

Measures to strengthen the dry year regulatory framework

MEASURES	EXPLANATION/NOTES	WHO TAKES ACTION
LEGISLATIVE CHANGES TO THE ELECTRICITY INDUSTRY ACT 2010		
ROLE	Give the EA an explicit function relating to dry-year risk	To place greater accountability on the EA and enable it to adapt more quickly to strengthen the framework to account for evolving risks
		Government to legislate EA to take action per its statutory objective and functions
INFORMATION	Require the EA to submit an annual Security of Electricity Supply Report to Minister for Energy	To clearly inform the Government of the current and emerging risks to security of supply and whether the current regulatory setting are adequate to address the risks or if further enhancements are required
		Government to legislate EA to seek review by Security and Reliability Council EA to publish annually
	Require the EA to regularly review foundational security of supply monitoring framework policies	EA to undertake regular reviews to security standards, Security Standards Assessment Document (SSAD), and Security of Supply Forecasting and Information Policy (SOSFIP)
		Government to legislate EA to review the Security Standards and SSAD at least every 5 years and the SOSFIP every 3 years
AMENDMENTS TO THE 2024 GOVERNMENT POLICY STATEMENT ON ELECTRICITY		
INFORMATION	Information improvements	To ensure information provided to the market, as set out in the security of supply monitoring framework, changes dynamically with evolving security of supply risks
		EA to assess, and can decide to introduce in Code
	Publication of a new 'Electricity Security Opportunities Statement'	This will ensure information on security of supply shortfalls is accessible and show options for what investment would firm that shortfall Proposed by Frontier and agreed by Cabinet
		EA to set out requirements for an Electricity Security Opportunities Statement System Operator to publish annually
	New market participant disclosure obligations	Participants must disclose exit plans for firm generation (or substantive changes to entry plans), and substantive new load
		EA to assess, and can decide to introduce in Code
	More regular updates to Energy Demand and Generation Scenarios (EDGS)	To ensure MBIE produces more regular electricity demand and generation scenarios, including better future load forecasts
		MBIE to publish at least every 3 years
RULES AND TOOLS	Improvements to the stress testing regime	Stress testing (of participant's exposure to financial risk relating to dry year exposure) to be improved, so each large customer, and the EA, is better aware ahead of time (and can chose to take action)
		EA to assess, and can decide to introduce in Code Participants required to undertake tests and report to EA
	Improvements to market liquidity	Assess liquidity in hedge markets and the effectiveness of market making obligations. Consider strengthening or extending market making obligations where needed
		EA to assess, and can decide to introduce in Code
	New standardised risk management products	Introduce new standardised long-duration cover contracts to enable customers to manage risk. This will be similar to standardised super-peak contracts current available, but for longer durations)
		EA to assess, and can decide to introduce in Code
CONSULTATION ON A RELIABILITY OBLIGATION (implementation decisions will be subject to further advice):		
INCENTIVES	Introduce a new reliability obligation	A new Winter Energy Reliability Obligation (an ex-ante obligation) covering: short-term fuel procurement, and long-term energy adequacy
		MBIE to consult on options