

Electricity Commission

Report against the

*Government Policy Statement on Electricity
Governance 2008 (GPS)*

to 31 December 2008

Introduction

1. 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 previous Minister provided the Commission with a new *Government Policy Statement on Electricity Governance* (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 31 December 2008.
2. This report is based on the 2008 GPS. The Commission notes that a new GPS is being prepared. When the new GPS is provided, the Commission will cross reference this report to both the 2008 and new GPS for the remainder of the financial year.

Glossary of abbreviations and terms

Act	Electricity Act 1992
BA	benchmark (transmission) agreement
CCRS	consumer complaints resolution system
CDS	Centralised Dataset
Commission	Electricity Commission
EECA	Energy Efficiency and Conservation Authority
EGCC	Electricity and Gas Complaints Commission
GIC	Gas Industry Company
GIT	grid investment test
GPS	<i>Government Policy Statement on Electricity Governance</i>
GRS	grid reliability standards
GUP	grid upgrade plan
GWh	Gigawatt hour—the amount of energy as measured by a rate of 1 GW for a period of 1 hour
HVDC	high-voltage direct-current
ICR	interconnection rules
MED	Ministry of Economic Development
Minister	Minister of Energy
MOU	memorandum of understanding
MSD	Ministry of Social Development
MSP	Market Systems Project (Transpower's project to replace its software for managing system operations)
NEECS	<i>National Energy Efficiency and Conservation Strategy</i>
NZES	<i>New Zealand Energy Strategy</i>
PCE	Parliamentary Commission for the Environment
Regulations	<i>Electricity Governance Regulations 2003</i>
RFP	request for proposal
Rules	<i>Electricity Governance Rules 2003</i>
SOI	<i>Statement of Intent</i>
SOO	<i>Statement of Opportunities</i>
TPM	transmission pricing methodology
TTER	transmission to enable renewables
VoLL	value of lost load

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
Commission powers and approach				
1-3	General expectations on process, approach and consultation	Ongoing requirements	Ongoing requirements	Requirements being met. The Commission has published its <i>Briefing to the Incoming Minister</i> , which is available at: http://www.electricitycommission.govt.nz/publications/index.html#briefing
4-6	Consultation			
4-5	Consultation processes	Ongoing requirements	Ongoing requirements	In 2008 the Commission started three new publications: - 'Notes from the Chair' is a high level update on Commission activities and plans. - 'On the Lines' is designed to improve understanding of the work the Commission is undertaking, and provide an overview of major projects. These publications are available at: http://www.electricitycommission.govt.nz/infopapers/publications - Market Governance newsletters providing stakeholders with more information about the compliance process. These are available at: http://www.electricitycommission.govt.nz/rulesandregs/compliance/updates
5	Consultation protocol	The Commission issued an updated consultation protocol on 14 September 2007, superseding the previous <i>Transmission Consultation Process 2004</i>	Maintain	The protocol being followed where relevant. The protocol is available at: http://www.electricitycommission.govt.nz/opdev/
6	Consultation with the Ministry of Consumer Affairs	New requirement included in the 2008 GPS	Ongoing activity (includes monthly meetings of officials)	The Commission consults the Ministry of Consumer Affairs on relevant rule-change proposals.
7	Advisory groups			
7	Advisory group support and input	Information on advisory groups is available at: http://www.electricitycommission.govt.nz/advisorygroups/	Ongoing activity	Ongoing activity.

¹ These statements address the requirements of section 172ZL of the Electricity Act 1992. They will be reported against in the Commission's 2008/09 Annual Report.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
8	Innovation			
8	Encouraging innovation	Ongoing requirements	Ongoing requirements	<p>Encouraging innovation is a key aspect of the Commission's work. For example:</p> <ul style="list-style-type: none"> • A major aspect of the advanced metering work has been to enable and encourage innovation in service improvements and tariff options for residential consumers. • A trial project was undertaken with Orion Networks in the upper South Island to test reduction in maximum demand, including the impact on end-use customers. • Provision of modelling information and models on-line, for example a CDS web interface was made available in December 2008.
9	Information			
9	Information collection, analysis and dissemination	Regular statistical reports are published for the wholesale and retail markets	Regular publication of reports	<p>Regular statistical reports have been published for the wholesale and retail markets:</p> <p>System Operation reports—monthly: http://www.electricitycommission.govt.nz/opdev/servp/rovinfo/somonthly</p> <p>Retail reports—monthly: http://www.electricitycommission.govt.nz/opdev/retail/regstats</p> <p>Wholesale reports—weekly: http://www.electricitycommission.govt.nz/opdev/wholesale/mktrep</p>
9	Centralised dataset (CDS)	Centralised Dataset (CDS), July 2005, July 2006, April 2007, November 2007 and May 2008	Two CDS updates	<p>An updated Centralised Dataset DVD was published on 5 December 2008. The dataset is intended to support transmission-planning processes by providing information to assist with decisions on transmission and transmission alternatives. The December update did not include updated embedded generation data, and this will be included in the next update.</p> <p>Information on the CDS can be found at: http://www.electricitycommission.govt.nz/opdev/modelling/centraliseddata/</p> <p>On 12 December 2008 the Commission implemented a web interface to the Centralised Dataset (CDS), which allows users to download selected information from the CDS using a simple query tool. It is available at: http://www.electricitycommission.govt.nz/opdev/modelling/wip/cdswebinterface</p>
9, 89	Statement of Opportunities (SOO)			See paragraph 89

