TRANSPOWER

System Operator Strategy

NOVEMBER 2026



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Foreword

New Zealand's electricity system is moving through a period of profound transformation. The transition to a more inverter-based and intermittent generation mix, the electrification of transport and industry, the growth of distributed energy resources, and changing expectations around reliability and resilience are reshaping the way our power system operates. Affordability of the energy transition also remains front of mind as consumers balance cost-of-living pressures and a desire to embrace an electrified, lower emissions future.

At the centre of this change is the System Operator. This is a role that needs to evolve with the changing system given its responsibility for ensuring the system can be operated securely and reliably in real time and under future conditions while enabling efficient market outcomes. System operation will become more complex and data-driven, requiring closer coordination between transmission and distribution networks, greater visibility of distributed resources, and more active management to maintain security, reliability and market efficiency.

As we looked ahead to the next decade, it was clear that a new strategy was needed to guide our work. This System Operator Strategy looks ahead over the next ten years to identify the key priorities and initiatives for the next three years. It sets a clear direction to shape our work with our partners across the electricity sector to meet the needs of consumers, market participants, regulators, and government.

A defining feature of this strategy has been the way it was developed. We have worked closely with the electricity sector throughout the process, recognising that the future challenges facing the power system cannot be addressed by any one organisation alone. The strategy has been informed by two phases of industry engagement and ongoing conversations with participants from across the sector.

Generators, lines companies, retailers, industry bodies, government agencies, regulators, technology providers and other stakeholders have all contributed valuable perspectives that have strengthened our thinking and helped shape the priorities set out in this document. We are grateful for the openness, expertise and constructive challenge provided.

The engagement process revealed a strong level of alignment on the key trends, risks and opportunities facing the electricity system. It also reinforced the importance of collaboration as we navigate increasing complexity together. The result is a strategy that reflects the System Operator's operational experience and insights from international jurisdictions as well as the collective knowledge and aspirations of our partners across the New Zealand electricity sector.

This is an ambitious strategy, but we must deliver it if the electricity sector is to enable New Zealand's energy future, economic growth and wider social ambitions. As households and businesses become increasingly dependent on electricity, maintaining confidence in a reliable electricity system will be critical to sustaining electrification and investment. New generation, networks and technologies are essential, but they must be matched by the System Operator capability needed to coordinate and operate an increasingly complex power system securely and efficiently.

Delivering these priorities will therefore require prudent and timely investment in our people, tools, data and operational capabilities. The capabilities needed to operate tomorrow's electricity system will be fundamentally different from those of the past. This Strategy provides the foundation for developing the System Operator service so it can continue contributing to system reliability, efficient power system outcomes and investor and consumer confidence.

The future electricity system will be more dynamic, more decentralised, and more complex than today's. By working together, maintaining a clear strategic focus, and investing prudently in the capabilities required for the future, we can ensure the System Operator continues to support a secure, resilient and affordable electricity system, giving New Zealanders confidence to increasingly rely on electricity as our economy grows and electrifies.



Owen Coppage
Transpower System Operator
Committee Chair



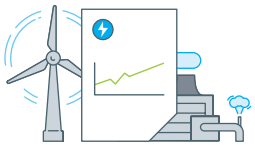
Our strategy on a page

PRIORITIES



Operating a secure, highly variable power system

Proactively manage system risk and limits to keep the power system secure and operable under increasingly complex conditions.



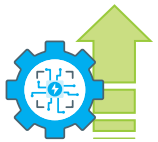
Efficient market operations and information provision

Efficient delivery of Authority market design. Inform development of future market design and security of supply framework to support the Authority's delivery of a competitive, reliable system.



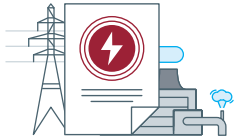
Evolving operational capability

Develop a resilient, integrated System Operator capability leveraging AI and digital solutions, that scales with system complexity and leads operational practice across the sector.



Leveraging data and distributed energy resources

Enable secure whole of system operation through shared visibility, common standards and data, TSO-DSO coordination, so that DER/CER can integrate anywhere without undue operational risk.



Strengthening industry resilience

Strengthen industry preparedness, coordination and restoration response for unplanned outages, as event frequency and severity increases.

HOW WE DELIVER

- Value for money operations
- Open, accessible communication and engagement
- Impartial and transparent decision-making
- Collaboration with regulators and policy makers
- Agile change management capabilities

KEY PERFORMANCE INDICATORS: These will be developed with the Electricity Authority

Overview and approach

The System Operator plays a pivotal role in New Zealand's power system. We are responsible for maintaining power system security[1] and operating the wholesale electricity market in real time, providing security of supply[2] information, managing supply emergencies, and ensuring the system remains stable today and in an increasingly complex and dynamic future. Transpower's role in providing the System Operator service is embedded in legislation and oversight is provided by the Electricity Authority (the Authority) who contracts this service to Transpower. In that context the System Operator must meet its statutory obligations while supporting the Authority to achieve its objectives. Our role therefore extends to supporting the government and Electricity Authority in designing market and policy requirements that ensure we continue the transition towards an efficient and resilient energy future.[3]

This work is becoming increasingly complex as the power system evolves. System operators worldwide are having to rapidly expand their understanding of new system dynamics as the supply mix changes to inverter-based, variable renewable sources, and invest in data, systems and other capabilities to respond effectively. Electrification of new loads, in some cases very large loads like data centres, brings a more sophisticated demand side that has different needs from, and can offer new opportunities to, the power system.

The impact of this evolution must be effectively understood and addressed to allow Aotearoa to have the vibrant, stable electricity system it needs to support electrification of our economy and ultimately meet our emissions reduction targets.

The development of a forward-looking strategy for the System Operator is therefore very important. In times of increasing complexity and change it is vital to have clear priorities that will deliver robust outcomes now and provide optionality and agility to support future system needs. The SO Strategy therefore takes a ten-year forward view to set a clear direction for how the System Operator service will need to evolve into the future, and guide investment planning for the next three-year System Operator service funding period that will commence in July 2028.

All of this must be done with affordability being front of mind. While we do not have any ability to control electricity prices, the services we provide are fundamental to the delivery of an efficient, competitive electricity market and make up around 0.4% of an average residential electricity bill. It is important that we continue to invest in the systems, capabilities and processes that allow for efficient dispatch and vibrant competition from the demand and supply sides, and we must also continue to run an efficient operation so that we can provide an effective service while keeping our costs as low as possible.

Finally, we must consider the impact we have on overall system costs through the obligations and requirements we may place on market participants to manage system stability. A careful balancing of the cost and risk trade-offs must always be part of our decision-making.

Our strategic priorities have been informed not only by our own experience managing Aotearoa's power system, but also extensive industry consultation and learnings from other markets. Industry engagement has been a critical part of the process as we have heard directly from those interacting in the power system about what it needs to be able to deliver now and into the future.



1. System security refers to the ability of the power system to remain stable, secure, and operable in real time—maintaining frequency, voltage, and system integrity under normal conditions and credible contingencies. This can also be referred to as system stability.
2. Security of supply refers to the ability of the electricity system to ensure sufficient generation is available to meet demand over time, including during peak demand and prolonged periods of supply stress such as a dry winter. This is also more broadly referred to as resource adequacy.
3. Refer to Appendix A for more information on the System Operator role.

Our approach to developing the SO Strategy

The development of our SO Strategy was informed by two rounds of industry engagement. As noted, industry consultation is a new and important element of our strategic planning approach, ensuring that diverse perspectives from across the sector contribute to shaping our priorities. The approach we have taken is summarised in Figure 1.

Figure 1: System Operator Strategy development approach



In December 2025, we commenced Phase 1 of consultation by releasing a paper and inviting feedback on a broad review of trends and influences in our sector.[4] These were informed by our own experience and operational knowledge, international engagement with other System Operators, system events domestically and internationally as well as our risk management approach. In addition to the Phase 1 consultation submissions, we engaged with different industry stakeholder groups and participants in a series of workshops ahead of and during the consultation period.

In June 2026, we commenced Phase 2 of consultation by seeking feedback on a draft System Operator Strategy that set out our proposed strategic priorities, outcomes and initiatives. We invited feedback on whether they appropriately reflected the key issues and opportunities for system operations over the next 10 years identified through Phase 1. In addition to the consultation process we also engaged with industry through a second round of stakeholder workshops and webinars on the draft System Operator Strategy.

Engaging widely with stakeholders in the development of the System Operator Strategy has been valuable and insightful, confirming significant cross-industry alignment in some areas while testing our thinking in others.

The Strategy will provide a foundation for our forward work and investment planning, including our proposal to the Authority for funding to cover Transpower's costs of providing the System Operator service from July 2028 to June 2031.

4. System Operator Strategy, Key Trends and Issues, December 2025

Working together with other industry processes

The SO Strategy combines technical, market, and policy information to complement a range of existing and planned work programmes. It considers the scope of the System Operator's role and functions today while also contemplating the future needs of the power system, market and industry. As the analysis for our Strategy has contemplated the broader needs of the power system and stakeholders' own plans and strategies, we anticipate that our Strategy will feed into the Authority's work plan development and prioritisation process. Where we have identified issues that are not for the System Operator to progress, or require us to work with other parties, we have noted this for raising with those parties (refer to Section 4).

It is also important that the SO Strategy both considers and helps shape the industry's plans, as well as Transpower's Te Kanapu future grid blueprint.[5] These reflect a common strategic context – a rapidly evolving electricity sector in New Zealand. Te Kanapu focuses on how the transmission grid needs to evolve to support an electrified future, looking ahead to 2050. In contrast, the SO Strategy is focused on keeping the power system functioning over the next 10 years and in real time. Transmission is an important part of that operational perspective, but only one of many factors the Strategy must consider. Likewise, Te Kanapu will look to the SO Strategy to assess how transmission planning and operations may need to evolve to support a more complex, dynamic system. While distinct, the two workstreams are highly complementary.



5. Te Kanapu | Transpower

A strategy to support a dynamic system

The context in which we operate has shifted

New Zealand's energy sector is undergoing transformational change that is unprecedented in pace, scale and complexity. Accelerating electrification across transport, industry, and households is expected to drive new investment and increases in electricity demand, while the generation mix is shifting rapidly towards renewable, weather-dependent, and inverter-based resources. At the same time, distributed energy resources, such as rooftop solar, batteries, electric vehicles, and demand response, are expected to be material contributors to the electricity system. These changes are fundamentally altering how the electricity system behaves and how it needs to be operated.

In developing our Strategy, we evaluated the theme of change in our Phase 1 *'Trends and Drivers'* consultation,[6] which captured our own knowledge and operational experience, the key risks[7] in our risk register, recent work by others completed on Aotearoa's energy sector, and learnings from international jurisdictions. This was further informed through our deep engagement with stakeholders. This evidence supports our view of the key shifts and changes in system attributes that will impact on the electricity system, and informs the development of our strategic priorities.

Although the System Operator's core objectives and functions are enduring, we must adapt to our changing environment and be proactive in taking a more forward-looking and adaptive approach. As change occurs, we must evolve our services to plan for and proactively respond to a range of complex issues, identify opportunities to improve, and prudently mitigate risks where we can influence.

Our Phase 1 engagement sought feedback on a set of trends and drivers that are likely to impact the operation of the electricity system over the next 10 years. The trends and drivers detailed below create risks and opportunities for the delivery of the System Operator service. The task is no longer limited to managing a centralised, linear and predictable system, but instead requires embracing a more decentralised, data-rich, and dynamic system involving a wider range of participants and technologies. This context necessitates a strategic shift in how the System Operator approaches capacity, capability and investment in the next three to ten years.



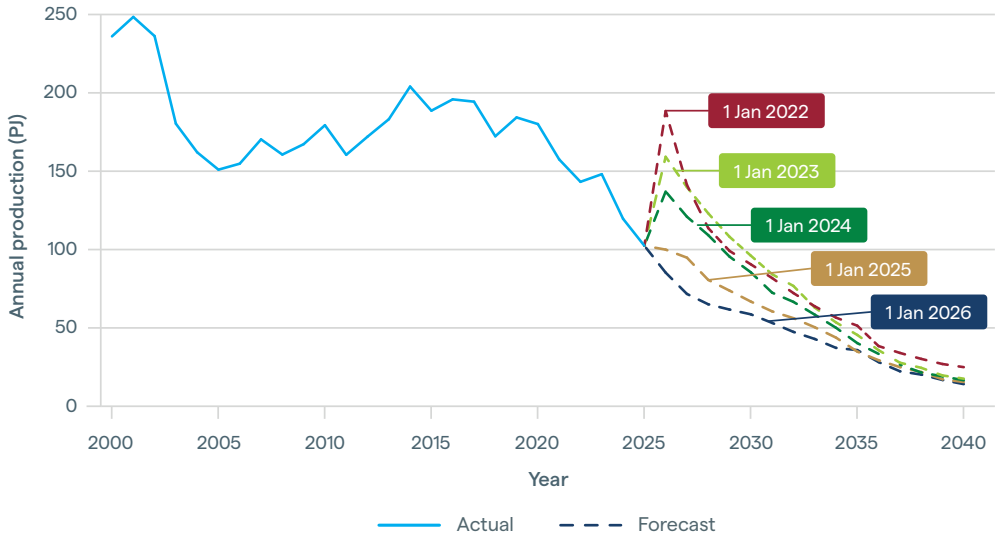
6. System Operator Strategy 'Trends and Drivers' – Consultation 1
7. Refer to Appendix C for a mapping of key risks to the strategic priorities

Political and regulatory environment

The global environment in which New Zealand operates is becoming more unstable. Global geoeconomic instability, supply-chain constraints, and competition for capital and equipment continue to challenge the energy sector. Here in New Zealand, there is increased political and regulatory emphasis on security of supply and market performance, while the pace of regulatory change continues to accelerate. Natural gas reserves declined by 43% between 2024 and 2026, materially increasing security of supply risk. The Government is examining the potential for an LNG import facility to support energy security.

Consultation feedback
Focus on security of supply: This emerged as a central strategic issue for the sector, reflecting tightening fuel availability, dry-year risk, growing peak demand pressures and increasing public sensitivity to reliability and price outcomes. The conversation is no longer solely about delivering the transition at least cost; it is about ensuring the system remains dependable through that transition, including under stressed conditions. Stakeholders highlighted increasing real-time and weather-driven risks, and a need for clearer accountability and stronger system capability to maintain reliable supply. While the System Operator has a clear role for the provision of information, explicit accountability for delivering security of supply is not clear across stakeholders. For example, security of supply assessments signal a need, but do not carry triggering actions or outcomes that are required to address the need (e.g. obligations on participants, new ancillary services, system capability).
Regulation pace mismatch with technology and system change: The system is changing faster than traditional regulatory cycles were designed for, and that gap is becoming a strategic risk in its own right. If settings lag too far behind technology and system need, investment slows, risks accumulate and the cost of later catch-up increases. However, some stakeholders believed regulatory change is too fast, fragmented, and uneven across the sector, with capability not keeping pace. There was no single consensus but all agreed that the value of regulatory change needs to be clearly articulated and the ability of different businesses to ingest this change needs to be considered.

