt.nz/opdev/elec-efficiency/	45–46

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
40	34	Memorandum of understanding (MOU) with EECA	Initial development completed, update underway The Commission signed a MOU with EECA in August 2005 and it has been published on the Commission website at: http://www.electricitycommission.govt.nz/opdev/mou/ MOU being updated to reflect 2008 GPS.	45
41–42	NA	Discount rate Cost-effectiveness assessment of programmes	Ongoing Business-as-usual assessment requirement introduced in the 2008 GPS.	45
5. Renewable energy (new heading in 2008 GPS)				
47–50	34A	Renewable energy Encouraging the development of renewable energy	Ongoing Transmission decision-making processes recognise factors of significance for renewables, including timing of transmission availability. The tactical and strategic wind projects enable the integration of intermittent (renewable) generation into the electricity system (see below). The market design review (see 2006 GPS paragraph 75, 2008 GPS paragraph 79) includes consideration of renewables issues, including hydro spill. In October 2007 the Commission started a project to look at how renewables can be integrated into the national grid. The first step of this project consisted of constructing a 'resource map' of possible wind, hydroelectric, and geothermal generation in New Zealand. Draft versions of the reports were published with comments closing 1 February 2008. The Commission published a draft report for consultation on the transmission to enable renewable project on 4 April, closing 9 May 2008. A briefing took place on 2 May. The final document for phase one of the project was published on 11 July 2008. The report is available at: http://www.electricitycommission.govt.nz/opdev/transmis/renewables#final-report-on-the	47
50 79	34A 75	Integration issues	Tactical wind project—completed: changes to parts C and G of the Rules came into force on 1 March 2007. Strategic wind project—completed: a project is being carried out to facilitate optimal integration of wind generation in the long term. The Commission published several investigation reports on 13 July 2007. A discussion paper on high level mitigation options was published for consultation on 18 October 2007 and closed on 30 November. In March 2008 the Board agreed an action plan. Implementation and rule change work is being initiated. These implementation tasks are now integrated into various Commission workstreams and the Strategic Wind Project is now complete. The industry technical support group has been disbanded. Information on the project is available at: http://www.electricitycommission.govt.nz/opdev/comqual/windgen/wgip	47
6. Security of supply				
51–57	35–37	Security of supply background, key requirements and objective for the Commission	Ongoing Work is being carried out on the correlation of intermittent generation. This could result in modification of security assessment to factor in correlation between periods of low hydraulic inflows and wind.	47

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
61–64	38–40 43–45 46 68–70	Information, forecasting and monitoring Publish information, including a minimum-hydro zone, and monitor security of supply	Ongoing The Commission publishes security of supply information on its website, including a minimum hydro zone (Minzone) and assessments of risk to security of supply, both of which are regularly updated. Security of supply information is available at: http://www.electricitycommission.govt.nz/opdev/secsupply/sos	48
58–60	41–42	Initial security of supply policy Have and publish a security of supply policy	Development completed The Commission published an <i>Initial Security of Supply Policy</i> in June 2005. This policy covered further definition of the one-in-60 dry year security standard, the broad approach to monitoring security of supply, providing information, establishing an emergency zone, assessing the need for reserve energy, triggering the use of contracted reserve energy and managing conflicts of interest. The initial policy has been superseded by the review of reserve energy policy (see below). Security of supply information is available at: http://www.electricitycommission.govt.nz/opdev/secsupply	48
67–73	47–61	Reserve energy Carry out an analysis of reserve energy needs, and enter appropriate contracts	Development completed From 1 April 2005, reserve-generation capacity has been provided by the Whirinaki 155MW power station. Periodic reviews are undertaken, but no additional reserve energy has been contracted to date. Information about the contract is available at: http://www.electricitycommission.govt.nz/opdev/secsupply/resenagmts	48
76–77	62–63	Levy Cost and recovery from reserve energy requirements	Ongoing arrangements	49
78	65–67 71	Review reserve energy policy Carry out a review of reserve energy policy	Development completed The review of the reserve energy policy was released in May 2007. On 18 September 2007 the Commission released the <i>Review of Reserve Energy Policy Consultation Paper</i> , which set out the Commission's conclusions on Castalia's recommendations and outlines the proposed recommendations to the Minister of Energy. Submissions closed on 15 October 2007. The Commission provided its recommendations to the Minister on 21 November 2007. The results have been incorporated into the 2008 GPS. The Commission is reviewing its security of supply policy in line with GPS released in May 2008. Implementation has commenced. Next review by 2012, as required by the 2008 GPS. Consultation paper and presentation available at: http://www.electricitycommission.govt.nz/consultation/reserveenergypolicy07/view	48
74–75	68–74	Emergency management Response planning and contingency arrangements	Ongoing Interim response plan completed and available at: http://www.electricitycommission.govt.nz/opdev/secsupply/policy Commission emergency response not required during 2006/07 and 2007/08 up to 30 April 2008. The Commission has been monitoring the winter 2008 supply situation and acting to ensure hydro storage is conserved. Rolling-cut regulations were completed and recommended to the Minister on 26 June 2008. Information about work being carried out for winter 2008 is available at: http://www.electricitycommission.govt.nz/opdev/secsupply/winter08	48