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
9	Market modelling, including the Generation Expansion Model (GEM) and market simulation	In 2006, the Commission developed a generation capacity expansion model (GEM) GEM updates were released in February and April 2008 including several modifications	Updated and improved GEM released into the public domain Market simulation and real-time dispatch models released	GEM updates are released every two months and constant development is taking place. The Commission has made the GEM available to the industry and a number of participants have purchased a runtime license enabling them to modify and operate GEM for themselves. GEM documentation is available at: http://www.electricitycommission.govt.nz/opdev/modelling/gem/documentation The GEM is available at: http://www.electricitycommission.govt.nz/opdev/transmis/git
10	Administration of regulations and rules			
10	Monitoring and compliance with Rules and Regulations	Electricity Governance Rules Committee (EGR Committee) established Rulings Panel set up Market compliance team established	Ongoing monitoring and compliance Enforcement, if necessary	929 notified breaches have been closed up to 31 December 2008. In October 2008 the Commission published two case studies with the consent of the parties concerned and has started publishing Market Governance newsletters providing stakeholders with more information about the compliance process. The latest update was published in January 2009. The Commission considers that there is considerable learning value in cases that related to breach issues common to several participants or a class of participants. The case studies are available at: http://www.electricitycommission.govt.nz/rulesandregs/compliance/case-study The Market Governance updates are available at: http://www.electricitycommission.govt.nz/rulesandregs/compliance/updates More information on compliance processes is available at: http://www.electricitycommission.govt.nz/rulesandregs/compliance/
10	Compliance framework—review of the compliance regime	Started 2007/08	Implement the results of the compliance framework review	Completed. A compliance conference was held on 25 August 2008, the Commission's compliance philosophy has been published, and a newsletter has been launched. Conference information is available at: http://www.electricitycommission.govt.nz/rulesandregs/compliance/conference
10	Review of market monitoring and compliance approach	Started 2007/08	Complete development of a proactive monitoring method	Completed as part of the compliance framework review. Continuous improvement work is ongoing.
<i>New Zealand Energy Strategy and New Zealand Energy Efficiency and Conservation Strategy</i>				
11–16	NZES and NZEECS general expectations	Ongoing requirements for delivery, reporting and monitoring	Ongoing requirements for delivery, reporting and monitoring	Delivery update included under the relevant GPS paragraphs in this report. Update reports provided to the Ministry of Economic Development (MED) for inclusion in combined progress reports.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
Consumer protection				
17-20	Domestic consumer contracts			
17-20	Domestic consumer contracts	Development completed Further information is available at: http://www.electricitycommission.govt.nz/opdev/retail/model	Alignment process with benchmark (transmission) agreement underway as business-as-usual Ongoing monitoring	Alignment process with benchmark (transmission) agreement (BA) completed. Consultation with stakeholders on corresponding changes completed. Updates to be made to model contract as a result of stakeholder feedback. (Also see paragraph 113.)
21-22	Low fixed charges			
21-22	Monitoring the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004	Ongoing monitoring Enforcement, if necessary	Ongoing monitoring Enforcement, if necessary	Ongoing monitoring taking place and some issues are being investigated. Six monthly reviews are taking place and the Commission is working on automated tools to streamline the process.
23-24	Arrangements for the benefit of low-income and vulnerable domestic consumers			
23-24	Guidelines on arrangements to assist low-income and vulnerable domestic consumers	Arrangements for the benefit of low income consumers were published in November 2005 In 2007 the Commission issued 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 to align with the Human Rights Act 1993	Ongoing monitoring Recommend Regulations, if necessary	Paragraph 23 of the 2008 GPS requires the Commission to monitor compliance with the guideline. The Commission keeps compliance with the guideline under review and will revise its recommendation accordingly if required. Monitoring took place in December 2008. A report is expected by April 2009. The Commission is working with Ministry of Health officials on improving information exchange processes between district health boards and retailers to ensure that appropriate information is passed on when a patient is discharged with critical electrical medical equipment. Once this process is agreed, the guideline will be updated to reflect any changes. Details on the guideline are available at: http://www.electricitycommission.govt.nz/opdev/retail/lowincome/index.html Statistics have been published in relation to disconnections at: http://www.electricitycommission.govt.nz/opdev/retail/regstats
25	Arrangements in the event of retailer insolvency			
25	Arrangements in the event of retailer insolvency	Issues and options paper developed	Finalise recommendations	Feedback from industry advisory groups on the draft issues and options paper has resulted in significant re-drafting. Consultation will take place once the initial report has been prepared.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
26–32	Consumer complaints resolution system			
26–32	Development and approval of consumer complaints resolution scheme	Development of scheme Government promulgated policy to have one scheme for electricity and gas	Complete approval of scheme and commence business-as-usual monitoring	On 4 September 2008, the Commission and Gas Industry Co. called for applications and these closed on 8 December 2008. On 20 February 2009 the Commission and the Gas Industry Co (GIC) announced a joint agreement to select, for the purposes of consultation, the Electricity and Gas Complaints Commission scheme (EGCC) as their preferred provider of a gas and electricity industry consumer complaints resolution system (CCRS). Once submissions have been analysed, the Commission and the GIC will decide whether the industry-based EGCC scheme should be finally approved by the Commission under section 158G of the Electricity Act 1992, and recommended to the Minister of Energy and Resources for approval under section 43E of the Gas Act 1992. If an 'approved scheme' is selected this will be completed by the end of June 2009. Further information is available at: http://www.electricitycommission.govt.nz/opdev/retail/consultationdocs/ElecGasComplaints
33-40	Electricity efficiency			
33–39	General requirements, inter-agency coordination	Ongoing requirements met	Ongoing requirements	Requirements being met.
35	Electricity efficiency potentials study	Potentials study completed and published Further information is available at: http://www.electricitycommission.govt.nz/opdev/electricityefficiency/potentialstudy	Updates to model developed and made available	The model and Information about the study is available at: http://www.electricitycommission.govt.nz/opdev/electricityefficiency/approach/potentials/index.html
40	Memorandum of understanding (MOU) with EECA	MOU signed in August 2005 and published on the Commission website at: http://www.electricitycommission.govt.nz/opdev/mou/	MOU update to address new requirements in 2008 GPS	The updated MOU was signed in November 2008. The MOU is available at: http://www.electricitycommission.govt.nz/opdev/mou
41–42	Discount rate			
42	Cost-effectiveness assessment of programmes	Assessment carried out on all proposed programmes	Assessment carried out on all proposed programmes	Requirements being met.
43–46	Other arrangements and programmes			
44	Generation			
44	Hydro spill information disclosure	Ongoing industry reporting of hydro spill data under a voluntary arrangement	Ongoing industry reporting of hydro spill data under a voluntary arrangement	Industry reports continue to be published and are available at: http://www.electricitycommission.govt.nz/opdev/secsupply/sos/overview/hydrospill1/