Figure 2: Natural gas production forecasts



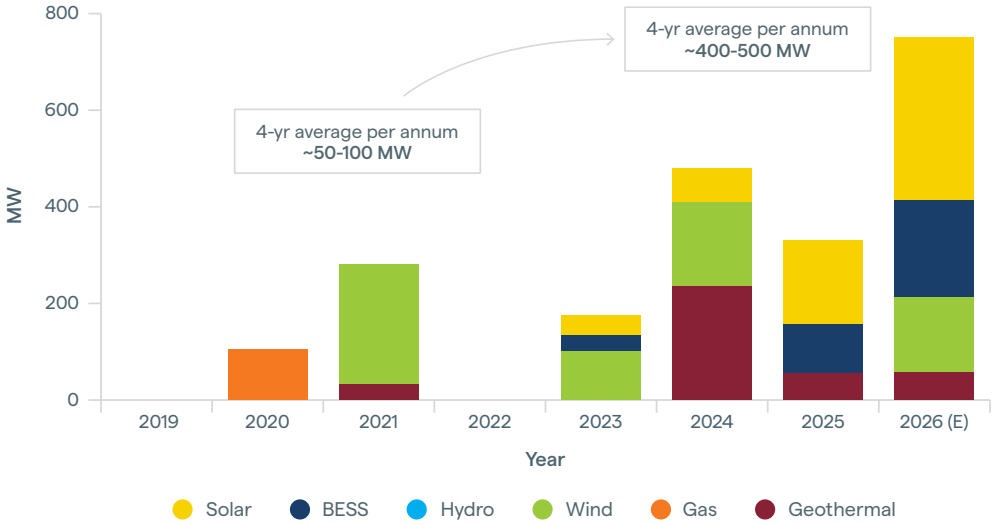
Source: Transpower analysis

Economic and market changes

The electricity sector is undergoing rapid and bumpy economic and market change as electrification accelerates and the generation mix shifts toward renewable and distributed resources. Investment in new renewable generation is increasing, while declining domestic gas supply and reduced availability of thermal generation are increasing reliance on renewable energy. Electricity demand is expected to grow over time, driven by electrification and emerging large loads, but growth remains uncertain in scale, timing, and location. At the same time, higher renewable penetration is increasing price volatility and the value of firm and flexible resources such as batteries and demand response. Investments in supply and demand need to be broadly aligned to ensure both efficient and reliable supply.

Consultation feedback
Electrification investment: Investment is accelerating. Stakeholders emphasised the need for faster connections, improved incentives for new technology to participate in the market, more flexible risk management, and modernised tools and frameworks to support demand growth. A clear example is the lumpiness of investment, which tends to be in step changes (e.g. data centres and process heat conversion). This reflects the tension between enabling large growth, while maintaining system stability and efficient investment. Conversely, the sudden exit of large load can have the same impact.
Firming and flexibility: There is a growing need for firming and flexibility (e.g. BESS, demand response, hydro) to manage variability from intermittent generation and demand, but many stakeholders believe the market is not fully enabling this. Discussions surfaced questions such as who is best placed to deliver firm and flexible supply in the market – with clear trade-offs across the need for firm and flexible supply, broader security and price volatility. Stakeholders also highlighted concerns around whether current market settings and price signals are sufficient to support investment in firm and flexible supply, with questions around revenue adequacy and the ability of scarcity pricing to emerge consistently.
Electricity market innovation/DSO: Stakeholders highlighted that market design, price signals and operational models are not keeping pace with decentralisation, with unclear roles, weak coordination, and a need for improved Transmission System Operator to Distribution System Operator (TSO–DSO) integration. For example, stakeholders emphasised the need for clear roles and responsibilities across the TSO–DSO model.

Figure 3: Generation supply additions, MW



Source: Transpower commissioning data

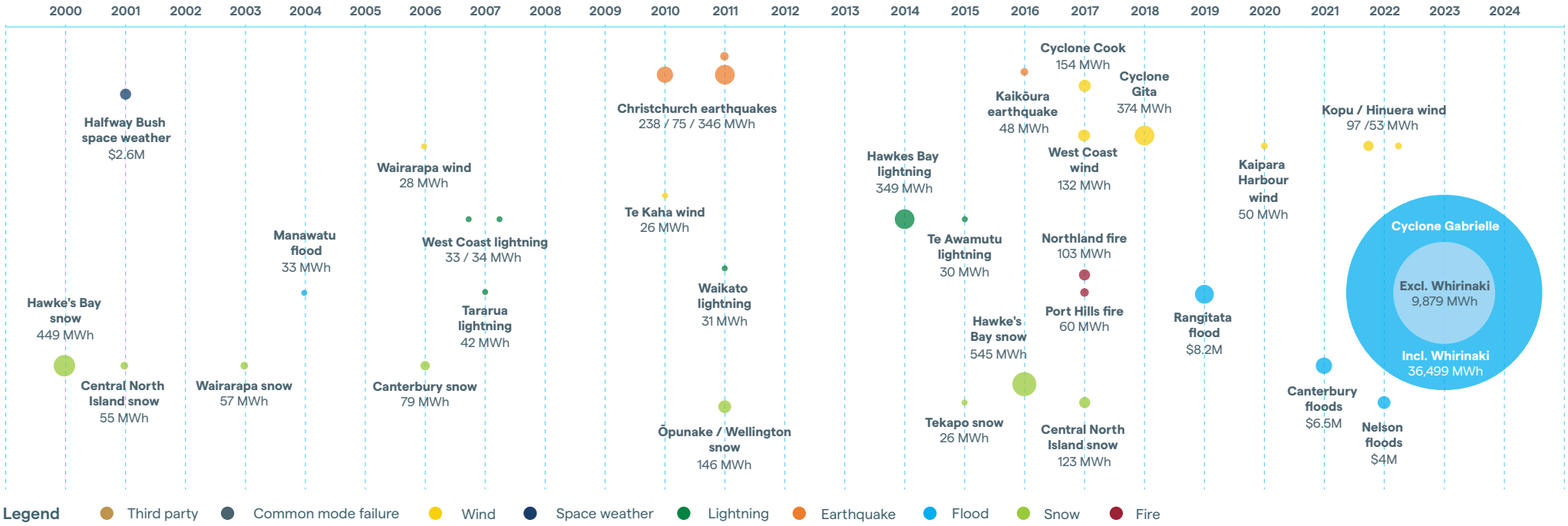
Environmental

Climate change and severe weather events are amplifying both operational and planning challenges. The electricity system is becoming more exposed to more frequent and severe weather events, increasing the risk of asset damage, supply disruption, and forecasting error. In addition, as our supply mix becomes more weather-dependent, changes in rain, wind or sun can cause significant swings on the power system.

Consultation feedback

Climate change (weather and resilience risks): Stakeholders agreed that a highly weather-dependent system will be inherently more volatile and harder to forecast. They also noted that the system response will need to be faster to maintain system stability as weather patterns such as cloud cover and wind gusts impact generation output. There was an additional challenge raised, particularly by distribution businesses, around the need for increased event management coordination and training. The System Operator was seen as a potential source of knowledge and expertise for the sector looking to improve capability in event management.

Figure 4: Resilience History



The bubbles indicate the amount of energy unserved, which is a measure of the energy demand that could not be met due to the event. Where there was no loss of service the cost of the impact is shown. The bubble size is made relative using a standard value of lost load of $25,000 per MWh.

Source: Transpower Climate statement FY26

Societal and consumer evolution

Societal and consumer expectations are also shifting. Electricity will become the dominant energy source for daily life and economic activity, increasing public sensitivity to outages, price volatility, and perceived system risk. Consumers and communities are placing greater emphasis on resilience, affordability, and participation, investing in their own generation and electric vehicles. A study by the Energy Efficiency and Conservation Authority (EECA) found that 83% of New Zealanders worry about increasing household energy prices. While electricity offers a means of reducing overall household energy costs for many consumers, the capital outlay of switching can be a barrier for some, impacting the rate of electrification.

Other trends related to digitisation, such as cyber security (refer to Appendix E) and system integrity, are emerging as critical trust issues for the system to navigate as we electrify our economies. In parallel, workforce demographics and skills availability are changing, increasing competition for specialised capability and heightening the importance of knowledge retention and capability development.



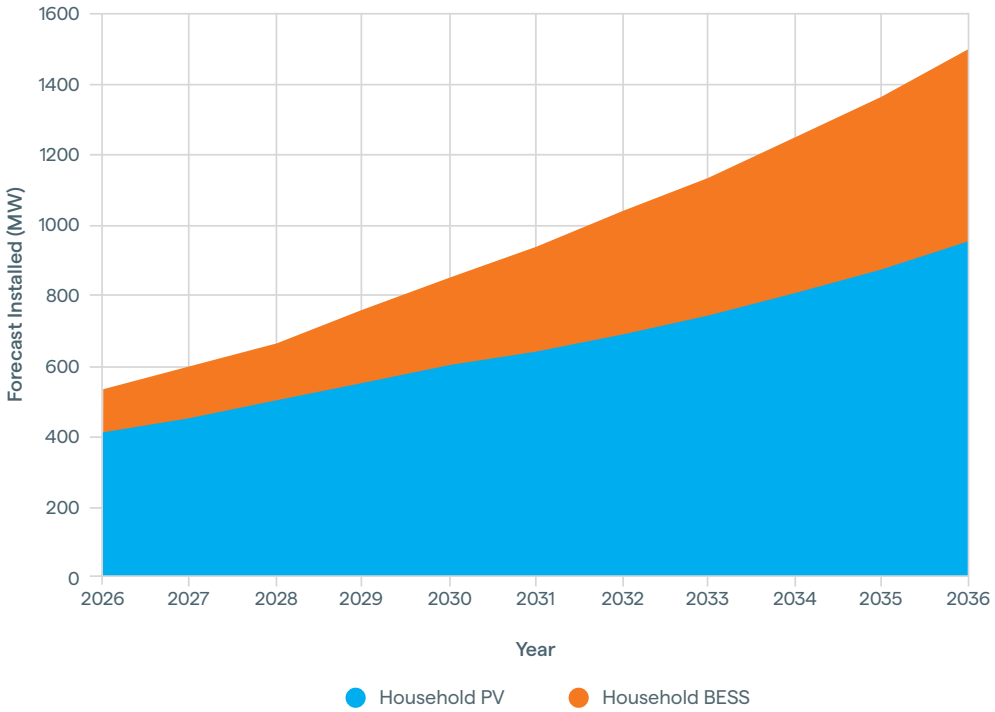
Affordability ranks highest as an important issue facing the electricity sector and is the one New Zealanders are most concerned about

- **80% of residents** and **86% of small businesses** view affordability as an important issue facing the sector.
- **69% of residents** and **57% of small businesses** are concerned electricity will become unaffordable for some over the next 10 years.

Source: Consumer Advocacy Council, Consumer survey 2023

Consultation feedback
Talent pipeline: Many stakeholders shared a similar concern about an aging specialist talent base and growing competition for the next generation of critical capability. Stakeholders also highlighted broader, industry-wide constraints in building and retaining this capability, including competition for specialised skills and limited training pipelines. Some stakeholders see the need for coordinated approaches to capability development in control rooms and the need for clear leadership to progress this.
Energy affordability: Affordability remains a defining issue for consumers and is central to maintaining public support for electrification. If the transition is seen as driving higher bills without clear benefit, the sector's social licence and the pace of change may both come under pressure. Stakeholders emphasised the need for a more efficient, well-coordinated energy system to deliver value, manage cost where appropriate and support economic outcomes (such as efficient dispatch of the lowest cost resources in the market). While stakeholders recognise that the System Operator has a limited direct role in influencing affordability, it remains an important contextual consideration for us. We discuss this further in the *Key enablers of the strategy* section of the document.

Figure 5: Projected NZ household DER and BESS installed capacity

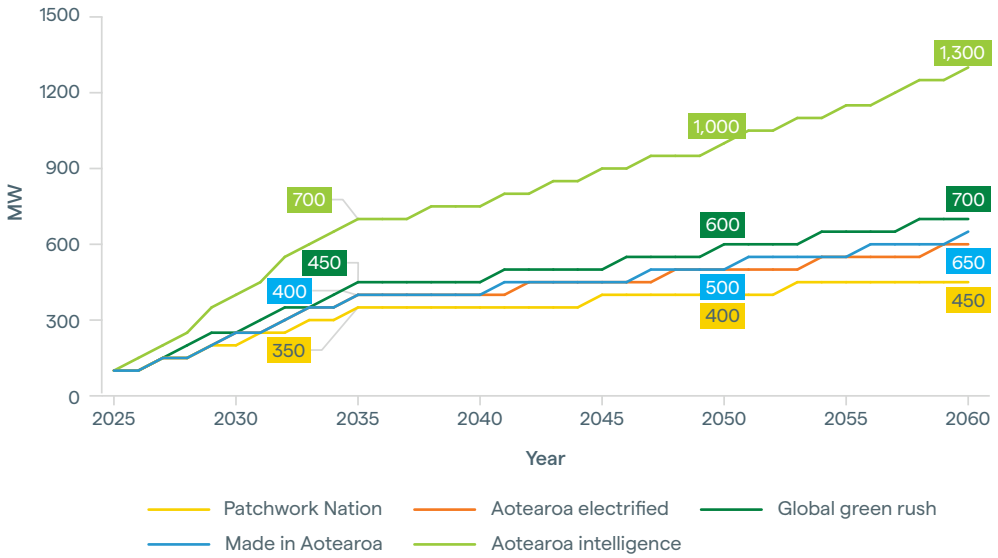


Source: Transpower Power System Stability Information Paper – June 2026

Technological change

Shifts in technology are both a driver of complexity and a critical enabler of future system performance. Rapid advances in digitalisation, data availability, automation, and artificial intelligence are transforming how power systems can be monitored, analysed, and controlled. At the same time, declining system inertia, reduced system strength, and the proliferation of inverter-based resources are introducing new operational risks that require new tools, skills, and market arrangements to manage.