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
7. System operation and wholesale and related markets				
79	75	System operation Contracting for the operation of the electricity system and markets	Ongoing Initial System Operator contract in place. Contract renewal negotiations are underway. System operations information is available at: http://www.electricitycommission.govt.nz/opdev/servproinfo/index.html	49
50 79	75	Common quality and system operation Improve rules relating to system operation, common quality and the wholesale market	Development continuing Common quality development plan —development roadmap approved in December 2006. Projects being progressively initiated include: <ul style="list-style-type: none"> • Expanding the normal frequency band—scope developed and investigation work commenced with the System Operator. • Multiple frequency keepers—the Commission engaged KEMA consultants to investigate the technical feasibility of a number of options to allow multiple frequency keepers to provide the frequency keeping service in each island. A copy of the KEMA report is available at: http://www.electricitycommission.govt.nz/opdev/comqual/strategicdevelopment Market integration work has commenced, and a presentation published at: http://www.electricitycommission.govt.nz/advisorygroups/wmag/wmagmeetings/6mar08/index.html • Optimising emergency management—stage 1 (review extended load control) project outline developed, work initiated and is progressing well. A survey was carried out in October 2007 that has provided an assessment of potential level of extended load control available. • HVDC instantaneous reserves transfer capability—the Commission is awaiting input from Transpower as grid owner on the HVDC capacity. Further information is available at: http://www.electricitycommission.govt.nz/opdev/comqual/strategicdevelopment/index.html	50
79	75	Market design review (includes NZES action—pages 60 and 68, NZECS—page 62)	Development continuing The <i>Market Design Issues Paper</i> was published May 2007. The <i>Market Design Options</i> paper was published 8 July 2008. Briefings are being held on 12 August 2008, and consultation closes on 1 September 2008. Implementation is currently scheduled for 2008/09. The market information project has been initiated. Market design review papers are available at: http://www.electricitycommission.govt.nz/opdev/wholesale/marketdesign/marketdesignreview As part of the review, the Commission engaged UMR Research to carry out a qualitative and quantitative study on drivers and barriers to switching, awareness of competition, satisfaction with service and retail brand reception. The report is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/marketdesign/marketdesignreview#related	49
79	75	Offer and dispatch rule development	Development continuing Industrial co-generation rules completed. Consultation papers being developed covering: <ol style="list-style-type: none"> a. dispatch of HVDC—now planned for 2008/09 b. minor offer and dispatch rule changes—consultation paper published 22 April, closed 27 May 2008. Paper available at: http://www.electricitycommission.govt.nz/consultation/offer-dispatch-rule-changes 	49