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
45	Conveyance			
45	Load management	Initial investigation stage and completed	Initiate priority load management development items and associated rule - changes, if appropriate	A stocktake is currently being undertaken of load control and load management work that has been carried out and is in progress. The results of this stocktake is forming the basis of a refreshed work programme, with clear actions, accountabilities and relative priorities.
46	End use			
46, 125	Metering technology (includes NZEECS action—page 62)	Advanced metering and load management guidelines completed	Implementation	<p>Five areas for rule changes are under consideration. Some are included in the Part D review and some are being considered for more urgent attention.</p> <p>An Advanced Metering Infrastructure (AMI) policy monitoring report is to be completed by mid 2009.</p> <p>The Commission hosted an Advanced Metering Solutions conference on 25 November 2008. The transcript for the conference is now available at: http://www.electricitycommission.govt.nz/opdev/retail/metering/forums#ami</p> <p>Prepayment meter survey results—the Commission conducted prepayment meter surveys in October 2005 and April 2007. A further survey was carried out in May 2008. The Commission has published the responses from the 2008 survey. Results are available at: http://www.electricitycommission.govt.nz/opdev/retail/metering/index.html#prepayment-meter-survey-results</p>
46	Demand-side initiatives following from market design review (see paragraph 79) (includes NZEECS action—page 62)	Consultation completed in September 2007. System Operator implementation on-hold pending completion of Market Systems Project (MSP)	Potential initiatives from Market Design Review to improve levels of demand response	The <i>Market Design Options Paper</i> , published in July 2008, covers this matter (see report under paragraph 79).
46	Efficient lighting (includes NZEECS action—page 18)	<p>Compact fluorescent lamps (CFL) programme completed</p> <p>Efficient lighting strategy launched in June 2008</p> <p>Request for proposals (RFP) to develop and implement lighting efficiency programmes. Nine contracts signed</p>	Implement lighting efficiency programme based on 2007 RFP responses	<p>All programmes have been implemented and an additional RFP process has been completed in 2008. Estimated 403GWh p.a. 80.6kT CO₂ annualised savings to 31 December 2008.</p> <p>The Commission is running programmes aimed at reducing the barriers to the uptake of efficient lighting.</p> <p>More information is available at: http://www.electricitycommission.govt.nz/opdev/elec-efficiency/programmes/lighting/index.html</p>