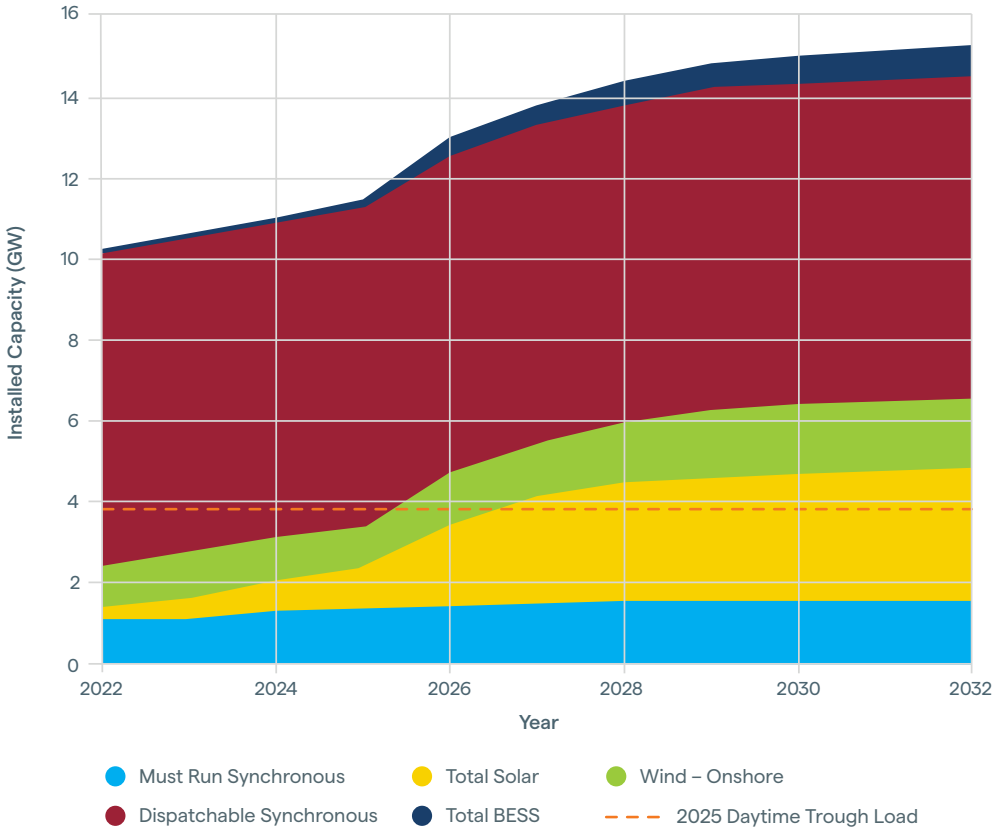
Figure 6: New Zealand data centre electricity demand scenarios



Estimates of the shares of AI in total data centre electricity consumption vary widely and are based at best on imperfect proxies

Source: Te Kanapu – Data centres insights

Figure 7: Forecast generation mix



Source: Transpower Power System Stability Information Paper – June 2026

Consultation feedback
Decentralisation and distributed energy resources: Stakeholders consistently described the future becoming more distributed, dynamic, and less directly observable. Stakeholders emphasised the need for clear roles, stronger coordination, and better visibility across both transmission and distribution. In the System Operator context this is an increased understanding and visibility of resources on networks to improve whole-of-system operations, rather than direct control at the distribution level.
Data and digitisation: Data is seen as a foundational enabler of future system operations. As the number of connected devices, sensors and controllable resources expands, the ability to collect, share, trust and act on data will increasingly determine how effectively the sector can forecast, optimise and manage risk. Increased data access and sharing, data standards, interoperability, and increased system visibility are seen as essential foundations for operating a more complex, decentralised system. Stakeholders viewed data as a foundational prerequisite for other key areas, such as managing distributed energy resources, establishing flexibility, and coordinating event responses.
Inverters and BESS: Stakeholders agreed that the rapid growth of inverter-based generation and battery storage is one of the most significant structural changes facing the power system. While these technologies offer major benefits, they also change system physics by reducing inertia, affecting system strength and introducing new stability risks that legacy frameworks were not designed to manage. Most stakeholders saw these issues as core competencies for the System Operator to develop and ensure there is sufficient data to assess the risks as well as fit-for-purpose solutions developed that did not introduce excessive cost.
Artificial intelligence: Stakeholders noted opportunities from the use of AI to increase operational capability and capacity in forecasting, planning, connection studies, and real-time decision-making, but adoption must be underpinned by strong data foundations and AI governance. Stakeholders agreed that we need to take an iterative "test and learn" approach given the criticality of infrastructure involved. Stakeholders also noted that the System Operator would need to build capability to respond to increasing use of AI by market participants, including automated decision-making and agent-based interactions.



Lessons from the Chilean blackout, February 25, 2025

On 25 February 2025, Chile experienced a near-nationwide blackout. Power was lost mid-afternoon and full restoration took up to 24 hours in some areas. The initial trigger was a failure on a high-voltage transmission line following a failure of protection communications on the circuits. This event led to cascading disconnections across the national system.

The Central-Southern region collapsed after about 4 seconds due to underfrequency, and the Northern region collapsed after about 4 minutes due to overvoltage. Restoration of all demand took 24 hours, with several black start facilities failing to synchronize to the grid, and some areas losing SCADA. Whilst human error, combined with single-point vulnerabilities in communications and protection triggered the event, there are lessons from this event which should be applied in NZ:

- *Weak grid support from both synchronous and IBR generation and non-compliant generation accelerated the collapse* – In NZ we undertake routine and commissioning testing for compliance, but we need to strengthen compliance in these areas including monitoring and reviewing events for generator, BESS and large load performance.
- *Low inertia and voltage instability contributed to island failure* – We need to expand expertise and tools to help monitor and assess system strength and mitigate these risks.
- *Limited transparency made event reconstruction and response assessment harder* – Visibility of system parameters and DER will become increasingly important as we move to higher IBR penetrations, both for our Automatic Under Frequency Load Shedding (AUFLS) and for real-time visibility and risk assessment.
- *Restoration was delayed and uncertain due to insufficiently detailed planning* – We regularly test our black start capabilities but we need to review these in light of international events and a changing power system. New technologies may be able to offer additional services in this area.

Figure 8: High voltage network, Coordinador Eléctrico Nacional (CEN) – Chile



Source: Chilean Grid Blackout of February 2025: Causes and Lessons

What does the power system look like in 2036?

We understand how our current context has changed but what could the power system look like in 2036?

By 2036, we aim to operate a power system that is co-ordinated, data-driven and highly adaptive. The system will have evolved beyond one dominated by centralised generation and largely passive demand, to one increasingly shaped by the choices of consumers and businesses. Electrification, distributed energy resources, batteries, electric vehicles and flexible demand mean customers will play a much greater role in determining when, where and how electricity is produced and consumed. The pace of this change will not be centrally determined, but influenced by customer choices, technology costs and the affordability of switching from other fuels to electricity.

This more decentralised system requires much stronger coordination across transmission and distribution. A practical TSO–DSO model underpins system operation. Distributors and the System Operator orchestrate system-wide balancing and security management across demand and supply-side resources—enabled by shared visibility of operational data, clear roles, and aligned market signals.

The system is more complex—with high penetrations of variable renewable, and inverter-based generation, distributed energy resources, EVs, and active demand—but this complexity is contemplated in the Electricity Authority's market design and the System Operator has invested in the tools and capability needed to actively manage it. Security is maintained through a deep understanding of system behaviour and limits, dynamic operating envelopes, and decisions are informed by probabilistic, forward-looking analysis, rather than static rules. Intervention is a last resort as market-based products and fit-for-purpose tools and systems in our control rooms enable more proactive event management.



A step-change in data visibility is foundational to this shift. Real-time insight across transmission, distribution, and distributed resources enables better coordination, and more efficient outcomes. Data is treated as core system infrastructure.

Markets have evolved to unlock flexibility across all levels of the system. Participation has broadened—from large generators to aggregated consumer resources—with more granular, time-sensitive signals aligned to real system conditions. The System Operator plays a defined role: implementing market design, maintaining real-time security and efficiency, and providing trusted information on system conditions and security of supply.

Operational capability has scaled through investment in targeted automation and advanced AI decision support. Routine actions are increasingly automated, allowing operators to focus on risk, judgement, and high-impact events in a more complex environment. Resilience is built into the system—through grid-forming technologies, storage, and multiple restoration pathways. Cross-sector dependencies are actively managed as part of system security.

Our strategic priorities highlight what we plan to do over the next three years to move from where we are today to this future power system. We articulate the choices we will make to deliver the highest value outcomes for Aotearoa's power system, identifying capability and capacity building initiatives across our people, process, tools and systems.

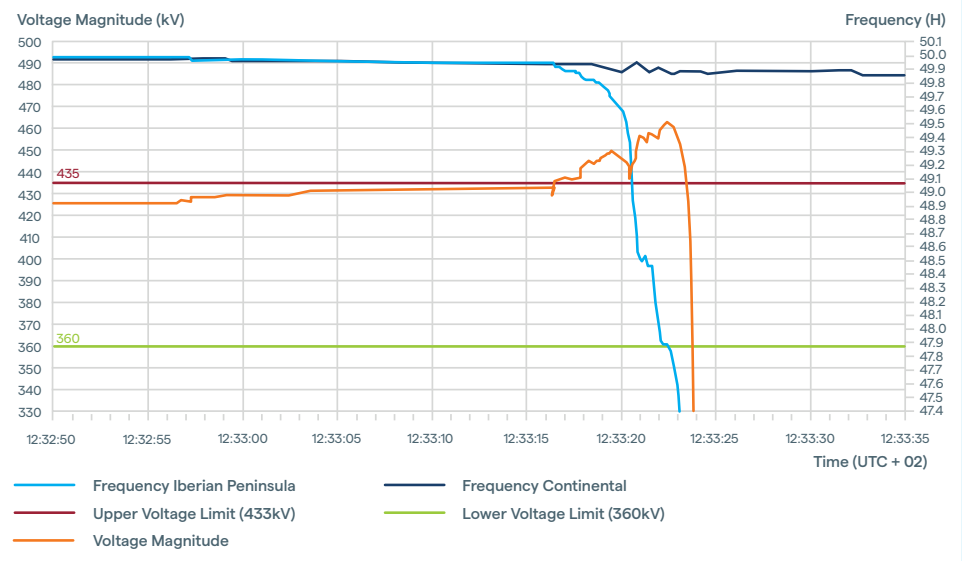
Lessons from the Iberian blackout, April 28, 2025

On 28 April 2025 at 12:33 pm Spain and Portugal experienced a full blackout. Some areas of the peninsula were without power for over 16 hours. This was the most severe blackout in Europe in 20 years. Ultimately the system collapsed after voltage rose towards operational limits and triggered generator disconnections. However, the event involved a build-up of factors in the 30 minutes or so before failure.

The system began experiencing undamped oscillations – one of which was new and triggered by IBR control system interactions. Control rooms tried actions to damp these, but those actions worked to push voltage up. As the voltage climbed, a 350 MW generator tripped, pushing voltages higher, and in the next two minutes, almost 2,000 MW of generation tripped. The backstop system defence – equivalent to our AUFLS – was insufficient to prevent full system collapse. Whilst the NZ system is different in many ways to the Spanish system, several of the learnings from the ENTSO-E investigation can be applied to our context.

- *The Iberian system ran out of reactive margin (spare reactive power capacity) to control the voltage and overvoltage protection settings for many generators and networks were not aligned with system needs.* There are several recommendations to combat these issues for Spain, and in some cases NZ is in a better position. However, as for Chile, it is important to strengthen testing, compliance and performance of generators and BESS in supporting voltage control. We also need to consider how ramp rates of intermittent generation affect system frequency and voltage.
- *The Iberian system experienced potentially damaging undamped oscillations ahead of collapse.* Understanding, monitoring and analysing these undamped oscillations is an increasingly important area internationally and NZ is no exception. We need to grow our engineering capability in this field, develop processes and tools to assist us.
- *System defence in Spain failed, and they had poor visibility of DER.* In NZ we have updated our AUFLS scheme, but we will need to review the effectiveness of this in the light of more DER. Similarly, we need greater visibility of DER volumes within the distribution networks to both plan and operate the system security.
- *The Iberian event has underscored the value of industry restoration training and practices.* In NZ we run 6-monthly black start exercises and annual whole-of-industry practices. These will need to continue and evolve as the industry transitions.

Figure 9: Evolution of frequency and voltage in Carmone (Spain) against frequency in Continental Europe



Source: ENTSO-E Final Report

Strategic priorities for the System Operator

To develop the strategic priorities for the System Operator service, we have taken into consideration a wide range of analysis, international learnings and stakeholder feedback. There are clear themes that have risen to the top of the agenda across those various inputs as well as other areas where there may be less alignment but where there is a clear power system impact that must be addressed. The strategy synthesises those different perspectives into the following five priority areas of focus for the next three years to fit the specific conditions of Aotearoa's power system.

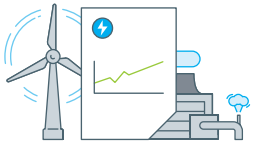
In addition to clarity on *what* we must do, we must also be clear about *how we deliver* our work. We have captured these as key enablers of the strategy to reflect their importance and need for ongoing focus. We discuss these below, followed by a section for each of the five strategic priorities, the outcomes we want to deliver and the planned initiatives we are seeking funding to execute. Some of the initiatives are already underway and we have used this strategy development process to prioritise our existing work programme. Most initiatives focus on the 2028–2031 period at the heart of this Strategy. Where we are clear that some initiatives will extend beyond that timeline we have highlighted this to signal now to the Authority and market participants the likely change and investment requirements.

PRIORITIES



Operating a secure, highly variable power system

Proactively manage system risk and limits to keep the power system secure and operable under increasingly complex conditions.



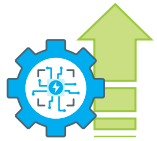
Efficient market operations and information provision

Efficient delivery of Authority market design. Inform development of future market design and security of supply framework to support the Authority's delivery of a competitive, reliable system.



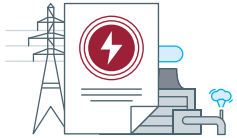
Evolving operational capability

Develop a resilient, integrated System Operator capability leveraging AI and digital solutions, that scales with system complexity and leads operational practice across the sector.



Leveraging data and distributed energy resources

Enable secure whole of system operation through shared visibility, common standards and data, TSO-DSO coordination, so that DER/CER can integrate anywhere without undue operational risk.



Strengthening industry resilience

Strengthen industry preparedness, coordination and restoration response for unplanned outages, as event frequency and severity increases.

Key enablers of the strategy

As we considered the range of opportunities and challenges facing Aotearoa's power system over the next 10 years it became clear that there were important choices for the System Operator function to make in terms of what initiatives were prioritised. This has formed the basis of the five priorities. There are however a range of key enablers that we need to maintain or develop over the next ten years that go more to *how we deliver* our work. These are important to the delivery of the Strategy for us but also for our stakeholders. Some of them also require additional investment as we mature our ability to deliver in these important areas.

Affordability must be top of mind – value for money operations:[8]

The System Operator function, by design, does not interact directly with consumers. We are however acutely aware of the impact that electricity prices have on the homes and businesses of New Zealand. We are also mindful of the impactful role we have in supporting the wider industry to supply reliable electricity to consumers across the country at affordable, competitive prices. While the direct cost of the System Operator service is a relatively small component of consumers' electricity costs, the outcomes we enable and the risks we manage can have much wider implications for reliability, efficient market operation and overall system costs. Underinvestment in the capabilities needed to operate an increasingly complex power system could result in poorer reliability, greater intervention and inefficient outcomes, while investing significantly ahead of need would bring forward System Operator costs without commensurate benefit. We must therefore ensure we operate efficiently, prioritising investments to the highest value outcomes and effectively managing cost-risk trade-offs associated with any market change or obligations on participants. We have provided an overview of the cost of providing the System Operator service over the last 5 years in Appendix F. This shows that the SO costs have increased over time, but at less than the rate of inflation, as the volume and complexity of work has changed.

Open, accessible communication and engagement:

The System Operator team undertakes a significant range of consultations and engagements throughout the year. From regular System Operator forums to annual Industry Exercises, to regular publications of Energy Supply Outlooks, the System Operator is constantly communicating and engaging with market participants and stakeholders. This becomes even more important during periods of transition and change. While we believe we have good communication tools we recognise there are significant improvement opportunities in this space that will improve the effectiveness of our communications, the clarity of the information we provide and the transparency and accessibility of publications. We also hear from stakeholders that they want more transparency of how we make decisions about elements impacting the power system and ensure we share the analysis and insights that we generate internally. As part of delivering on this Strategy we commit to continuing to improve in this area and investing in communication channels and additional resources as required.