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
79	75	Pricing process improvements	Development continuing Development work is continuing. Presentation to the WMAG on 14 June 2007 available at: http://www.electricitycommission.govt.nz/advisorygroups/wmag/wmagmeetings/14Jun07	50
79 125	76–77 120	Hedge market Improve access to robust forward prices	Development continuing Market research and review of hedge-market issues completed in 2006/07. Consultation on disclosure rules was completed in September 2007. The industry has developed a model master agreement, which has been publicised on the Commission's website. An update report, containing proposed rule changes as amended as a result of consultation, was published 28 February 2008. Comments closed 28 March 2008. Three submissions raised implementation issues. Two update reports have been published for comment in February and May 2008 to address outstanding issues. At its 1–2 July 2008 meeting the Board approved recommended rule changes to go to the Minister, with an anticipated go-live date of 1 October 2008. The planned go-live date is to ensure sufficient time for participants to complete the necessary work. Further information is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/Hedge/Riskmanagement/ The Commission has undertaken two surveys of the New Zealand electricity hedge market. The first was completed in 2005. The results of the latest survey were published in April 2008. The report is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/Hedge/index.html#survey	51
80–81	78 App.1	Transmission risk management Transmission hedge market development	Development continuing A consultation paper on transmission hedges (<i>Issues for Managing Location Price Risk</i>) was released on 7 July 2008. The consultation paper is available at: http://www.electricitycommission.govt.nz/consultation/lra Finalisation of proposals and recommendations to the Minister are planned for 2008/09. Further information is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/Hedge/index.html#transhedge	51
8. Transmission				
82–83		Transmission background and objectives		51
84–88	81–85	Connection to and use of the national grid Develop grid reliability standards (GRS) and benchmark	Grid reliability standards (GRS) completed Rule changes introducing new GRS came into force on 13 May 2005. The core-grid determination, which completes the GRS framework, came into force on 16 February 2006. Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gridreliability	51

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
		(transmission) agreements (BA)	<p>Benchmark (transmission) agreements (BA) completed</p> <p>The BA and the Interconnection Rules rule changes were gazetted on 31 May 2007.</p> <p>A proposed outage protocol and connection code (which are components of the BA) have been developed by Transpower and were provided to the Commission in September 2007. The Commission published Transpower's draft material for consultation on 19 October 2007. Consultation closed on 16 November. The BA came into effect on 1 April 2008.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/Benchmark</p>	51
89	86	<p>Statement of Opportunities (SOO)</p> <p>Prepare a SOO at least once every two years</p>	<p>Ongoing</p> <p>The Commission published an <i>Initial Statement of Opportunities</i> (Initial SOO) on 8 July 2005.</p> <p>The Grid Planning Assumptions (GPA) for the next SOO were agreed in December 2006.</p> <p>Finalisation of the next SOO was delayed pending the release of the <i>New Zealand Energy Strategy</i> (NZES).</p> <p>Consultation was completed in March 2008 on the GPA to be included in the 2008 SOO.</p> <p>The draft SOO for consultation was released in July 2008 and the SOO is expected to be published in August 2008.</p> <p>In September 2007, the Commission decided to initiate a new project which will identify and describe renewable generation geographic resource areas, likely magnitude of generation capability, capital costs, and so possible timings. The outcomes of this project are incorporated into the draft SOO.</p> <p>Information about the SOO is available at: http://www.electricitycommission.govt.nz/opdev/transmis/soo</p>	51
90–106	87 87A–G 88A–G	<p>Grid decision processes</p> <p>Government expectations regarding grid investment decisions were updated</p>	<p>Development completed</p> <p>The Commission had developed a <i>Grid Upgrade Investment Review Policy</i> (GUIRP) in conjunction with Transpower. The purpose of GUIRP is to promote an effective process for the preparation of investment proposals by Transpower, and consideration of proposals by the Commission. It provides a flexible framework within which the Commission and Transpower will interact during the process and provides guidance to interested parties in relation to how and when Transpower will interact with them.</p> <p>The Commission published a draft for consultation on 11 April 2008, closing on 5 May 2008. A workshop was held in Wellington on 28 April 2008. The GUIRP was finalised on 20 June 2008 and has been published on the Commission's website.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gridupgradepolicy</p>	NA
90–106	87–89	<p>Grid investment decision-making</p> <p>Make a decision on approval of Transpower's grid upgrade plans including consideration of transmission alternatives</p>	<p>Ongoing</p> <p>North Island grid upgrade—a final decision to approve the proposal was made on 26 June 2007 and reasons were released on 5 July 2007.</p> <p>On 19 December 2007 New Era Energy Incorporated filed a request for a judicial review of the decision to approve Transpower's North Island Grid Upgrade (NIGU). New Era Energy allege that the Commission acted illegally and irrationally, that it displayed predetermination and bias and that it made a mistake of fact. The hearing has been set down to be heard in Wellington in the week commencing 18 August 2008.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/auckgridinvest/index.html</p>	52