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46	Compressed air (includes NZEECS action—page 32)	<p>Develop and deliver best practice package for compressed air operation and maintenance</p> <p>Fifteen auditors approved</p> <p>Best practice assessments for 37 large industrial consumers completed or underway</p>	<p>Continue to provide subsidised efficiency audits of major compressed air systems and facilities</p> <p>Case-by-case subsidies for capital improvement</p> <p>Best practice operation and maintenance guidelines completed</p>	<p>On track. Programme underway and 67 assessments and audits completed. Estimated 13.8GWh p.a. 2.769kT CO₂ annualised savings to 31 December 2008.</p> <p>Proposal being developed with one company and investigations commenced with another.</p> <p>Completed.</p> <p>More information is available at: http://www.electricitycommission.govt.nz/opdev/elec-efficiency/programmes/industrial/cas/index.html</p>
46	Electric motors—'bounty scheme' for accelerated replacement to efficient MEPS compliant motors (includes NZEECS action—page 32)	Contract awarded for motors bounty scheme in December 2007 and pilot phase started in April 2008	<p>Continue 'bounty scheme' for motors</p> <p>Roll-out of motor replacement policies for industry uptake</p> <p>Possible rewinders' accreditation</p>	<p>Pilot completed in August and national programme was underway by December 2008. 2.5GWh p.a. 0.49kT CO₂ annualised savings to 31 December 2008.</p> <p>Roll-out of motor replacement policies for industry uptake on track. Policy document and calculator distribute to larger industrial users for trial and review.</p> <p>Rewinders' accreditation on track. Contract signed with external provider to develop and establish the scheme.</p> <p>More information is available at: http://www.electricitycommission.govt.nz/opdev/elec-efficiency/programmes/industrial/cas/index.html</p>
46	Commercial buildings (includes NZEECS action—page 33)	Commercial building programme initiated with contracts with providers signed in January to March 2008	Continue to implement commercial buildings programme	<p>All 2008/09 programmes implemented. 28 projects have been committed with expected savings of 13.8GWh p.a. 2.75kT CO₂ annualised savings to 31 December 2008.</p> <p>More information is available at: http://www.electricitycommission.govt.nz/opdev/elec-efficiency/programmes/commercial/index.html</p>
46	EnergyWise home loans project. (NZEECS action—page 18)	Consideration of the EnergyWise Home Loans Scheme. Provisional allocation of funding subject to EECA providing a business case	Potential programme implementation	In December 2008 the Commission decided not to fund the EECA proposal for EnergyWise homes as a sustainable business case had not been achieved.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
47-50	Renewable energy			
47-50	Transmission enabling renewables (includes NZES action—pages 72 and 81)	Project initiated in October 2007 Issue identification completed	Possible framework covering information provision and policy issues to be addressed Develop policy solutions	The first step of this project consisted of constructing a 'resource map' of possible wind, hydroelectric, and geothermal generation in New Zealand. The final document for phase one of the project was published on 11 July 2008. The Commission has commenced preliminary work on Phase 2 of the project. As part of this work, the Commission has published a report on the development of marine energy in New Zealand. Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/renewables
50	Integration issues			
50, 79	Strategic wind project	Phases 1 and Phase 2 completed—initial consultation, analysis of the impacts and consultation on high-level mitigation options	Complete phase 3—initiate rule changes arising from impact investigations	The Board agreed an implementation plan in March 2008. This is being progressed. Further information is available at: http://www.electricitycommission.govt.nz/opdev/comq ual/windgen/wgip Fault ride through investigations —the Wind Generation Investigation Project recommended that fault ride through standards be established for grid connected generators. The Commission engaged Transpower to complete an analysis of the characteristics of typical high voltage faults on the New Zealand power system and to review fault ride through standards used in other jurisdictions. The initial report is available at: http://www.electricitycommission.govt.nz/opdev/comq ual/windgen/ride-through The Commission plans to seek feedback during the next phase of work: development of proposed fault ride through rules.
51-57	Security of supply			
51-57	Security of supply background, key requirements and objective for the Commission			
51-57	Correlation of intermittent generation	Modify security assessment to factor in correlation between periods of low hydraulic inflows and wind	Possible finalisation of 2007/08 work Assessment of peak capability	This work is currently deferred. Priority has been placed on the winter 2008 work. Assessment of peak capacity completed as part of the <i>Annual Security Assessment 2008</i> .
51-57	Price demand elasticity assessment	-	Carry out analysis to develop understanding of demand response to price	This work is currently deferred while higher priority work is being completed and it is unlikely to be completed in 2008/09.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
58–60	Security of supply policy			
58-60 78	Implement reserve energy review recommendations (includes NZES action—pages 60 and 68)	<p><i>Initial Security of Supply Policy</i> published in June 2005</p> <p>Independent review published May 2007. The Commission consulted and reported to the Minister of Energy in November 2007</p> <p>Implementation started</p>	Complete implementation of review recommendations	<p>Security of supply policy published in October 2008 and available at: http://www.electricitycommission.govt.nz/opdev/secsupply/policy</p> <p>In December 2008 the Commission published the submissions received in response to the <i>System security forecast rule amendment consultation</i>.</p> <p>The submissions are available at: http://www.electricitycommission.govt.nz/submissions/commquasubs/ssf</p>
61–64	Information, forecasting and monitoring			
61–64	Information, forecasting and monitoring	Ongoing requirements met	Ongoing requirements	<p>The Commission publishes regular security of supply updates on its website, including hydro risk curves (replacing the minimum hydro zone (Minzone)) and assessments of risk to security of supply (Riskmeter).</p> <p>Security of supply information is available at: http://www.electricitycommission.govt.nz/opdev/secsupply/</p>
65–66	Hydro storage guidelines			
65–66	Hydro storage guidelines	Addressed as part of the review of the security of supply policy	Included as part of the annual security assessment	<i>Annual Security Assessment 2008</i> published in December 2008.
67–73	Reserve energy			
67–73	Contracting reserve energy capacity	From 1 April 2005, reserve generation capacity provided by the Whirinaki 155MW power station	Considered as part of the annual security assessment	<p><i>Annual Security Assessment 2008</i> published in December 2008. The Commission concluded that it was not necessary for it to purchase additional reserve energy for the 2009 winter.</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/secsupply/</p>
74–75	Emergency management			
74–75	Response planning and contingency arrangements	<p>Interim response plan completed and available at: http://www.electricitycommission.govt.nz/opdev/secsupply/policy</p> <p>Commission emergency response not required during 2006/07 and 2007/08 up to 30 April</p> <p>The Commission monitored the winter 2008 supply situation and acted to ensure hydro storage was conserved. Action included Electricity Governance (Security of Supply) Regulations (providing for rolling-cuts), completed and recommended to the Minister on 26 June 2008</p>	Implement reserve energy and emergency options as needed	<p>The Commission monitored the winter 2008 supply situation and acted to ensure hydro storage was conserved.</p> <p>Cabinet approved an increase in the reserve energy and emergency measures—variable appropriation by \$80m on 14 July 2008 for use in ensuring security if needed. This extra appropriation was not needed as significant rain fell towards the end of winter.</p> <p>The Electricity Governance (Security of Supply) Regulations were enacted on 11 August 2008.</p> <p>On 21 January 2009 the Commission released the report of the Winter Review team. The Commission is considering the report and feedback from submissions. More information is available at: http://www.electricitycommission.govt.nz/consultation/winter08</p>