Impartial and transparent decision-making:

The System Operator function is a legislated function of Transpower under the Electricity Industry Act 2010. The Act also requires the Electricity Authority to contract Transpower for its System Operator services. This allows Transpower to recover the costs associated with the provision of that service above and beyond its requirements as the transmission owner and operator for New Zealand. This integrated approach makes sense for a small market like New Zealand where the cost and skillset required to run a separate System Operator would be onerous. However, it is important that the System Operator acts in an impartial way given its central role in the system. Impartiality ensures that the System Operator does not favour Transpower's transmission business in its operation of the system in real time or in commissioning or in any other way across the power system. We take these impartiality obligations very seriously. Since 2019 there have been regular external audits of the System Operator function and its impartiality practices with no material findings in any of these reviews. These audits highlight that the training and processes we have in place are robust and operating effectively. There are however always areas of opportunity to improve and we will continue to focus on evolving our practices and the transparency of our reporting in this area. As the System Operator evolves into the future we will continue to assess, and where needed, strengthen our impartiality controls.

8. Refer to Appendix F for indicative system operator service costs.

Collaboration with regulators and policy makers:

The electricity sector has a number of policy and regulatory bodies that are important to the delivery of the System Operator service. We have sought direct engagement with these institutions in the development of this Strategy to help support increased collaboration and alignment on system-wide goals and priorities. We believe this is increasingly important given the rapid pace of change. Similarly, industry engagement in the development of our strategic priorities, our work programme and in the numerous consultation processes we run throughout the year is vital to the creation of effective, workable outcomes. We have been very grateful to all of the government, regulatory and business stakeholders that have given their time to shape this Strategy and look forward to continuing this level of engagement in our work going forward. In section 4 we outline where we believe other stakeholders have a role in progressing important outcomes. We have attempted to be clear in the initiatives associated with the five priorities what role the System Operator should play in achieving the priority.

Agile change management capabilities:

Delivering change into a System Operator can be a very difficult process. As a critical service operating 24/7, we do not have the luxury of taking an outage while we upgrade the dispatch system or hoping that staff eventually start to use a new tool when they get time for training. Every change must be carefully planned, delivered into our tools and systems effectively and supported with rigorous but co-ordinated training. Planning, however, must be sufficiently agile that the changing needs of the power system can still be met by the time the project is delivered. In this sense we need a fast, replicable way to deliver change that can pivot quickly if needed given changing system dynamics. This is a skill set that must be built up over time – across the System Operator team but also critical support teams like ICT and Finance. Previous large change projects like Real Time Pricing were managed implementation events. These sorts of significant market-wide changes are likely to be necessary more frequently with potentially more significant impacts. The System Operator needs to build in that ability to quickly adapt and embed change in order to keep pace with the needs of the power system.

Consultation feedback

Stakeholders broadly supported the principles underpinning how the System Operator delivers its services and agreed these capabilities will become increasingly important as the power system evolves. There was strong support for continued collaboration across industry, regulators and government, with many submitters highlighting the importance of clear roles, responsibilities and alignment between related work programmes.

Affordability and value for money emerged as consistent themes. Stakeholders recognised the need for targeted investment in capability, systems and operational practices, but emphasised the importance of prioritisation, delivering measurable benefits, and carefully managing the costs imposed on consumers and market participants.

Submitters also reinforced the importance of open communication, transparency and engagement. Participants encouraged the System Operator to continue providing clear information on system conditions, emerging power system risks, decision-making processes and strategic progress, while maintaining accessible and meaningful engagement across the sector.

There was broad support for maintaining strong impartiality and transparency arrangements as the System Operator's role evolves. Stakeholders expressed confidence in the existing approach while encouraging ongoing visibility of how impartiality is maintained and how potential conflicts are managed.

Finally, stakeholders recognised that the pace of change in the electricity sector is increasing and supported continued investment in capability, technology, operational processes and change delivery. Many noted that the ability to adapt quickly, integrate new technologies and implement change efficiently will be critical to maintaining secure, reliable and affordable system operation in the future.

Measuring progress and outcomes

Stakeholders have told us that achieving the outcomes of this Strategy requires a clear and transparent approach to measuring progress. It was intended that the development of this Strategy would be the basis of more meaningful performance outcomes for the System Operator and we intend to work with the Electricity Authority to develop performance indicators that track overall performance, capability, resilience and operability of the power system.

We recognise that many of the Strategy's objectives can only be achieved through collaboration across industry, and that meaningful measures should reflect whole-of-system outcomes rather than the activities of any single organisation. We intend to report regularly on progress to provide transparency, support continuous improvement and ensure the Strategy remains responsive to the changing needs of the power system.

Initiatives to achieve these outcomes

For each of the priorities we have identified the initiatives we need to progress over different time horizons. These time horizons line up with our funding periods from the Electricity Authority:

- From now until 2028 we are prioritising our work programme within our existing funding envelope.
- For Future Investment Priorities (2028-2031) we are signalling what our funding request will include to the Electricity Authority for that funding period.
- For investment beyond 2031 we are signalling where building capability or capacity may take longer or where we can already see new requirements of the System Operator function based on what we know today.

Generally the initiatives indicated from now until 2031 are both urgent and well defined given what we know today. The initiatives in the later periods are necessarily less well defined and therefore their scope and complexity is not as well understood. They are designed to highlight the area of investment needs and therefore support market participants' awareness of potential flow-on impacts to their operations.

We have added more information for each initiative in terms of relative complexity and size. These combined give a sense of relative cost of the initiatives. The key for size and complexity is shown below.

We have also indicated with a ⚡ where initiatives have Grid Owner co-benefits/co-funding.

Scale	Definition
Minimal ●○○○○	Within existing capability and funding.
Small ●●○○○	Contained change in one team or system.
Medium ●●●○○	Multi-team or multi-system change with material delivery effort.
Large ●●●●○	Broad, multi-year or sector-wide change requiring significant investment.
Very large ●●●●●	Transformational programme with sustained multi-year investment.

Complexity	Definition
Low ●○○	Established solution with limited dependencies and low change risk.
Medium ●●○	Multiple dependencies requiring staged delivery, testing and training.
High ●●●	Novel or major change requiring industry-wide coordination and integration.



Priority 1: Operating a secure, highly variable power system

What does this priority mean?

Proactively manage system risk and limits to keep the power system secure and operable under increasingly complex and variable conditions. We will deliver our fundamental responsibility to keep the lights on by matching energy and demand in real time, maximising system usage, while balancing the risk of system failure and cost.

This priority addresses:

- **Risks:** Loss of real-time system operability, unplanned outages, cascade failure, and erosion of trust.
- **Challenges:** Changing generation mix, increasing variability, declining inertia and system strength, forecasting uncertainty, and increasingly complex outage coordination.
- **Opportunities:** Improved real-time monitoring, optimised and new ancillary services, more sophisticated risk management, new operational tools and frameworks that support maximum use of the system.

What does success look like?

Success means:

- The power system remains secure and operable across a wide range of credible future conditions.
- Emerging operability risks are proactively identified and mitigated ahead of need.
- System limits, margins, and stability constraints are clearly understood, monitored, and actively managed.
- The System Operator safely operates closer to system security limits, balancing the risk of failure and cost to consumers.

What did stakeholders say?

Stakeholders viewed a secure and operable real-time power system as a core expectation of the System Operator. Feedback highlighted the need to proactively identify, manage and explain emerging operability risks, particularly those associated with high renewables, inverter-based resources, batteries, distributed energy resources and large loads. Stakeholders sought greater transparency around system risks, limits and future needs, alongside clearer operational guardrails, better outage coordination, stronger transmission-distribution coordination, and appropriate ancillary services. There was support for the System Operator taking a stronger leadership role. Feedback did note that a clear operational need should be articulated and balanced against efficient market outcomes and investment signals.



How we will achieve the outcomes of this priority

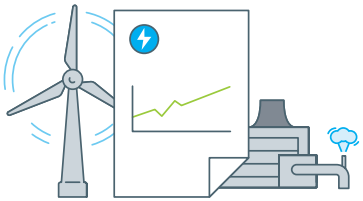
ID	Initiative	Description	Planned for delivery
P1.1	**Evolving real-time security and supporting Future Security and Resilience work programme**	As the power system transitions, we are adapting to changing system stability challenges. We will evolve our system monitoring, regulatory requirements, assessment and modelling tools, and new ways to mitigate emerging risks.	**Prioritisation of current work (Now-2028):** Scale ●●●○○ Complexity ●●● • Continue to undertake technical analysis to support the delivery of the Authority's Future Security and Resilience work programme,[9] including accommodating future changes within technical requirements, balancing renewable generation, operating with low system strength, and managing reducing system inertia workstreams. • Continue to evolve our scheduling and dispatch tools, existing ancillary services capability and operational policies including the Policy Statement, consistent with the Authority's market design, to integrate a growing portion of intermittent generation securely. • Enhance our monitoring of power system health (both offline and real-time) and continue to assess effectiveness of existing security management. • Investigate and develop options for managing System Strength and Frequency Stability, and to mitigate risks associated with inverter-driven instability. **Future investment priorities (2028-2031):** Scale ●●●●○ Complexity ●●● • Develop additional real-time monitoring including high-resolution monitoring for oscillatory stability. • Grow modelling and analysis capability to better understand risks and develop appropriate tools and mitigation options. • Work with the Authority to develop and implement new mitigations (such as evolved reserve products and scheduling and dispatch market design changes) for emerging stability challenges. **Beyond 2031:** Scale ●●●○○ Complexity ●●○ • Review and maintain system effectiveness of security management strategies and tools.
P1.2	**Shift to probabilistic forecasting and risk assessments**	Growing our understanding and capability to assess the growing range of plausible system security outcomes given the level of uncertainty in supply and demand, and the range in power system risks (including thermal, voltage, frequency, stability, and residual generation) that could occur in both real time and planning timeframes.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●●○ • Utilise regional P10, P50 and P90 solar, wind and demand forecasts and develop probabilistic scenario analysis capability within our current tooling to assess system security outcomes. In the planning timeframe, this will improve efficiency by allowing studies to be undertaken further ahead. This will support the industry to co-ordinate outages with longer lead times and greater certainty. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●● • Explore trends and emerging capability for real-time dispatch tooling where system security is dependent on near real-time probabilistic forecasts. • Expand our capability to utilise digital tools such as AI, enabling us to stress test a wider range of load and generation scenarios and make recommendations on best grid configuration and operator actions given the range of outcomes that could be expected. **Beyond 2031:** Scale ●●●●○ Complexity ●●● • Work with the Authority on the scheduling and dispatch system of the future across market design changes and the tooling capability that can implement it.

Initiatives with Grid Owner co-benefits/co-funding

9. Future security and resilience | Our projects | Electricity Authority

ID	Initiative	Description	Planned for delivery
P1.3	**Improving Special Protection Scheme (SPS) Management**	SPSs (otherwise known as remedial action schemes) allow the system to be run harder by enabling automatic responses to mitigate security violations resulting from system events rather than relying on manual operator responses. SPSs are increasing in number rapidly and pose operational risk if not well integrated into our control rooms, as they currently rely on manual operator arming/disarming based on system conditions, which can change rapidly. This initiative will focus on transitioning from manual to system driven management of SPS in the control room.	**Prioritisation of current work (Now-2028):** **Scale** ●○○○○ **Complexity** ●○○ • Improve SPS modelling capability within our current tooling, using rule-based assessment and alarms to signal when an SPS needs to be armed or disarmed. **Future investment priorities (2028-2031):** **Scale** ●●●○○ **Complexity** ●●● • Expand our AI capability to assess current and forecast system conditions, analyse contingencies and the aggregated SPS response, and recommend changes to SPS settings where required. **Beyond 2031:** **Scale** ●●●○○ **Complexity** ●●○ • Consider automation opportunities and further streamlining of SPS management.
P1.4	**System Security Forecast (SSF) & Credible Event Review evolution**	We continue to evolve the System Security Forecast and Credible Event Review framework to highlight to stakeholders existing and emerging power system risks, system limits, along with the mitigations System Operator will employ to manage these risks. It will be important to continuously revalidate options for managing risks with the introduction of new IBR standards, controls, and demand behaviour and response.	**Prioritisation of current work (Now-2028):** **Scale** ●○○○○ **Complexity** ●●○ • Staged evolution of System Security Forecast and Security Policy/Credible Event Review to lay foundations for future needs. **Future investment priorities (2028-2031):** **Scale** ●●●●○ **Complexity** ●●● • As new NZ power system operating models and technologies (Distribution System Operations, new generation, storage and demand technologies, changing consumer and industry risk appetites) evolve, we will need to make step changes in our Credible Event Review and Security Policy to align with these. This will involve potential redesign of our policy and a series of consultations with NZ industry and consumers.





Priority 2: Efficient market operations and information provision

What does this priority mean?

Operate and implement the Authority's market design, while providing transparent security of supply information to support efficient participant response and inform ongoing market development. This will enable the market to signal and respond to system risk, coordinate participant behaviour, and deliver secure outcomes at least cost for the long-term benefit of consumers, with reduced reliance on System Operator intervention.

This priority addresses:

- **Risks:** Ineffective implementation of market design, poor visibility of system conditions, unmanaged capacity and energy risk.
- **Challenges:** Operating scheduling, dispatch, and ancillary services under increasing uncertainty and evolving technologies, while ensuring market arrangements function as intended in real time and limit need for control room intervention.
- **Opportunities:** Better use of operational information and existing market mechanisms to reveal system conditions, support participant response and information needs, and reduce reliance on intervention; strengthening the feedback loop between market operation and market design.

What does success look like?

Success means:

- System Operator can operate the market across a wide range of credible future conditions.
- Energy and capacity risks are effectively signalled for participants to respond.
- Evolving ancillary services, market products, large industrial loads (e.g. process heat conversion and data centres), and emerging technologies are incorporated within market operations.
- Market evolution results in less need for System Operator dispatch intervention.

What did stakeholders say?

Stakeholders broadly supported a market-led approach but identified a need for market arrangements, information provision and operational tools to evolve as renewable generation, batteries, distributed resources, aggregators and flexible demand become more material. Feedback emphasised clearer investment and operational signals for firm and flexible resources, improved security of supply information, greater transparency around system needs, and modernised scheduling, dispatch and ancillary services. Submitters expected the System Operator to work with the Electricity Authority to ensure future market development is informed by operational experience, while recognising that many market design decisions sit with the Authority.



