

14 August 2020

Flexibility creating resilience

APER Forum – Extraordinary meeting

Dr Brent Layton, Chair

NZ SYSTEM WELL PREPARED FOR SHOCKS

Participants have learned from the past

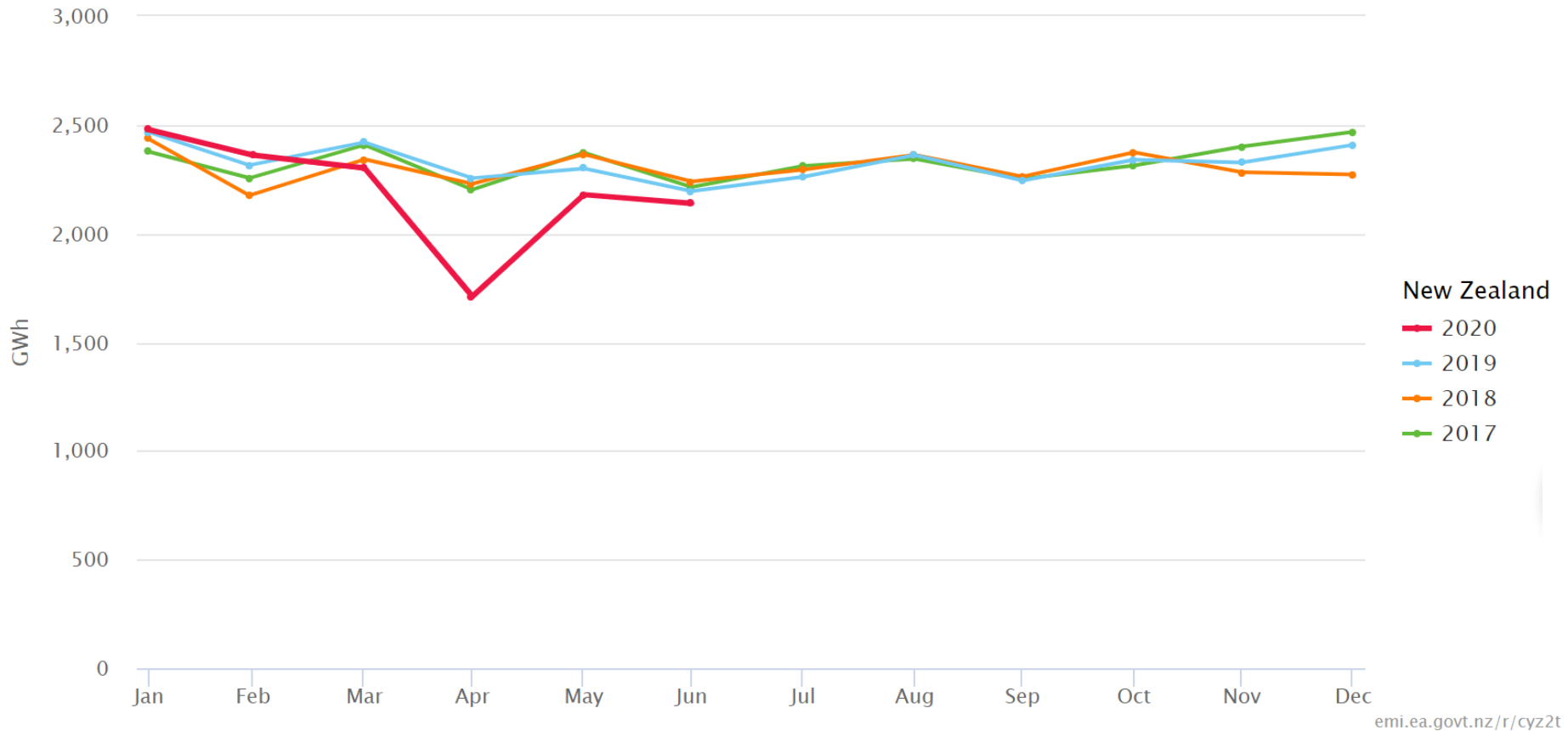
- High proportion and diversity of renewable electricity (~84%) reduces reliance on international trading
- System has become more resilient to shocks through experience with managing “dry years”
- Ongoing experience with earthquakes and other natural disasters means BCPs are well tested
- N-1 contingency management and variable, market-optimised reserve capacity are key features of the design
- Diversity of retail business models, customer value propositions and risk appetites reduces risk of cascade failure

NZ COVID RESPONSE –

Short, sharp disruption to NZ power sector

- NZ Government moved swiftly to Alert Level 4, resulting in compulsory shutdown on all non-essential businesses and country in “lockdown”
- Rapid and widespread implementation of income support measures for affected businesses
- We set expectations for industry participants and created a sector-wide platform for issues to be surfaced and information shared
- NZ electricity retailers increased customer focus and halted disconnections
- Retailer debt levels a key focus for the sector – we acted swiftly in case these were to rise above previous levels

REDUCTION THEN BOUNCE-BACK IN DEMAND



emi.ea.govt.nz/r/cyz2t

COMPETITION • RELIABILITY • EFFICIENCY

**ELECTRICITY
AUTHORITY**
TE MANA HIKO

FLEXIBILITY KEY FOR FUTURE UNCERTAINTY

Range of possible scenarios now broader than before

- No guarantee of not returning to lockdown in NZ
- Extent and duration of local and global recession are critical unknowns
- Customer debt levels (and retailer stress) may increase once support measures end
- Minimise Government intervention in the sector – we do not want to be “picking winners” in scenario or technology
- We need to ensure investment settings and incentives are right for whichever scenario eventuates – flexible market arrangements, efficient pricing signals and low barriers to entry and exit are key