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008– 2011 SOI page
		Grid upgrade decisions (cont.)	<p>Otahuhu substation upgrade—the Commission published its intent to approve Transpower's proposal on 25 May 2007. A final decision to approve the proposal was announced on 31 August 2007.</p> <p>On 12 November 2007 MEUG Commenced proceedings for a judicial review in respect to the Otahuhu substation grid upgrade decision. The hearing took place on 18-19 February 2008.</p> <p>On 14 March 2008, the High Court rejected the judicial review. On 15 April 2008 MEUG filed a notice of appeal. The Court of Appeal hearing regarding the Otahuhu decision has been set down for 15–16 October 2008</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gup/otahuhudiversity</p> <p>The High Court decision is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gup/otahuhudiversity#judicial</p>	
			<p>HVDC upgrade</p> <p>In January 2007, the Commission and Transpower developed a combined project plan and timetable. The timetable envisaged Transpower submitting its revised proposal to the Commission in December 2007, to support commissioning in 2012. In August 2007, Transpower indicated a revised submission date of February 2008.</p> <p>In September 2007, the Minister wrote to the Commission requesting priority be given to the HVDC project.</p> <p>Transpower submitted its proposal on 2 May 2008—for a new 700 MW pole to be commissioned by 2012 and the capacity to be increased to 1,200 MW in 2014 at a cost of \$728m.</p> <p>On 31 July 2008, the Commission gave notice that it intends to approve the proposal. A conference is to be held on 22 September, with the final decision to follow.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/hvdc/index.html</p>	
			<p>North Auckland and Northland</p> <p>Transpower submitted its 2007 GUP proposal on 21 September 2007, which included the North Auckland and Northland (NAaN) reliability investment proposals. In September 2007, the Commission agreed a timeline with Transpower and initiated consultation.</p> <p>In light of the recently finalised NZES and other developments in the Government's climate change policies, on 12 October 2007, the Commission wrote to Transpower to ask it to provide revised NPV results for the NAaN proposals based on the addition of a '90% renewables by 2025' scenario. Transpower provided this analysis on 26 October 2007. Consultation closed on 9 November 2007.</p> <p>The timetable for consideration of the North Auckland and Northland Proposals lapsed in December 2007 and the Commission wrote to Transpower suggesting a revised timetable.</p> <p>On 9 May 2008, Transpower submitted revised proposals seeking approval for \$577 million for proposal 1 and \$12.9 million for proposal 2.</p> <p>The Commission sought comments Transpower's proposal by 5 June 2008. The Commission received 8 submissions.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gup/naan</p>	