How we will achieve the outcomes of this priority

ID	Initiative	Description	Planned for delivery
P2.1	**Updates to Scheduling, Pricing and Dispatch (SPD) market system**	With the changing, more intermittent generation mix, growing industrial load, larger contribution from BESS, DER and CER, and maturing DSO capabilities, there is a need to reconsider the future SPD (including reserve optimisation) capability needed to dispatch the power system securely and efficiently in real time.	**Prioritisation of current work (Now-2028):** Scale ●○○○○ Complexity ●●● • Development of a clear set of prioritised limitations with SPD given changing market conditions. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●● • Work with the Authority to scope market design initiatives including to address (for example) periods of oversupply of cheap renewables, inflexible base load generation, new hybrid and BESS plant, new industrial load, and increasing forecast uncertainty. • Determine investment required in SPD or another market system that is consistent with emerging trends for system operations in other jurisdictions. Finalise implementation requirements and market participant impact. **Beyond 2031:** Scale ●●●●○ Complexity ●●● • Finalise implementation of upgraded or new market system.
P2.2	**Evolving ancillary services**	As the power system becomes more complex there is a need to evolve ancillary services to manage new or increasing risks to ensure the system remains stable and secure. This includes not only new products but also ensuring existing products remain fit-for-purpose and accessible to a wide range of participants, including BESS and demand.	**Prioritisation of current work (Now-2028):** Scale ●●●○○ Complexity ●●○ • Changes to ancillary services rules to enable participation from BESS and demand, work with the Authority to identify and address any Code issues. • Changes to current ancillary services tools and workflow management to better support increasing numbers of ancillary service participants/sites and new products. This will support improved monitoring and reporting on performance of ancillary services. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●● • Work with the Authority to investigate and implement (if needed) new frequency stability ancillary services. • Investigate options for products and services to mitigate risks associated with low system strength. **Beyond 2031:** Scale ●●●○○ Complexity ●●○ • Continue to invest in associated ancillary services tools and processes to support ongoing evolution of ancillary service products, participation, performance monitoring, contractual compliance and transparency.
P2.3	**Evolving Security of Supply (SOS) framework**	Ensuring the market and stakeholders have accurate, timely and accessible information is key to them understanding changing risks and taking appropriate action. The SOS framework needs to evolve to ensure it can operate to this high level in a rapidly changing environment with many more market players and changing supply and demand mix with changing expectations from the power system and the impacts of its risks.	**Prioritisation of current work (Now-2028):** Scale ●●●○○ Complexity ●●● • Continue to enhance the existing data collection processes for the SOSA and Electricity Security Outlook (ESO) building on recent changes. Improve alignment between ESO and New Zealand Generation Balance (NZGB). • Assist the Authority with Security Standards Assumption Document (SSAD) updates and implement the SSAD changes as part of the Security of Supply Assessment (SOSA). **Future investment priorities (2028-2031):** Scale ●●●●○ Complexity ●●● • Further develop and implement ESO/SOSA modelling and forecasting tools and processes. • Build SOS risk visualisation for external users on website. • Implement any additional SSAD updates as part of SOSA and refine reporting and risk indicators for industry.

ID	Initiative	Description	Planned for delivery
P2.4	**Mitigating dry year risk**	MBIE is consulting on a proposed winter energy reliability obligation as part of the Government's package to better manage dry year risk. This two-layer winter energy reliability obligation, if implemented would: • be triggered when the SOSA shows a future winter energy shortfall • require market participants to secure sufficient short-term fuel and long-term winter energy cover • support earlier contracting and investment • provide greater confidence for households and business that electricity will remain affordable and reliable during dry years. The latest Government Policy Statement expects the Authority to ensure the System Operator develops an Electricity Security Opportunities Statement to assist industry to understand how investment in different types or combinations of assets could address any identified gap.	**Prioritisation of current work (Now-2028):** **Scale** ●●●○○ **Complexity** ●●● • If implemented, work with MBIE and the Authority on details associated with the two reliability obligations. • Develop the first Electricity Security Opportunities Statement to support industry and investors in the NZ power system. **Future investment priorities (2028-2031):** **Scale** ●●●●○ **Complexity** ●●● • Implement any additional changes associated with this policy direction.
P2.5	**Integrating new asset types into both the power and market systems**	As we evolve our system security management and market design for future needs, we need to ensure we are ready to integrate new sizes and technologies for both demand and generation. This will involve reviewing and implementing performance standards to keep pace with industry developments. We also need to evolve System Operator tools supporting commissioning and onboarding of new assets into the market.	**Prioritisation of current work (Now-2028):** **Scale** ●●●○○ **Complexity** ●●○ • Support Code changes to establish standards for large load and review CACTIS to take account of technology developments. • Proactively work with the industry to incorporate into the market new assets being invested in at all levels of the system. • Adapt our use of existing tools where possible to support commissioning and participation of BESS, intermittent generation and new large loads. **Future investment priorities (2028-2031):** **Scale** ●●●●○ **Complexity** ●●● • Enable integration of new operating models (e.g. DSO, aggregators, flexibility traders, vehicle-to-grid) into the market. Modify our tools to more robustly and efficiently enable integration of new technologies including BESS, intermittent generation and large loads.
P2.6	**Market sandpit**	Enable small-scale technology to test and pilot grid-edge implications of non-grid-scale assets (CER/DER) including as EDBs increasingly establish foundational DSO capability including LV network visibility, and associated data sharing and standards supporting interoperability with the TSO.	**Future investment priorities (2028-2031):** **Scale** ●●●○○ **Complexity** ●●○ • Investigate and enable a market sandpit.



Priority 3: Evolving operational capability

What does this priority mean?

Build a resilient, adaptive System Operator capability by evolving people, tools, and operating models together—strengthening integrated decision-making, safely augmenting human judgement with digital tools such as AI, and demonstrating operational leadership across the sector.

This priority addresses:

- **Risks:** single points of failure, workforce fatigue, loss of institutional knowledge, inability to keep pace with industry needs.
- **Challenges:** skills shortages, ageing workforce, tool fragmentation, increasing workload.
- **Opportunities:** modern operating models, new technology, automation and AI-enabled decision support.

What does success look like?

Success means:

- A resilient, adaptive workforce with sufficient capability and capacity.
- Operational decision-making is integrated, consistent and robust across a wide range of credible future conditions.
- Tools, training, and operating models evolve in step with system needs.
- Human decision-making is augmented by digital, AI tools, and automation.

What did stakeholders say?

Stakeholders supported continued investment in the System Operator's people, tools, systems and operational capability to manage growing system complexity. Feedback highlighted workforce constraints, business resilience, forecasting, modelling, cyber security, AI-enabled decision support, and the Control Room of the Future as key areas of focus. Submitters saw AI and digital tools as increasingly core to system operations, enabling operators to focus more on oversight than manual intervention, while retaining appropriate human judgement. Stakeholders also encouraged staged and transparent delivery, supported by the right skills and processes, including right-sized, risk-based commissioning and compliance as more diverse asset types connect.



How we will achieve the outcomes of this priority

ID	Initiative	Description	Planned for delivery
P3.1	**Control Room of the Future (CRoF)**[10]	CRoF aims to build control room capability through trusted data, sensible automation, embedded operational knowledge, advanced decision support, modern tools, simulation-based training, efficient communications, and resilient facilities — enabling operators to safely manage an increasingly complex power system. Refer to Appendix D for more information on this initiative that we expect to invest in over the next decade.	**Prioritisation of current work (Now-2028):** Scale ●●●●○ Complexity ●●● • Finalise CRoF roadmap and sizing of investment for engagement with stakeholders. Commence building foundational capability to unlock advanced decision support, along with strengthening data governance. **Future investment priorities (2028-2031):** Scale ●●●●● Complexity ●●● • Incorporate funding requirement for delivery of CRoF Roadmap. Continue to deliver CRoF capability into the control rooms and engage with industry on implementation requirements. **Beyond 2031:** Scale ●●●●● Complexity ●●○ • Incorporate final funding requirement for later stage capability uplift and maintenance of delivered capabilities against CRoF roadmap.
P3.2	**Streamlining commissioning and market onboarding**	We continue to work with the industry to develop and streamline our Code commissioning and market onboarding tools and processes.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●○○ • Develop right-sized, risk-based commissioning processes as asset owner Code obligation thresholds decrease to 10MW and we see more, smaller generators being developed. Further extend commissioning process and tools optimisation through to successful onboarding and participation of new assets into markets for energy and ancillary services. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●○ • Leverage automated workflows and digital tools such as AI where feasible to manage risk but reduce System Operator and participant workloads for commissioning and onboarding into the market.
P3.3	**Operations Customer Portal & Data Exchange**	Undertake a significant digital programme to modernise how industry participants interact with, and exchange non-real-time data with the System Operator and with industry (when applicable). This would include information such as ACS, AUFLS, POCP, SOS and ancillary services information. This would include a standard and flexible API that transfers data between industry and the System Operator.	**Prioritisation of current work (Now-2028):** Scale ●●●○○ Complexity ●●○ • Consolidate existing separate databases into one, enabling interactive reporting and data visualisation products. **Future investment priorities (2028-2031):** Scale ●●●●○ Complexity ●●● • Develop a single API for participants to transfer non-real-time data and information with Transpower. • Develop interactive reporting and data products with industry. **Beyond 2031:** Scale ●●●○○ Complexity ●●○ • Investigate and develop a digital twin of the market system and its applications for participants to utilise.

Initiatives with Grid Owner co-benefits/co-funding

10. Refer to Appendix D for more details on Control Room of the Future.

ID	Initiative	Description	Planned for delivery
P3.4	**Forecasting and modelling uplift**	Forecasting supply and demand is a key foundation of system operations, including in real time, planning and security of supply time horizons. As variability in supply and demand continues to increase, the level of forecast uncertainty also increases. We need to ensure that our capability to forecast supply and demand evolves to address this growing uncertainty, to support secure system and market operations.	**Prioritisation of current work (Now-2028):** **Scale** ●○○○○ **Complexity** ●○○ • Review arrangements for medium-term load forecasting while exploring additional data needs including greater regional granularity such as GXP forecasts and uncertainty metrics to support initial probabilistic security risk assessments. • Investigate enhanced modelling capabilities for forecasting energy and capacity security of supply margins. **Future investment priorities (2028-2031):** **Scale** ●●●○○ **Complexity** ●●○ • Review of forecasting arrangements considering advancements in forecasting capabilities and the effects of growing distributed resources and intermittency. Investigating tools to enhance System Operator decision-making that incorporate increasing forecast uncertainty and insights that forecasting can provide. • Developing enhanced modelling capabilities for forecasting energy and capacity security of supply margins to aid market information and System Operator decision-making. This should consider effects such as climate change effects on weather patterns, demand response, thermal fuel constraints, ageing generation fleet, electrification, reliability standards.
P3.5	**Talent Pipeline ongoing maintenance / growth**	We are seeing an uplift in the volume of engineering, specialist market expertise and control centre work, and at the same time have an ageing workforce. We have invested in our graduate programmes and in supporting universities in applied power systems engineering research. Going forward we need to expand this work to develop other specialised skill sets needed within the System Operator, that extend beyond traditional engineering capabilities.	**Prioritisation of current work (Now-2028):** **Scale** ●●○○○ **Complexity** ●○○ • Further developing our graduate programmes to broaden the range of skillsets that can be utilised effectively. • Leverage our engagement with the University of Canterbury's Power Engineering Excellence Trust and Electric Power Engineering Centre, and other university partners to both improve the quality and diversity of graduates. • Identify research priorities for the System Operator to leverage PhD funding to progress key theoretical and applied research topics. • Develop a plan to support the growth and development of non-engineering specialist skill sets needed within the System Operator. **Future investment priorities (2028-2031):** **Scale** ●●○○○ **Complexity** ●○○ • Extend this work in focused areas including more specialised training in areas to support skillset development and speed to competency in the New Zealand power system.
P3.6	**Evolve compliance monitoring**	Whilst the industry is transitioning, it becomes more important that new generators, large load and storage meet Code obligations and requirements.	**Prioritisation of current work (Now-2028):** **Scale** ●○○○○ **Complexity** ●●○ • Work with the Authority and participants to strengthen compliance monitoring and provide a focus on Code requirements that are important for system security and market outcomes. **Future investment priorities (2028-2031):** **Scale** ●●○○○ **Complexity** ●●○ • Streamline our Code compliance monitoring and reporting processes, to ensure consistency and routine reporting where possible. • Build our capacity to undertake more monitoring work given the growing importance of compliance with generator and load performance obligations. **Beyond 2031:** **Scale** ●●○○○ **Complexity** ●●○ • Investigate opportunities to leverage system and asset capability data with digital tools to perform increased compliance monitoring.

ID	Initiative	Description	Planned for delivery
P3.7	**Cyber & Physical Security**	Cyber risk is an increasingly important system-level consideration as the electricity sector becomes more digital, distributed and interconnected (Refer to Appendix E for more details). The System Operator will benefit from Transpower's broader investment to strengthen the resilience of the operational, market and supporting systems through secure design and delivery, proactive risk management, strong identity and access controls, vulnerability management, enhanced monitoring and response, and regular exercising of coordination and response arrangements. Transpower will also continue to work with industry and relevant agencies to support information sharing, preparedness and a common understanding of emerging cyber and physical security risks, helping maintain a power system that is secure, operable and trusted, with material risks to security of supply communicated through appropriate channels.	**Prioritisation of current work (Now-2028):** Scale ●●●○○ Complexity ●●● • Continued delivery of Transpower cyber security plan. • Finalise future needs of Hamilton control room given seismic and team requirements. **Future investment priorities (2028-2031):** Scale ●●●●○ Complexity ●●● • Investment in Hamilton control room environment to support greater physical security and earthquake resilience. • Review and update Transpower's cyber security investment plan to support changing System Operator system and tool vulnerabilities with a focus on threats from greater distributed interactions and AI. • Contribute to Department of the Prime Minister and Cabinet (DPMC) work to develop cyber security obligations for critical infrastructure. **Beyond 2031:** Scale ●●●○○ Complexity ●●● • Ongoing funding and threat identification as technology matures.

Initiatives with Grid Owner co-benefits/co-funding



Priority 4: Leveraging data and distributed energy resources

What does this priority mean?

Enable secure future system operation and minimise whole-of-system costs by building appropriate whole-of-system visibility, common data standards and protocols, to better enable coordination across Transmission System Operator (TSO), Distribution System Operators (DSOs), and participants. By converting data into trusted, real-time operational insight we will support safe integration of distributed energy resources (DER) and consumer energy resources (CER) at scale, supporting higher levels of participation in the market and flexibility products for the long-term benefit of consumers.

This priority addresses:

- **Risks:** Inadequate coordination at grid interface, EDBs not managing CER/DER compliance with inverter standards, unknown DER/CER performance during events, cascade failure, unplanned outages.
- **Challenges:** Fragmented data, inconsistent standards and protocols, limited whole-of-system visibility, growing number of participants to coordinate with.
- **Opportunities:** Shared situational awareness, AI-enabled insight, scalable coordination that drives greater optimisation of all system resources and lowers costs for consumers.