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76–77	Levy			
76–77	Cost and recovery from reserve energy requirements	Ongoing arrangements met	Ongoing arrangements	Ongoing arrangements met.
System operation and wholesale related markets				
79	Contracting for the operation of the electricity system and markets	Initial System Operator contract in place. Contract renewal negotiations underway All other service provider contracts for the wholesale and retail market operations were concluded on 29 June 2007	Business-as-usual	System Operator service provider agreement (SOSPA) contract negotiations are underway. The Commission has consulted on the proposed price change as part of its appropriation consultation for 2009/10. A report will be provided to the Minister in the third quarter. Further information is available at: http://www.electricitycommission.govt.nz/opdev/servproinfo/index.html
79	Market design review (includes NZES action—pages 60 and 68, NZEECS—page 62)	<i>Market Design Issues Paper</i> published May 2007 <i>Market Design Options Paper</i> developed	Market design work on the options paper has the potential to result in further work in 2008/09 Release of final market design review (solutions) paper Implementation phase	The <i>Market Design Options Paper</i> was published in July 2008. A public briefing was held on 12 August and consultation closed on 1 September 2008. Initial work has commenced on a range of areas arising out of the options paper and consultation, towards the development of a solutions paper for publication later in the financial year. Further information is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/marketdesign/marketdesignreview
79	Market information project	Addressed by the market design review	Potential initiatives from market design review to improve market information and analysis	Initial work has commenced on a range of areas arising out of the options paper and consultation. Energy consumption data —in December 2008 the Commission made available for download the underlying data used to produce charts showing change in retailers' share of customers (charts in figures 71-84) in the <i>Market Design Review: Options Paper</i> . The data is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/marketdesign/marketdesignreview#energy-consumption-data-used
79	Offer and dispatch rule development	Industrial co-generation rules completed Consultation papers developed covering: a. dispatch of HVDC b. minor offer and dispatch rule. consultation paper published 22 April, closed 27 May 2008	Completion of work from 2007/08 Work arising out of the wind project Potential work arising out of market design review	Paper being prepared on short-term initiatives for the wind project implementation project plan. The plan includes work in the common quality area and on integration of wind into the wholesale market. Minor offer and dispatch rule changes were gazetted on 2 October 2008.
79, 124	Guidelines for secondary networks	NA	Embedded network guidelines completed	The embedded network guidelines have been completed and have been published on the Commission's website in May 2008.
79	Pricing process improvements	Priority was given to the market design review	Implement initial initiatives Publish consultation paper on additional possible initiatives	Initial initiatives are being implemented and should be completed by the end of the financial year. The consultation paper is expected to be completed within the financial year. There are a number of short term and long term implications to be considered.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
79	Common quality development programme (includes NZES action—pages 60 and 68)			
	Expand normal frequency band	Scope and investigation work carried out	<p>Complete market investigation of normal frequency bands and frequency keeping (FK) procurement</p> <p>Complete business case and initiate rule changes</p>	Work is progressing but not on track due to System Operator resource constraints. The South Island has been utilising dynamic bands since 2007. The report of a trial of a smaller band has been carried out in the North Island is pending. When the report is completed it is expected that there will be a need to review the project scope and re-engage with the System Operator.
	Multiple frequency keepers	<p>Investigation of market solutions</p> <p>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</p> <p>Market integration work commenced, and a presentation published at: http://www.electricitycommission.govt.nz/advisorygroups/wmag/wmagmeetings/6mar08/index.html</p>	<p>Develop a system to co-ordinate multiple frequency keepers</p> <p>Complete market integration investigation and expert technical investigation</p>	<p>Completed.</p> <p>The Commission has consulted on an options paper based on the technical and market integration reports. Consultation closed on 7 November 2008.</p>
	HVDC frequency sharing capability	Investigation initiated	Complete investigation and recommend course of action	Work is not on track due to Grid Owner resource constraints.
	HVDC instantaneous reserve transfer capability	Stage 1—investigation. The Commission sought input from Transpower as grid owner on the HVDC capacity	Stage 2—define rule changes and market system requirements	The Commission continues to work with the Grid Owner to progress this initiative.