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008– 2011 SOI page
		Grid upgrade decisions (cont.)	<p>Central North Island thermal upgrade</p> <p>Transpower initiated consultation on the economic investments contained in part 4 of the 2005 GUP IV in March 2008.</p> <p>On 18 April 2008, Transpower submitted the revised Central North Island (CNI) thermal upgrades proposal.</p> <p>The Bunnythorpe-Haywards (BPE-HAY) upgrade was split off and will be considered separately (see below).</p> <p>On 24 April 2008, the Commission issued a notice of intention to approve the CNI proposal.</p> <p>No request for a public conference was received within the 10 working days allowed under Rule 15.2, and the Commission's decision became final on 8 May 2008.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gup/centralniupgrades</p> <p>Bunnythorpe-Haywards thermal upgrade</p> <p>The Bunnythorpe-Haywards (BPE-HAY) proposal was originally part 4 of the 2005 GUP IV.</p> <p>The Commission is awaiting a proposal from Transpower and the timetable has lapsed.</p> <p>A new timetable will need to be agreed.</p> <p>South Island grid upgrade</p> <p>Transpower was expected to submit proposal by 31 July 2007. In April 2008 Transpower advised that a new transmission line will now not be needed.</p> <p>West Coast Upgrade Project</p> <p>On 19 October 2007, the Commission received an application from Transpower for the construction of a new 110kV line between the Reefton and Dobson substations. Commission consultation closed on 15 November 2007.</p> <p>On 12 June 2008, Transpower submitted a revised version of the West Coast proposal.</p> <p>On 20 June 2008 the Commission released an updated timetable. On 7 July 2008, the Commission gave notice that it intended to approve the proposal. No request for a public conference was received and on 25 July 2008, the Commission announced its final decision to approve the proposal.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gup/WCGUP</p>	
105– 106	89	<p>Transmission alternatives</p> <p>Ensuring transmission alternatives are considered to the extent practical, conditional on probability of success, maintaining reliability, and economic viability</p>	<p>Ongoing</p> <p>On 31 May 2005, the Commission published a consultation document on policy options to enable the consideration and provision of transmission alternatives. The Commission published a summary of the submissions in December 2005 and sought cross-submissions. Policy work is currently on hold.</p> <p>Transmission alternatives are considered as part of transmission investment decision-making.</p> <p>Transpower has completed its trial of grid support contracts for demand-side participation in the upper South Island and held workshops in October 2007 to present the results and preview the process for the winter 2008 trial.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/transalternatives</p>	52

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
107–109	90–95	Transmission pricing Consult on and approve transmission pricing methodology, and mechanisms for encouraging transmission alternatives	Completed The final Transmission Pricing Methodology (TPM) was gazetted on 12 July 2007. Transpower carried out an internal audit to ensure consistency of prices with the TPM. Transpower's audit has confirmed the prices are accurate. Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/tpm	52
9. Distribution				
110–112	98–99	Distribution pricing methodologies Complete development of principles or model approaches to distribution pricing (includes NZEECS action—page 62)	Development continuing The development of a distribution pricing methodology has been rescheduled to ensure alignment with the NZEECS. The project scope was discussed at RMAG in March 2007. Presentation available at: http://www.electricitycommission.govt.nz/advisorygroups/rmag/rmagmeetings/20Mar07 The project is expected to be completed in the 2008/09 year.	52
113	100	Distribution use-of-system agreements Develop model distribution use of system agreement	Development completed The Commission published updated model distribution use-of-system agreements in December 2005. Consultation was included in the overall consultation on model contract, which closed on 6 June 2008. Further information is available at: http://www.electricitycommission.govt.nz/consultation/modelcontracts08	53
10. Commerce Commission				
114–117	101–108	Relationship with the Commerce Commission. Develop a memorandum of understanding (MOU)	Completed The initial MOU was signed on 15 May 2006.	53
118	107–107A	The GPS, as amended in October 2006, requiring a revision of the MOU by April 2007	Completed The Commissions have developed an updated MOU and an associated protocol. Both commissions consulted stakeholders in May 2007. The MOU was signed on 16 August 2007, and has been published on the Commission website at: http://www.electricitycommission.govt.nz/opdev/mou/	53
119	NA	Further update to the MOU requested by 30 November 2008—paragraph 119 of the 2008 GPS	Development continuing MOU being updated to reflect 2008 GPS.	53
11. Distributed generation				
10	110	Connection of distributed generation Administer regulations for connection of distributed generation	Ongoing monitoring The Electricity Governance (Connection of Distributed Generation) Regulations 2007, prepared by MED, came into force on 30 August 2007. The Commission has responsibility for monitoring the regulations. Some setup work has been completed.	43