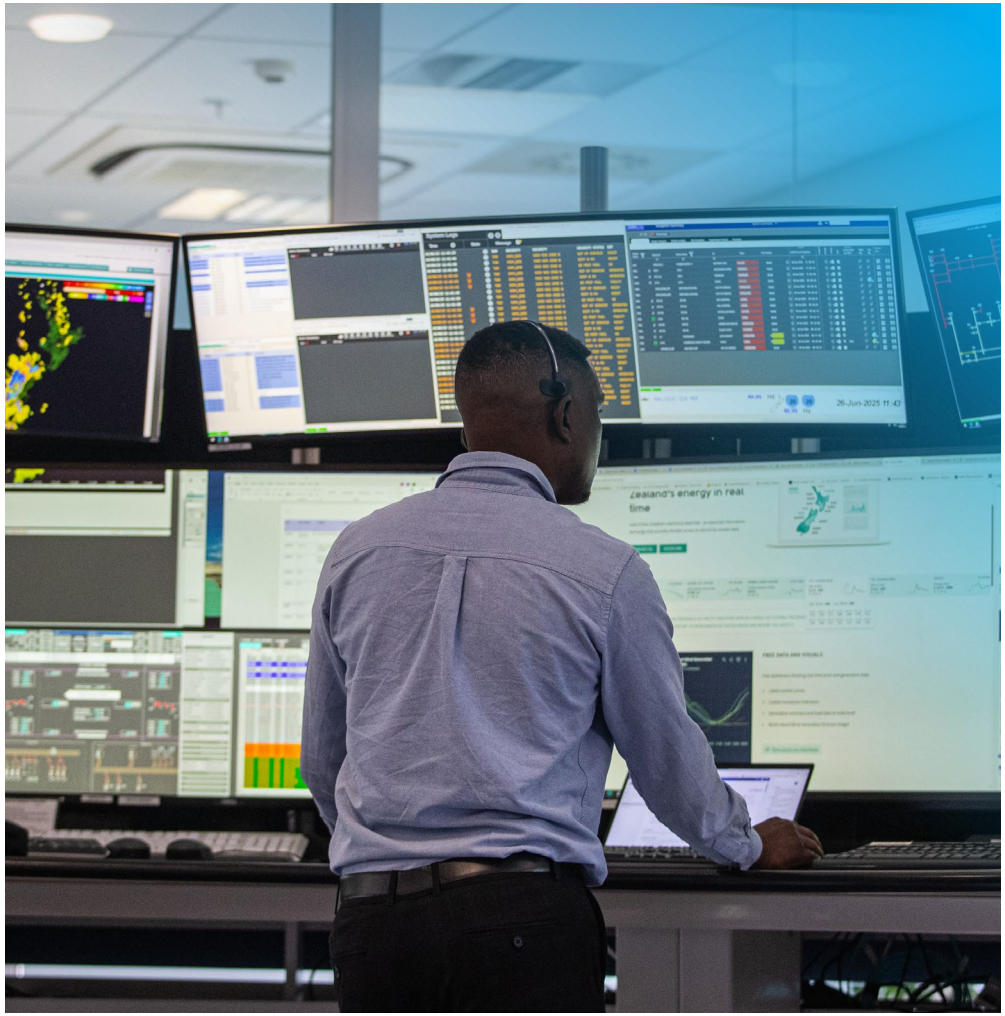
What does success look like?

Success means:

- The System Operator has whole-of-system visibility at the level required to coordinate system security.
- Common standards and protocols enable effective TSO–DSO–participant coordination.
- Data is shared and used effectively to enable timely, actionable operational and planning insight.
- Emerging technologies can be integrated across the system without compromising system operability or security including small-scale CER/DER connected to distribution networks.

What did stakeholders say?

Stakeholders identified data access and sharing, common standards, interoperability, digitalisation and wider system visibility as essential foundations for operating a more distributed and dynamic power system. Feedback supported improved visibility of distributed resources, flexible demand and emerging technologies across transmission and distribution layers, alongside clearer TSO–DSO coordination frameworks, shared situational awareness and defined roles during events. Generators and retailers saw data and digitalisation as prerequisites for faster connections, better forecasting and more efficient operation. However, stakeholders cautioned that improved visibility should not imply direct System Operator control of distribution-connected or consumer assets, and that data requirements should be proportionate, non-duplicative, protective of commercially sensitive information, and aligned with wider industry and regulatory work.

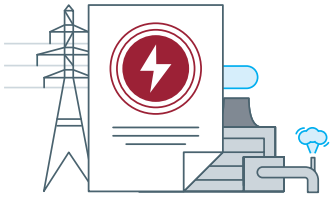


How we will achieve the outcomes of this priority

ID	Initiative	Description	Planned for delivery
P4.1	**Development of a standard operational data set for industry use**	Establish a common data standard and dataset to enable interoperability between System Operator and other industry participants, initially focused on TSO/DSO interactions.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●●● • Work proactively with industry to investigate must-have static and dynamic data needs and sharing across the industry but particularly at the interface between DSO and TSO. Specifically consider the data that would be useful for system forecasting and security assessments. This should also consider what data the DSO may need which the TSO holds, for example special protection scheme indications. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●● • Trial and refine implementation of static and dynamic data sharing for operational and security needs in line with agreed standards. **Beyond 2031:** Scale ●●●○○ Complexity ●●● • Full implementation of static and dynamic data sharing for operational and security needs in line with agreed standards.
P4.2	**AI Governance**	The utilisation of AI in the operation of the power system will increase rapidly. It will be important that industry guidelines are established around the appropriate use of AI agents, when human decision-making is required and the implications of AI-enabled trading outcomes. Transpower and other organisations are already developing their own AI governance frameworks, but without industry guidelines we risk inconsistency in approach and a lack of transparency on AI usage. System Operators in other jurisdictions are moving quickly to work with regulators and policy makers to establish fit-for-purpose governance arrangements.	**Prioritisation of current work (Now-2028):** Scale ●○○○○ Complexity ●●● • Undertake review of European, Australian and other relevant jurisdictions to develop a thought piece on a proposed approach to AI governance for the New Zealand electricity system given our operating context. • Discuss with MBIE and the Authority who is the most appropriate agency to implement AI governance for the sector and confirm what the System Operator's role would be.
P4.3	**Data access and use**	Work with emerging Distributed System Operators (DSOs) to agree and establish data access and use arrangements enabling all parties to have the right level of data and visibility to perform their functions under the Code today and into the future.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●●○ • Establish initial access and data sharing with EDBs in relation to controllable load, providing visibility for event management. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●● • Expand access and data sharing to include a wider range of participants and better enable whole-of-system security and coordination. • Consider broader access requirements as market dynamics change. Assess what other data collection obligations may be required.

ID	Initiative	Description	Planned for delivery
P4.4	**Future System Operator interoperability**	Actively contribute to the Authority's development of an effective TSO–DSO functional model for New Zealand given our central position as the System Operator. This includes the ability to effectively monitor the performance of non-transmission and other flex solutions that are being implemented across the grid.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●●● • Support the Authority in their work on a TSO–DSO model as part of their Future System Operations work programme. • Work with EDBs and the Authority to improve operating arrangements between the TSO and the DSOs, including clear operational accountabilities, minimum static information, minimum dynamic information, interoperable information exchange, and predictable technical performance. • Work with the Authority and EDBs on compliance of CER/DER installations with inverter and other technology standards to manage issues such as voltage ride-through. **Future investment priorities (2028-2031):** Scale ●●●●○ Complexity ●●● • Support the Authority in their work on a TSO–DSO model as part of their Future System Operations work programme. • As part of the Control Room of the Future initiative, identify key operational and market system updates that are required to incorporate distribution-level data where needed, including how to incorporate distribution constraints (operating envelopes) and DER states into overall constraint/security management, dispatch, scheduling, and outage management as appropriate. • Undertake no-regret modifications to our existing EMS/SCADA and market system to enable sharing of data and instructions from different Advanced Distribution Management Systems (ADMS) and Distributed Energy Resource Management Systems (DERMS). **Beyond 2031:** Scale ●●●●○ Complexity ●●● • Support the Authority in their work on a TSO–DSO model as part of their Future System Operations work programme.





Priority 5: Strengthening industry resilience

What does this priority mean?

Improve industry resilience to prepare for, respond to and recover from high-impact events by clarifying roles and responsibilities, evolving response plans and practices to cater for system and industry changes. Strengthen shared situational awareness, to support faster, safer restoration while maintaining public trust in the power system.

This priority addresses:

- **Risks:** Poor coordination during events leading to slower than necessary restoration and the economic and social impact.
- **Challenges:** Unclear roles and responsibilities, inconsistent or missing information, increasing system complexity, rising public expectations on supply availability.
- **Opportunities:** Whole-of-system coordination, shared situational awareness, improved restoration outcomes.

What does success look like?

Success means:

- The System Operator effectively coordinates industry response to high-impact system events.
- Industry understands its roles and responsibilities during high-impact system events.
- Response plans and practices evolve to cater for changing system conditions and consumer expectations.
- Shared situational awareness enables faster and safer restoration.

What did stakeholders say?

Stakeholders supported a stronger focus on industry resilience, particularly for high-impact system events, restoration, emergency response and communication. Feedback highlighted the need for clear roles and responsibilities, coordinated transmission-distribution response, restoration planning, black start capability, emergency demand management and regular testing of response arrangements. Stakeholders noted that poor event coordination or increasing event frequency could affect trust and social licence, and supported the System Operator playing a clearer system-wide coordination role without displacing the responsibilities of asset owners, distributors or other participants. Response processes will also need to evolve as distributed resources, controllable load, aggregators, retailers and major industrial users become more important to system operation and emergency management.



How we will achieve the outcomes of this priority

ID	Initiative	Description	Planned for delivery
P5.1	**Industry situational awareness**	Improve communication of our System Operator response to an event or unplanned outage, including near real-time power system status to provide greater situational awareness for industry to enable their coordinated and timely response.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●○○ • Implement one-to-one and one-to-many messaging capabilities with participant control rooms, including satellite fallback to increase resilience when primary communication channels fail. **Future investment priorities (2028-2031):** Scale ●●●○○ Complexity ●●○ • Investigate options to share near real-time power system status with participants involved in restorations and implement any quick wins. **Beyond 2031:** Scale ●●○○○ Complexity ●●○ • Continue to review industry situational awareness needs and sharing options as required.
P5.2	**Evolve black start and restoration processes**	As the system continues to change it is important to evolve black start and restoration processes to leverage new technology and maintain or improve regional resilience during events and unplanned outages.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●●○ • Review current black start and restoration processes against approaches used in other jurisdictions to identify any potential opportunities to explore i.e. grid forming technology, BESS, automated switching. **Future investment priorities (2028-2031):** Scale ●●○○○ Complexity ●●● • Evolve black start and/or restoration processes as required including training, resource uplift, process changes and identifying any potential tool changes.
P5.3	**Maintaining AUFLS capability**	Our AUFLS system has evolved to meet the immediate challenges – particularly in the North Island. However, with increasing DER and reducing inertia on the system we will need to review it to check it remains fit-for-purpose.	**Prioritisation of current work (Now-2028):** Scale ●●○○○ Complexity ●●○ • Initial review of impact of DER and potential for dynamically armed systems to determine future needs in both North and South Islands. **Future investment priorities (2028-2031):** Scale ●●○○○ Complexity ●●● • Work with the Authority on planning and start implementation of any advances to the AUFLS system that may be required. **Beyond 2031:** Scale ●●●○○ Complexity ●●● • Work with the Authority to finish implementation of any advances to the AUFLS system that may be required.
P5.4	**Coordinating emergency demand management**	With increasing DER/CER in the power system, and more participants such as Retailers and Aggregators taking control of demand (including traditional EDB controllable hot water load), it is important that industry agrees on, operationalises, tests and exercises an emergency load and consumer resource management protocol suitable for both national and regional events.	**Prioritisation of current work (Now-2028):** Scale ●○○○○ Complexity ●●● • Support the Authority and ENA to work with industry to develop a regulated national 'Common Load Management Protocol'. • Continue to build visibility of what controllable load is available to support emergency management. **Future investment priorities (2028-2031):** Scale ●●○○○ Complexity ●●● • Operationalise, test, and exercise the LMP to provide assurance of overall system performance.

Initiatives with Grid Owner co-benefits/co-funding

ID	Initiative	Description	Planned for delivery
P5.5	**Monitoring and responding to Natural Hazards (Including Space Weather) and other threats**	As the frequency and severity of weather events continue to get worse, and geopolitical tensions rise, it's important that we continue to identify, understand and develop responses to both natural hazards and other threats including cyber and physical sabotage/attack. In addition to cyclic review of existing response plans we need to consider the following:	**Prioritisation of current work (Now-2028):** Scale ●○○○○ Complexity ●●○ • Continue to grow our understanding of the space weather hazard and refine our industry response plan and interactions with NEMA etc. This may include accessing new or different datasets from overseas jurisdictions. **Future investment priorities (2028-2031):** Scale ●●○○○ Complexity ●●○ • Work with industry and NEMA to identify the most critical high-impact, low-probability hazards, review and refine any existing response plans based on latest understanding of the hazards and develop new response plans for any hazards not covered.
P5.6	**Increase industry response capability**	With increasing system complexity, new participants, and a rising risk of events occurring on the power system resulting in disruptions to consumers' electricity supply it is becoming increasingly important for us to work together to test and refine our response capability. To do this we undertake regional restoration workshops, simulation exercises, and pan-industry exercises, which draw heavily on people to plan and execute, and have limitations due to our current training simulator functionality.	**Prioritisation of current work (Now-2028):** Scale ●○○○○ Complexity ●○○ • Develop a plan to build sufficient people and technical capability such that we can more easily and more regularly test industry responses to hazards. For example, currently we only manage to facilitate one regional restoration workshop a year. We have 11 different regions to cover, meaning each region is only discussing their plan once every 11 years. **Future investment priorities (2028-2031):** Scale ●○○○○ Complexity ●●○ • Invest in Transpower capability uplift required both in terms of people and technology to enable us to test industry response to a wider range of hazards more often.

Initiatives with Grid Owner co-benefits/co-funding



Issues requiring broader stakeholder input

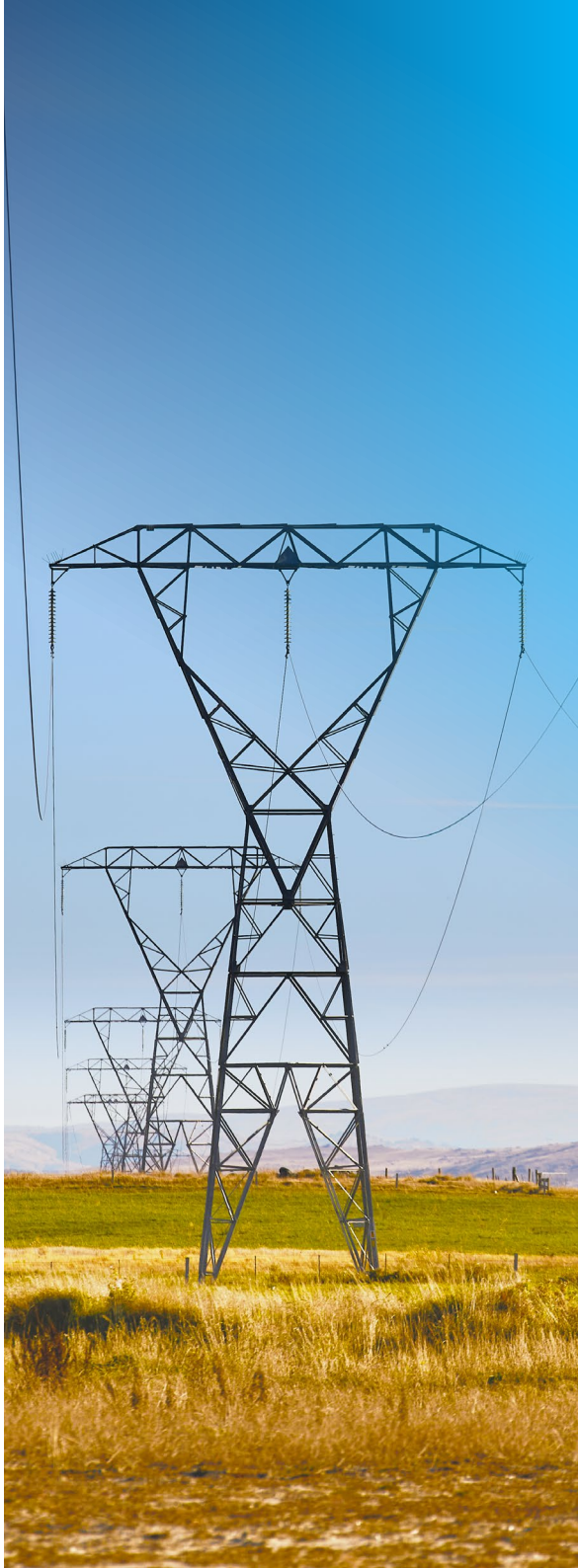
Through consultations and engagements, stakeholders raised a number of issues that are highly relevant to the future operation of the power system but cannot be fully addressed by the System Operator acting alone. In several cases, the issue is not one of System Operator capability or performance in itself, but of broader market design, infrastructure, regulatory settings, or the need for coordination across multiple parties.