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79, 125	Electricity hedge market development	<p>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</p> <p>Consultation was completed on hedge disclosure rules in September 2007</p>	<p>Develop and implement remaining initiatives proposed by the Hedge Market Development Steering Group</p> <p>Potential work from the market design review</p> <p>(Next hedge market survey due in 2009/10)</p>	<p>A second workshop on the publication of risk management contract information was held in August 2008.</p> <p>A third update report was published on 23 September 2008 and is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/Hedge/Riskmanagement</p> <p>In November 2008 the Commission published a consultation paper on <i>Issues and indicative options for the spot market pricing process and UTS provisions</i>. Consultation closed on 20 February 2009. The consultation paper is available at: http://www.electricitycommission.govt.nz/consultation/spot-market/view</p> <p>In November 2008 the Commission published a report regarding hedging on foreign exchange risks. The report is available at: http://www.electricitycommission.govt.nz/infopapers#partf</p> <p>The new rules governing the disclosure of this information came into effect on 2 February 2009. Since the rules came into force a number of contracts have been published and are available at: http://www.electricitycontract.co.nz/</p>
80–81 Transmission risk management				
80–81	Transmission hedge market development	<p>Consultation paper on transmission hedge rules developed</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/Hedge/index.html#transhedg</p>	<p>Finalise proposal and make recommendations to the Minister</p>	<p>A consultation paper on transmission hedges (<i>Issues for Managing Locational Price Risk</i>) was released on 8 July 2008. In December 2008, the Commission published a summary of the submissions.</p> <p>The consultation paper is available at: http://www.electricitycommission.govt.nz/consultation/lra</p> <p>The submission summary is available at: http://www.electricitycommission.govt.nz/opdev/wholesale/Hedge/transmission-hedges</p>