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
121	111–113	Access to lines Guidelines or standards for domestic-scale distributed generation	Development commencing The Commission's 2008/09 work programme includes investigating the provision of guidelines or standards for domestic-scale distributed generation.	53
122–123	111–113	Purchase of surplus generation by retailers Establish model arrangements to enable sale of surplus generation to retailers	Development completed, ongoing monitoring Model arrangements are included in the Model Domestic Consumer Contracts (<i>see above, 2006 GPS paragraphs 12–14</i>). Uptake is being monitored. Further information is available at: http://www.electricitycommission.govt.nz/opdev/retail/model	44
122–123		Distributed generation: itemised billing and technical standards (<i>includes NZEECS actions—pages 62 and 63</i>)	Development commencing The Commission's 2008/09 work programme includes development of guidelines and standards. Itemised billing (transparency of invoices) was included in consultation on terms and conditions between retailers and customers, carried out in 2007/08. Further information is available at: http://www.electricitycommission.govt.nz/consultation/modelcontracts08	53
12. Retail				
124	114–115	Market design improvements in the retail area	See Market Design Project description under 2006 GPS paragraph 75 / 2008 GPS paragraph 79.	53
124–125	114–115–118–120	Retail competition Determine arrangements to promote and facilitate greater competition, e.g. metering and switching issues	Development continuing The Commission is publishing information on retail market activity on its website on a regular basis. Retail market statistics are available at: http://www.electricitycommission.govt.nz/opdev/retail/regstats The load control project, reconciliation implementation and market design review (<i>see 2008 GPS paragraph 79</i>) also contribute to this GPS requirement.	53–54
126	117	Reconciliation Improve reconciliation processes to improve the efficiency of managing distribution losses (Part J)	Development completed, training and implementation ongoing Transition to the new Registry system is completed: the Registry system was signed off on 3 March 2008 and 'went live' on 2 April and the first reconciliation run has been completed. Twelve exemptions were granted in February 2008 to facilitate the pre-population of new reconciliation manager and registry systems with additional information. The exemptions are numbers 49 to 60, and are available at: http://www.electricitycommission.govt.nz/rulesandregs/exemptions In May the Commission approved auditors to undertake certified reconciliation participant and distributor audits. The list of approved auditors is available at: http://www.electricitycommission.govt.nz/opdev/retail/retailregisters On 16 June 2008 the Commission hosted a reconciliation participant's forum to review and discuss any issues that have arisen as a result of the implementation of the new reconciliation rules. In early July 2008 the Commission published draft <i>Reconciliation Participant and Distributor Audit Guidelines</i> for consultation. Consultation closes on 25 July 2008. Details are available at: http://www.electricitycommission.govt.nz/consultation/auditor-guidelines Balancing Area Guidelines and Electricity Supplied Guidelines have also been completed to support the reconciliation rules, available at: http://www.electricitycommission.govt.nz/infopapers/index.html#retail Further information about the reconciliation project is available at: http://www.electricitycommission.govt.nz/advisorygroups/pjtteam/reconproject	54

2008 GPS para	2006 GPS para	Requirement or Expectation	Status and Commission's activities to 30 June 2008	2008–2011 SOI page
126	117	Loss factors methodology— including loss factors and loss optimisation (includes NZEECS action—p62)	<p>Developing continuing</p> <p>Consultation was completed in August 2007 on calculation and monitoring of distribution loss factors. The consultation paper is available at: http://www.electricitycommission.govt.nz/consultation/lossfactors/view?searchterm=loss%20factor</p> <p>The final paper on the proposed methodology was considered by the Board at its 1–2 July 2008 meeting. Publication of Guidelines for Loss Factors is took place in July 2008. The Guidelines are available at: http://www.electricitycommission.govt.nz/infopapers/index.html#retail</p> <p>Distribution loss optimisation is being addressed in two parts:</p> <ol style="list-style-type: none"> non-technical (reconciliation related) losses are being addressed by the Commission's Retail team; and technical (capital investment related) losses are being addressed by the Security, Generation and Distribution team. 	54
13. Accountability requirements				
128		Reporting	<p>Ongoing</p> <p>The Commission provides quarterly reports to the Minister of Energy against the GPS. GPS reports are also published on the Commission's website at: http://www.electricitycommission.govt.nz/infopapers/publications</p>	
Appendix one—FTRs (not included in 2008 GPS)				
NA	78 App. 1	Transmission hedges	<p>Under development</p> <p>See previous entry under 2006 GPS paragraph 78, 2008 GPS paragraphs 80–81.</p>	51

END