Recognising these issues in the Strategy is important and something we committed to doing through the process. The intent is to help clarify where future system-operability risks are emerging, where dependencies exist for successful System Operator delivery, and where coordinated action will be required across the electricity sector. It also helps distinguish between matters the System Operator can address directly through its own investment, tools, operating model and processes, and matters where the System Operator's role is better framed as one of insight, implementation support, or informed coordination.

We have summarised the main areas where we believe other parties may play a critical role in progressing the right work. This is for the consideration of these different organisations as they plan their future work programmes and decision-making.

- **Focus for regulatory setting changes:** A recurring theme in submissions was that market and regulatory settings must keep pace with technological and system change, particularly in relation to BESS, DER, CER, demand-side flexibility and new ancillary or flexibility products.
- **Demand-side flexibility and flexibility market development:** Stakeholders highlighted increasing interest in demand response, flexible load, consumer energy resources, aggregators and other non-traditional resources as tools to manage system risk, support affordability and improve utilisation of existing infrastructure. Several submitters noted that some of the market, regulatory and commercial arrangements required to fully enable these resources sit outside the System Operator's direct responsibilities.
- **Security of supply accountability and investment signals:** Stakeholders raised questions about accountability for long-term security of supply, the roles of different organisations in addressing emerging resource adequacy risks, and whether existing frameworks provide sufficient information and incentives for efficient investment in firm and flexible resources.
- **Connection of new generation and load:** Stakeholders also pointed to the pace of connection and commissioning processes, and the need to unlock more from existing infrastructure, as critical to enabling electrification and new generation investment.
- **TSO and DSO roles:** Several submitters emphasised that future system operation will require far clearer articulation of TSO–DSO roles, governance arrangements, operating protocols and accountability as more flexibility and distributed resources are integrated within distribution networks.
- **Foundational data requirements:** There was strong emphasis on the need for common data standards, interoperable frameworks, secure information exchange, and better visibility across the system. However, greater visibility should be driven by operational need and appropriate control, rather than creating unnecessary reporting or participant burden.
- **Cross-sector information:** Stakeholders also highlighted cross-sector dependencies, including fuel and gas-market information, which sit outside the direct responsibilities of the System Operator but still materially affect security-of-supply monitoring and future system risks.

Many of these issues show up in the System Operator's priorities. Within each of the strategic priorities we have considered our role and highlighted where we are dependent on others to support the overall delivery of the outcome. We have made this distinction to ensure we are explicit about where our current role would suggest we operate so that we can have an informed discussion with other involved stakeholders about appropriate roles and responsibilities. Consultation and engagement indicate broad support for a proactive and engaged System Operator, but it also indicates clear stakeholder expectations that responsibilities remain appropriately allocated across the sector.



Electricity Authority

- Market design and Code changes (including Security of Supply)
- Ancillary/flexibility products
- DER/CER performance obligations and emergency response framework



Transpower as Grid Owner

- Grid connections and commissioning
- Network capacity and investment delivery
- Extracting more from existing grid assets





Transpower as System Operator

- Operate the power system and market in real time
- Provide operational insight and risk information including foundational data requirements
- Implement market design set by others
- Enable and coordinate – but not own every solution
- Evolve incorporated documents such as the Procurement Plan to enable faster change

EDBs

- Distribution-level orchestrations
- Local constraints/emergencies
- DER operating envelopes and local visibility
- Local network connections and commissioning



Government/MBIE/GIC

- Cross-sector fuel / gas information
- Broader policy and market settings
- Security of supply coordination across sectors





Consumers

- Decide when and how they wish to switch to electricity
- Decide how and when to use electricity
- Drive the pace of change in the power system

This diagram depicts at a high level where the primary responsibility likely sits in relation to the issues raised above and makes it clear that consumers underpin everything we do.

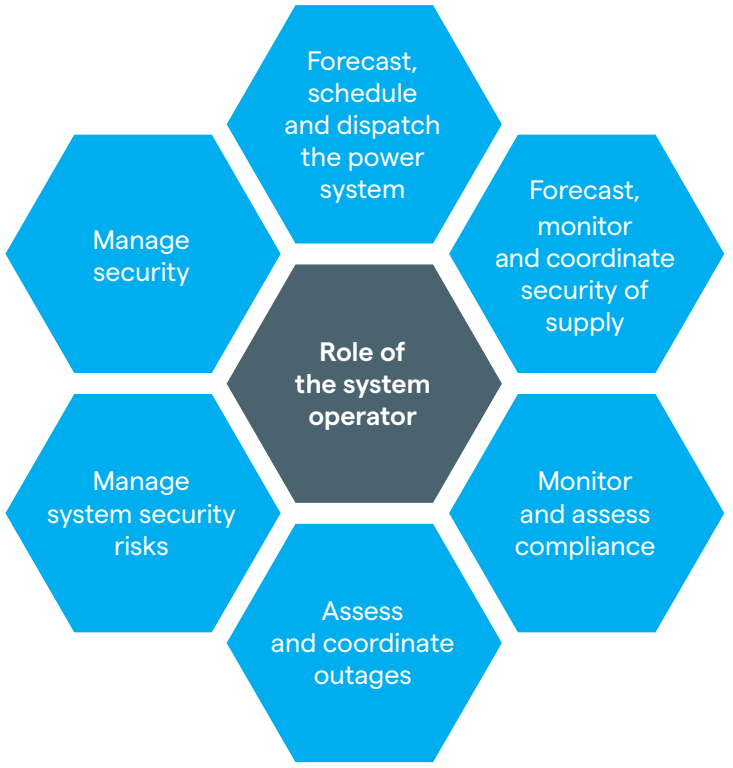
Appendix A: The current roles of the System Operator

The System Operator is a critical enabling service central to Aotearoa New Zealand's electricity system. Transpower performs this role, scheduling and dispatching the power system and electricity market every second of every day. Our commitment to this role enables a cost-effective, reliable electricity supply upon which homes and businesses across the motu depend.

The System Operator service currently consists of six core functions:

- **Manage security** – we manage the flow of electricity from generation sources to points of demand all around the national grid, keeping frequency and voltage within operating limits, maintaining system stability and avoiding cascade failure. These are our Principal Performance Obligations (PPOs).
- **Forecast, schedule and dispatch the power system** – we coordinate electricity supply resources and balance them with forecast demand for electricity from 7 days out through to real time. In doing so, we facilitate operation of the wholesale electricity market.
- **Forecast, monitor and coordinate security of supply** – we regularly assess the adequacy of resources on the power system to meet expected forecast demand and provide information to the industry that allows them to respond to potential supply risks, in both the operational and investment timeframes.
- **Manage system security risks** – we undertake long-term planning and engineering studies to ensure any threats to real-time operation of the system are understood and mitigated. We procure and schedule ancillary services to keep the system in a secure operating state.
- **Monitor and assess compliance** – we ensure equipment connected to the power system is operating in a way that makes the system accessible for all participants. We advise asset owners when they are commissioning and refurbishing their plant and monitor its operation against performance requirements.
- **Assess and coordinate outages** – we work closely with industry, including Transpower in its grid owner role, to ensure they can undertake maintenance on the system and keep assets in sound operating condition, without compromising supply to consumers.

As the power system of the future develops, the System Operator role could expand to perform new duties that require centralised coordination and planning of resources.



How Transpower delivers the System Operator service

Transpower's Operations Division provides the 'core' System Operator service: real-time operations, operational planning, power system engineering, market scheduling and security of supply. Other divisions within Transpower provide the supporting functions required to deliver the service: ICT, data and communications infrastructure, physical assets, corporate functions, and business and strategic development. Transpower provides the System Operator service in an impartial and independent manner across its dealings with all participants, including its business as owner and operator of the National Grid.

This integrated model (Grid Owner and System Operator functions in a dual-role entity) provides efficiencies that deliver value for New Zealand electricity consumers.

In particular:

- Transpower employs a high level of expertise and foresight in the evolution of the system. Leveraging this understanding of where and how much renewable generation is coming into the electricity system, as well as the needs of electricity distribution businesses and other large customers from the transmission grid, helps the System Operator better understand and prepare for future challenges.
- Close cooperation (where that does not compromise independence) between the grid operator and System Operator teams within a single organisation increases the efficiency of our day-to-day service provision. Our teams benefit from coordinated training, common management structures and knowledge sharing that reduces operating costs.
- As an integrated business, Transpower can attract top talent to continue the development of New Zealand's electricity system as well as provide opportunities for staff to upskill and gain experience in a wide range of roles. This ultimately increases the expertise and knowledge base of the people providing the System Operator role.
- We are able to reduce costs of providing the System Operator service by leveraging Transpower's corporate capabilities and physical assets.

Managing impartiality within Transpower

We remain committed to providing the System Operator service with impartiality and independence from Transpower's grid owner role, as required by the Code. We ensure this by putting in place measures and controls to address any perceived or actual conflicts of interest, such as:

- training all Transpower staff on the need for impartiality between Transpower's dual roles;
- maintaining a conflicts of interest register;
- escalation pathways at operational and governance levels; fostering a workplace culture of awareness of the separation of roles and ensuring we conduct ourselves with professionalism;
- having a committee of the Transpower Board to focus on the System Operator service including providing strategic direction, reviewing our approach to risk management, and assessing performance; and
- having a senior leadership role, to oversee System Operator impartiality and regulatory independence.

Supporting the Authority's objectives

In delivering the System Operator service, we are a provider to the Authority. As New Zealand's electricity regulator, the Authority has several roles to which we contribute:

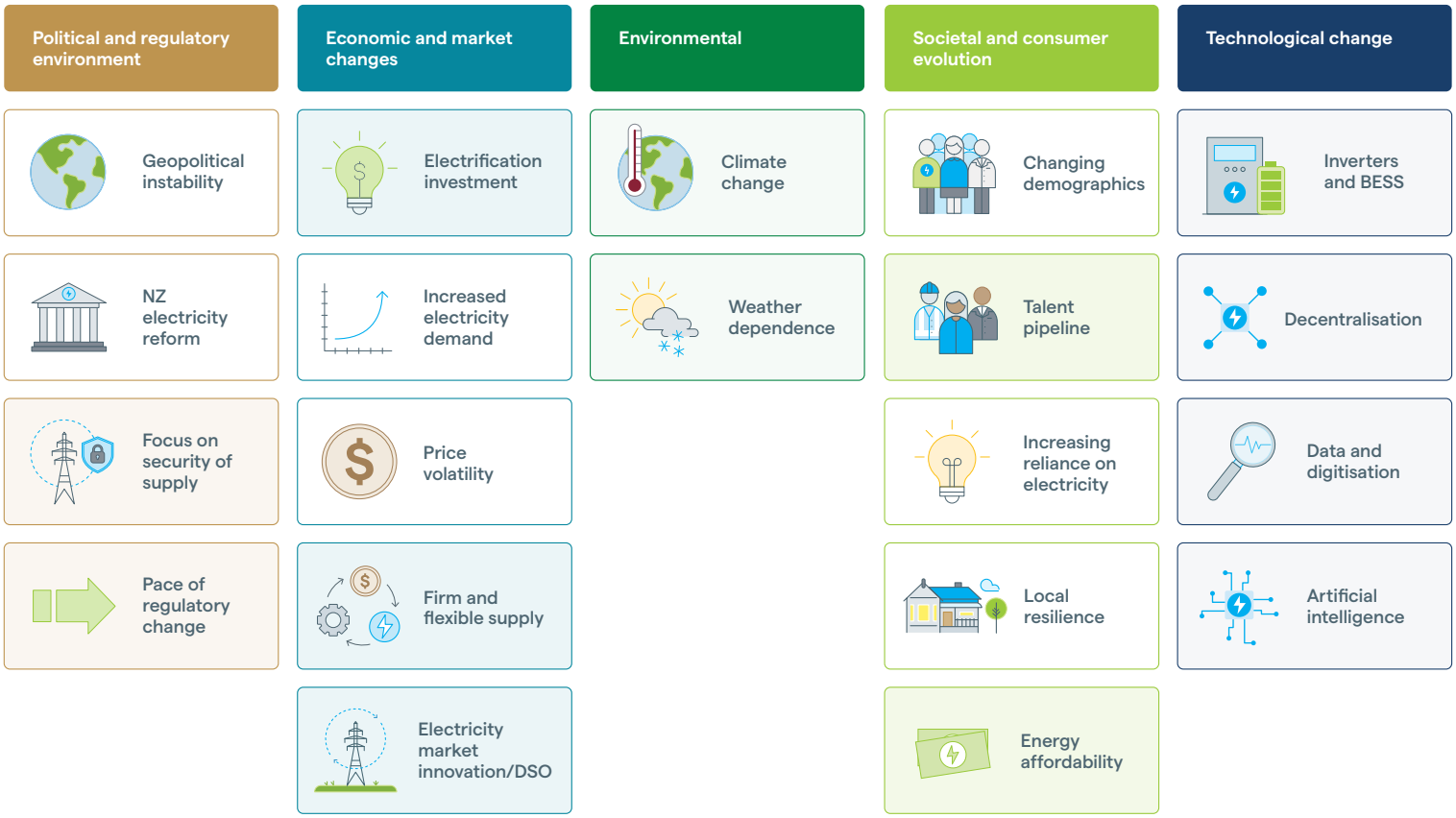
- **Operating the electricity system and markets:** we provide the System Operator service, coordinating the day-to-day functioning of the power system and facilitating the operation of the electricity market along with other market operation service providers.
- **Enforce compliance:** under Part 8 of the Code we are responsible for monitoring participants' compliance with their common quality obligations. We also monitor market operation and provide analysis and advice to the Authority on system events. This includes supporting participants to connect to the power system and engage in the market effectively.
- **Promote market development:** we support the Authority in its development of the market rules, through provision of operational expertise and implementing regulatory changes in our systems and processes. We work closely with the Authority to provide input to its process for amending the Code to enable new technologies and new modes of operation.

Appendix B: Industry engagement

Phase 1 trends and drivers engagement

We received consistent feedback through submissions and stakeholder engagement that our articulation of the key trends, drivers, and their impacts accurately reflects industry perspectives. In addition to formal submissions, we undertook targeted engagement with a broad cross-section of the industry, including electricity distributor businesses (EDBs), generators, retailers, energy service providers, large energy users, regulators, and industry bodies. In total across industry, regulators and Transpower we held between 20 and 25 separate workshops and meetings on Phase 1. These workshops focused on identifying key system issues, challenges, and risks for the System Operator, building on trends and drivers from the SO Strategy Phase 1 consultation. Participants used a structured, bottom-up approach, capturing opportunities, risks and challenges from the trends and drivers and clustering into themes for deeper discussion.

Collectively, across submissions and workshops, several trends and drivers had strong convergence on their importance and impact on the future operation of the power system. These are summarised below.