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
Transmission				
82–83	Transmission background and objectives			
84–88	Connection to and use of the national grid			
84–87	Grid reliability standards (GRS)	GRS completed February 2006 Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gridreliability	Business-as-usual	Business-as-usual work continues. External peer review of Grid Reliability Standards —the Commission engaged Professor Goran Strbac, and Dr Predrag Djapic to review the GRS. Both authors have extensive work experience advising the United Kingdom Government, the UK regulator and industry on network security, investment, access, and pricing matters. The report has been published see http://www.electricitycommission.govt.nz/opdev/transmis/gridreliability/index.html#external-peer-review Value of unserved energy —the Commission has undertaken a two-stage tender process for an investigation into the value of unserved energy. In November 2008 the Commission announced the selection of Concept Economics Pty Ltd and the Centre for Advanced Engineering (CAENZ) under a joint tender to undertake stage 1 of the investigation. Stage 1 of the Investigation has been completed, and the report was published on 31 January 2009. The report is available at: http://www.electricitycommission.govt.nz/opdev/transmis/unserved-energy
88	Transmission contracting arrangements (Benchmark Agreement (BA), and Interconnection Rules (ICR))	BA completed 2006/07 Connection code, outage protocol and interconnection services developed 2007/08 Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/Benchmark	Support implementation	The Commission is investigating options for the power factor requirements in the connection code (including the retention of the status quo). An issues paper was published on 26 September 2008.
89–106	Investment in and maintenance of the transmission network, planning ahead, environmental effects, transmission alternatives			
89, 9	<i>Statement of Opportunities</i> (SOO)	<i>Initial Statement of Opportunities</i> (SOO) published in July 2005	SOO August 2008	SOO published 29 August 2008. Information about the SOO is available at: http://www.electricitycommission.govt.nz/opdev/transmis/soo

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
90–106	Grid investment decision-making	<p>To 2006/07—\$256m of approvals</p> <p>2007/08—approximately \$1 billion of approvals.</p>	<p>Depends on timing of complete proposals from Transpower, decisions are expected to be made on:</p> <ul style="list-style-type: none"> - HVDC link upgrade - North Auckland and Northland (NAaN) grid upgrades - West Coast grid upgrade - Economic investments required to support renewables 	<p>Status of proposals:</p> <ul style="list-style-type: none"> • West Coast proposal—\$19 million—approved 21 July 2008/ • HVDC link upgrade—\$672 million—approved 25 September 2008. • North Auckland and Northland (NAaN) grid upgrade—includes the installation of a 220kV cross harbour cable connection between Penrose and Albany substations, and the reinforcement of Penrose substation from Pakuranga substation: \$590 million sought. Intention to decline notice issued 19 December. Conference to be held 2 March. A document setting out the Commission's reasons for its intention to decline Proposal 1 is available at: http://www.electricitycommission.govt.nz/opdev/transmis/gup/naan#notice-of-intention • Lower South Island proposal—deferred by Transpower, possible submission in mid 2009. • Wairakei ring proposal—submitted on 17 December 2008. (\$141 million)—notice of intention to approve issued by the Commission on 20 February 2009. • Three new reliability investment proposals received on 19 December 2008: <ul style="list-style-type: none"> - Maungatapere Bus Security Investment Proposal—retrofitting of a bus coupler to the 110 kV substation at Maungatapere (\$4.1 million)—notice of intention to approve issued by the Commission on 20 February 2009. - Woodville-Mangamaire-Masterton Transmission Investment Proposal—involves increasing the interconnecting transformer capacity for the 110 kV Wellington network—notice of intention to approve issued by the Commission on 13 March 2009. - Wilton 110kV Interconnection Investment Proposal—involves the replacement of the conductors on these lines—notice of intention to approve issued by the Commission on 13 March 2009. <p>Further information about applications is available at: http://www.electricitycommission.govt.nz/opdev/transmis</p>
107–109	Pricing for connection to and use of the national grid, and cost recovery and pricing principles			
107–109, 45	Transmission pricing methodology (TPM)	<p>Final TPM gazetted on 12 July 2007</p> <p>Further information is available at: http://www.electricitycommission.govt.nz/opdev/transmis/tpm</p>	<p>Transpower is to address issues raised by internal audit. The Commission will monitor progress</p>	<p>Business-as-usual monitoring taking place.</p>

