



Economic Regulation Authority

2016/17 WEM Report

MAC update Feb 2018

Effectiveness of the WEM in meeting market objectives

Sent to the Minister on 15 Dec 2017

Published 12 Jan 2018



Context for 2016/17 report:

- **Uncertainty in the energy sector**
- **To support the effective operation of the WEM**
 - **Issues requiring urgent attention**
 - **Transitional changes under way and emerging**
- **March 2017 – Stakeholder workshop**
- **July 2017 – Discussion paper (10 subs)**



Key themes from feedback:

- Support for reforms announced in Aug
- Agency roles and the reform process
- Policy uncertainty - RCM and renewables
- Maintaining security and reliability
- Competition and market power
- FRC



Focus of the report:

- **Theme 1 – downward pressure on wholesale electricity costs**
- **Theme 2 – addressing risks to security and reliability in the market**
- **Theme 3 – developing a market design fit for purpose**



Wholesale electricity costs:

- **Cost trends**
- **Limited wholesale competition**
- **Competitive wholesale is requirement for effective retail competition**
- **Pricing discipline – SRMC and EGRC**



Security and reliability:

- **Proposed reforms – market efficiency**
- **Generation adequacy**
- **Governance of system security and reliability**

A collage of infrastructure-related images is located in the top-left corner. It includes a large image of a railway track stretching into the distance, and three smaller circular inset images showing a bridge, a power transmission tower, and a road construction site.

Fit for purpose market design:

- **Accommodate technical change**
- **System dynamics and pricing signals**
- **Timing and pace of reform**
- **Agency roles and responsibilities**