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
107–109, 45	Locational transmission pricing investigation	NA	Scoping to be carried out	In November 2008 the Commission decided to commence a review of transmission pricing. The Commission intends the review to be wide ranging and not limited to considering concerns previously raised by participants. A significant work programme to analyse various transmission pricing options is anticipated. In 2009 the Commission will develop and publish further details about the scope, objectives, and timing of the review, and opportunities for industry input into it. The Commission looks forward to working constructively with the industry in this important issue.
Distribution				
110–112	Pricing methodologies			
110–112	Distribution pricing methodologies (includes NZEECS action—page 62)	Development of principles or model approaches to distribution pricing delayed to ensure alignment with load management and metering work	Ongoing monitoring Develop regulations if necessary	Monitoring is being undertaken. Consultation had taken place with the Commerce Commission on investigation of principles and guidelines for distribution pricing methodologies rather than a regulatory approach. A project plan is being developed.
112	Monitoring of changes in urban and rural lines charges	NA	Formal monitoring implemented	Under development.
113	Use of system agreements			
113	Distribution use-of-system agreements	The Commission published model distribution use-of-system agreements in December 2005 Consultation was included in the overall consultation on model contracts, which closed on 6 June 2008	Business-as-usual monitoring	Business-as-usual monitoring taking place. The Commission is working on changes to the model retail contracts. This covers, among other things, proposed changes to include transparency of energy and lines charges requirements. Consultation with stakeholders completed. Updates to be made to model contract as a result of stakeholder feedback. Further information is available at: http://www.electricitycommission.govt.nz/consultation/modelcontracts08
Interrelationship with the Commerce Commission				
114–119	Memorandum of understanding (MOU)	The MOU between the two Commissions was last updated in August 2007	Further update requested by 30 November 2008—paragraph 119 of the 2008 GPS	Completed. The Commission published the updated MOU on 28 November 2008 at: http://www.electricitycommission.govt.nz/opdev/mou
Distributed generation				
121	Guidelines or standards for domestic-scale distributed generation (includes NZEECS actions—pages 62 and 63)	NA	Investigate the provision of guidelines or standards for domestic-scale distributed generation	Work to be commenced on standards including process for determining what can and can't be connected. This project has been delayed by priority having been given to winter 2008 security work.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
122–123	Distributed generation: itemised billing	Itemised billing (transparency of invoices) completed: 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	Production of guidelines and standards completed	Completed as part of the model domestic contract.
Retail				
124	Market design improvements in the retail area	<i>Market Design Issues Paper</i> , May 2007 Market design review papers are available at: http://www.electricitycommission.govt.nz/opdev/wholesale/marketdesign/marketdesignreview	Market design work on the options paper has the potential to result in further work in 2008/09 Release of final market design review (solutions) paper Implementation phase	See <i>Market Design Options Paper</i> report under GPS paragraph 79. Work is being undertaken with Consumer NZ and the Ministry of Consumer Affairs on provision of improved tariff information and improving the Powerswitch website. The Commission is working on expanding its capability to analyse retail tariff changes as part of its market design programme. The Commission is participating in work being undertaken by EECA and the Ministry of Social Development (MSD) on household energy affordability.
125	Review of part J of the Rules	Completion of rule changes and system developments	Complete implementation and initiate business-as-usual monitoring	Minor reconciliation rule changes completed on 5 September 2008 and come into force on 1 November 2008. Business-as-usual monitoring has commenced.
125	Review of part D of the Rules (metering)	NA	Initiate review	Consultation took place in August–October 2008 on issues and options. Submissions have been used to develop the project scope, approved by the board in December 2008. The project has been formally started. A number of detailed workshops with industry participants are being planned for the next few months.
125	Consumer switching rules compliance	Business-as-usual monitoring	Business-as-usual monitoring	Registry information is being monitored and exceptions noted.

2008 GPS para	Project	Status as at 30 June 2008	Performance standard for 2008/09 ¹	Year-to-date progress
126	Reconciliation of, and payment for, distribution line losses			
126	Loss factors methodology—including loss factors and loss optimisation (includes NZEECS action—p62)	<p>Complete development of distribution loss optimisation model</p> <p>Consultation was completed in August 2007 on calculation and monitoring of distribution loss factors</p> <p>Distribution loss optimisation is being addressed in two parts:</p> <p>a) non-technical (reconciliation related) losses</p> <p>b) technical (capital investment related) losses</p>	<p>Ongoing monitoring</p> <p>Develop regulations if necessary</p>	<p>Loss factors methodology—guidelines for the calculation of loss factors were published on 18 September 2008. The guidelines are available at: http://www.electricitycommission.govt.nz/infopapers/index.html#retail</p> <p>Terms of reference for a loss factor review panel were approved by the Board in September 2008 and the panel is being established.</p> <p>Minimising non-technical distribution losses—an issues and options paper on minimising non-technical distribution losses is being prepared but is unlikely to be published by the end of the financial year.</p> <p>Minimising technical distribution losses—in relation to technical (capital investment related) losses, the Commission is looking at the Distribution Pricing Methodology and are also discussing this with the Commerce Commission.</p>
Accountability requirements				
128	Quarterly report to the Minister	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	Ongoing reporting	Quarterly reports provided in accordance with timetable set out in output agreement.