Phase 2 draft strategy engagement

Engagement commenced following publication of the consultation draft Strategy. The purpose of this phase was to seek feedback on the proposed strategic priorities, outcomes, and supporting initiatives, and to test whether the Strategy appropriately reflected the challenges and opportunities associated with an increasingly variable, decentralised and data-rich power system.

Engagement was undertaken through a combination of written consultation, an industry webinar and three targeted workshops with representatives from across the electricity sector. The webinar was attended by 195 people and provided an opportunity to present the proposed Strategy, answer questions and encourage participation in the consultation process. The workshops enabled more detailed discussion on key themes, including future system operation, efficient market outcomes, data and distributed resource integration, operational capability, and industry resilience.

The System Operator received thirteen formal submissions from a range of stakeholders, including generators, retailers, electricity distribution businesses, large energy users and energy service providers. Stakeholders generally supported the proposed strategic direction and recognised the need for the System Operator to evolve as the power system changes.

Feedback highlighted the importance of maintaining a strong focus on power system security while also improving visibility of distributed resources, supporting efficient market outcomes, strengthening resilience, developing future operational capability and responding to the increasing complexity of the electricity system.

Consultation feedback also identified a number of areas where the Strategy could be strengthened or clarified. These included improving recognition of large and complex loads such as process heat, considering the future role of demand-side flexibility, strengthening references to TSO–DSO coordination and governance, clarifying dependencies on other organisations, and ensuring that data, monitoring and compliance requirements remain proportionate to operational need. Stakeholders also emphasised the importance of affordability, transparency, collaboration and maintaining confidence in the System Operator's impartiality arrangements.

The feedback received through Phase 2 engagement has informed the development of the final Strategy. While changes have been made to improve clarity and strengthen several areas of focus, the consultation generally confirmed broad support for the Strategy's overall direction and the five strategic priorities.



Appendix C: Risk Mapping

High level threat	Ref	Sub level threat	Applicable Strategic Priority
Failure to evolve with the operating environment	1.1	Risk that System Operator does not have the tools or processes to securely manage a changing operating environment	All priorities
	1.2	Risk that regulations and standards do not keep pace with changing environment	1. Operating a secure, highly variable power system 2. Efficient market operations and information provision 4. Leveraging data and distributed energy resources
	1.3	Risk of external processes and funding not evolving with our operating system	Covered elsewhere within System Operator policy and contractual arrangements
Failure to maintain service levels	2.1	Reputational risk (Loss of social license)	All priorities
	2.2	Risk of failing to meet expected customer requirements	All priorities
	2.3	Risk of grid-scale cyber security event	3. Evolving operational capability 5. Strengthening industry resilience
Failure of tools, facilities or people to manage the power system	3.1	Risk of not having skilled people in roles	3. Evolving operational capability
	3.2	Risk of tools being unable to manage power system	All priorities
	3.3	Risk affecting availability or safety of facilities	5. Strengthening industry resilience
Insufficient power system assets to manage the power system	4.1	Risk of insufficient information to reliably operate the power system	1. Operating a secure, highly variable power system 4. Leveraging data and distributed energy resources
	4.2	Risk of insufficient supply to meet demand or ancillary services	1. Operating a secure, highly variable power system 2. Efficient market operations and information provision
	4.3	Risk of significant power supply interruptions	1. Operating a secure, highly variable power system 2. Efficient market operations and information provision 4. Leveraging data and distributed energy resources 5. Strengthening industry resilience

Appendix D: Control Room of the Future

New Zealand's electricity system is becoming more complex to operate in real time. Increasing electrification, renewable variability, decentralisation, and more frequent weather-related disruption are driving higher levels of operational uncertainty and risk.

These pressures are concentrated in the control room, where timely, consistent decisions are critical to maintaining system security and quality market outcomes. However, current operational capability—reliant on fragmented data, manual processes, and tacit knowledge—will not scale effectively to this future state. Without intervention, there is a growing risk of:

- Reduced consistency and predictability in system operation
- Slower response under stressed system conditions
- Increased reliance on individual expertise rather than systemised capability

As system complexity increases, so too does the consequence of these risks.

The Control Room of the Future (CRoF) is a targeted programme to ensure real-time operational capability remains fit-for-purpose as the system evolves. It delivers a coordinated uplift across eight key areas:

- Standardised and unified operational data – enabling a single, trusted operational view
- Knowledge management capability – improving access to critical operational knowledge
- Streamlined and sensibly automated operational processes – reducing manual effort and variability
- Operational intelligence and decision support – embedding analytics and advanced tools into decision-making
- Unified operator experience and advanced tools – reducing cognitive load and improving usability
- Operational communications and event response – strengthening coordination across the system
- Operator learning evolution – building future-ready workforce capability
- Adaptable facilities and hardware – supporting flexible and resilient operations

This represents a step change in how real-time operations are supported, aligning people, process, and technology to manage increasing system complexity.

CRoF directly addresses the emerging risk by delivering:

- More consistent and reliable decision-making – Faster, repeatable, and better-informed operational responses
- Reduced operational risk – Lower reliance on manual processes and improved ability to manage dynamic system conditions
- Improved efficiency – Automation of routine activities and better use of operator capability
- Scalable capability for future growth – Ability to operate a larger, more dynamic and data-rich system

These outcomes ensure the System Operator can continue to maintain system security and reliability as complexity increases.

CRoF is a foundational enabler of the electricity system:

- Supports system security and reliability, underpinning all market outcomes
- Maintains efficient market operation through consistent and predictable system actions
- Reduces the likelihood and impact of high-cost system events
- Enables effective integration of renewable and distributed resources

It also delivers system-wide benefits, including greater certainty for participants, improved coordination during events, and stronger overall system resilience. As the electricity system evolves, the capability to operate it in real time must evolve faster. CRoF is a targeted investment in the operational backbone of the system—ensuring increasing complexity does not compromise security, reliability, or market performance. Over the next 12 months we will be looking to engage and share more with industry on CRoF.

Control Room of the Future

Our Vision

A future-ready control room that combines people, technology and intelligence to operate New Zealand's power system safely, securely and efficiently for a better energy future.

- Standardised and unified operational data
- Streamlined and sensibly automated operational processes
- Knowledge management capability
- Operational intelligence and decision support
- Unified operator experience and advanced tools
- Operator learning evolution
- Operational communications and event response
- Adaptable facilities and hardware



Appendix E: Increasing vulnerability to cyber risks

The electricity sector in New Zealand consists of multiple businesses with different roles and levels of capability. There are twenty-nine distribution companies, with operations ranging from large urban networks to smaller rural systems.

Their size and technical sophistication vary; some have extensive networks with automation, while others operate on a smaller scale with basic setups. Electricity generation is dominated by five main firms, but smaller generators also contribute. Distributed and embedded generation, such as rooftop solar and industrial cogeneration, adds further complexity.

This diversity helps decentralise supply, but it potentially increases risk. Some smaller operators may not have robust cybersecurity measures, while larger organisations face complex threats due to their scale and connectivity. The interconnected nature of the sector means that a failure in one area may affect the wider system.

Transpower uses the Inter-Control Centre Communications Protocol (ICCP) for secure, real-time data exchange with industry partners. Telemetry links with external parties, such as generator and distributor control centres, are being migrated to this standard. The ICCP system transmits critical functions, including dispatch instructions, over secure channels. Transpower also operates the TransGO telecommunications network, which connects substations and control centres for protection and SCADA communications. This private, fibre-optic network allows Transpower to monitor and control the grid, as well as operate the wholesale electricity market systems, without relying on public internet networks.

While New Zealand hasn't experienced major cyber-induced outages, international incidents are increasing and cybersecurity risk in the electricity sector is no longer confined to firewalls and passwords. Our analysis shows there are three critical emerging areas of threat.

- **Supply Chain:** Sophisticated cyber adversaries increasingly bypass direct attacks by targeting third-party vendors, suppliers, and service providers with privileged access. Considering this sector, this can include manufacturers of operational equipment, software vendors supporting SCADA and corporate systems, and contractors with remote access for maintenance. A compromise at any point in this chain—whether through malicious code in a software update or stolen credentials—can serve as a gateway into critical infrastructure.
- **Geopolitics and State Actors:** Geopolitical tensions are reshaping the threat landscape for critical infrastructure, with state-sponsored cyber actors increasingly targeting electricity networks as part of broader strategic campaigns. Groups such as Volt Typhoon and Salt Typhoon, linked to the People's Republic of China, exemplify this shift—operating stealthily within energy and telecommunications systems to establish footholds for potential future disruption. Their tactics, which blend into normal network activity, make detection particularly challenging.
- **Personnel and Human Engineering Risk:** Personnel risk remains one of the most persistent and complex challenges in cybersecurity. Inadvertent errors and insider threats can undermine even the most robust technical controls. The rise of AI-assisted impersonation— through hyper-personalised phishing, voice deepfakes, and synthetic personas—has elevated the threat landscape. These techniques blur the line between legitimate and malicious communication, making user awareness and rapid reporting essential.

As well as new opportunities, the rapid expansion in digital technology creates risks that utilities and asset owners must manage to ensure security of supply. This impacts both new assets connecting to the power system, and also the tools that operators use to manage networks. New DER devices, being largely commercial off-the-shelf and internet-connected, may not come with robust cybersecurity protections by default, which in aggregate creates a significant risk of exploitation. In some cases, these technologies are also vulnerable to malign influence from state actors. Similarly, a more complex network requires sophisticated software solutions and network integration, many of which are vendor-supplied; as vendors meet their requirements to maintain operable and secure software, this is driving increased maintenance costs. Increasing digitalisation and mitigation of inherent risks will require greater interconnectedness among industry participants to collectively manage and enforce good data hygiene and cyber security.

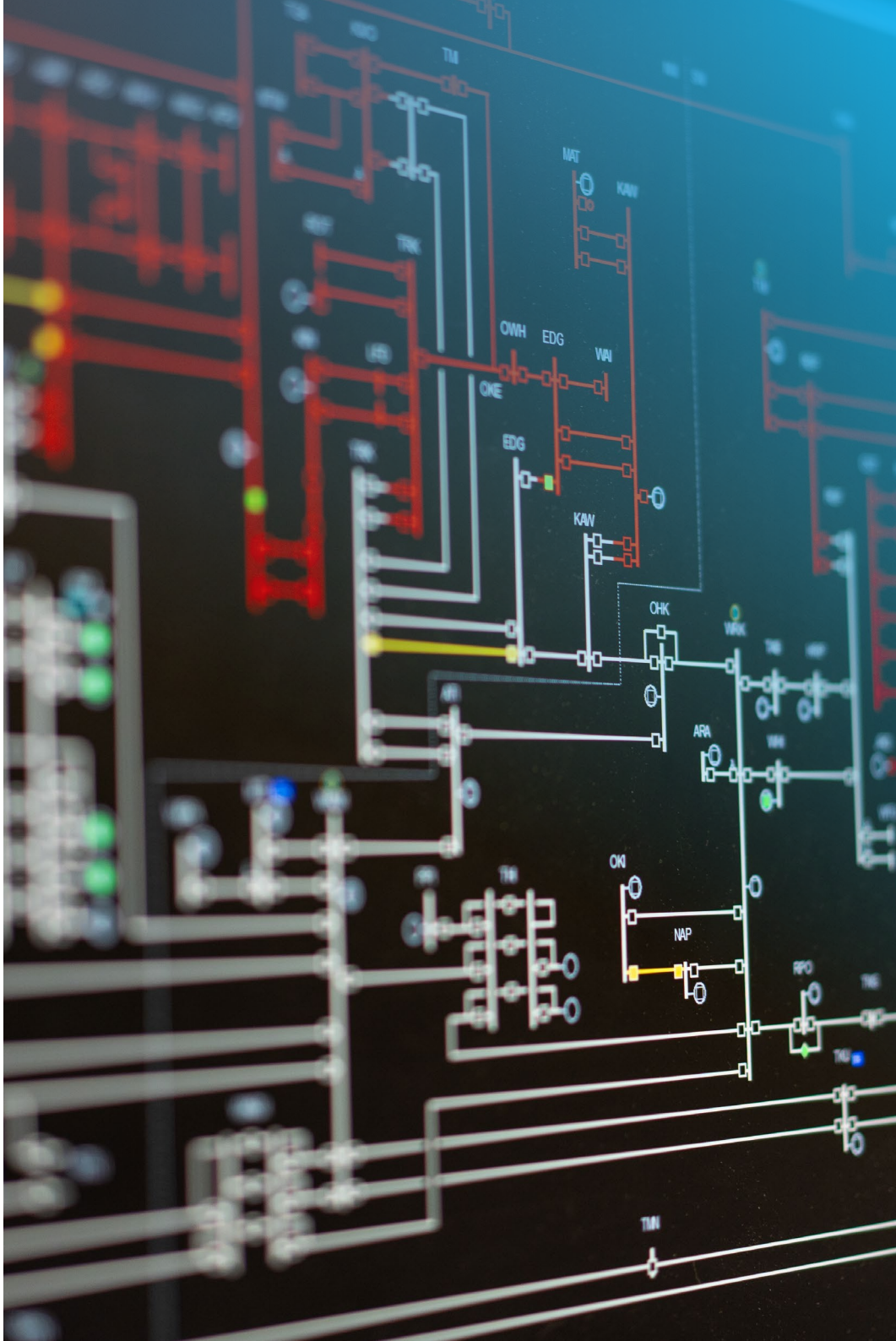
Going forward there is a clear need for a coordinated, sector-wide approach to cybersecurity and reliability within New Zealand's electricity sector. As the threat environment continues to escalate, government and industry must work in partnership.

Our approach to cybersecurity

We will continue to invest in cybersecurity controls to maintain existing capabilities and develop new capabilities in response to the changing threat, technology and business environments with a view to maintaining the cybersecurity risk profile in alignment with Transpower's risk appetite.

While we are not mandated to comply with any specific industry regulations for cybersecurity, our approach is to selectively align with the following standards where requirements are relevant to Transpower, to drive the effectiveness of our cybersecurity controls and validate our alignment to cybersecurity best practice:

- **ISO27001:2013 – Information Security Management:** Secure our information assets by informing requirements for establishing, implementing, maintaining and continually improving our information security management.
- **Voluntary Cyber Security Standards for Control Systems Operators (VCSS – CSO):** Leverage guidance on New Zealand best practice for mitigating risk to industrial control systems and infrastructure. We assess ourselves on a regular basis against the VCSS-CSO standards and continuously work with New Zealand government agencies and other industry participants to adapt and refine our approach as required.
- **Center for Internet Security (CIS):** The Critical Infrastructure Protection (CIP) security standards are issued by the North American Electric Reliability Corporation (NERC). Compliance is mandatory for all North American entities that own or manage facilities that are part of the US and Canadian electric power grid. Many other countries have adopted standards and frameworks that align with the NERC-CIP precepts. Transpower has adopted the Center for Internet Security (CIS) Control model, which defines 20 controls that encompass the same breadth of topics as NERC-CIP but is less prescriptive, not being designed for mandatory application. These standards are used to define and measure the effectiveness of our controls. Control performance is monitored and reported on a monthly basis and drives the prioritisation of our cybersecurity investments.
- **National Institute of Standards and Technology (NIST):** Leverage selected requirements from NIST standards to inform domain-specific security policies and standards.



Appendix F: Indication of System Operator cost of service

Delivering value in a changing electricity system

The System Operator is a critical enabling service at the centre of New Zealand's electricity system. While the direct cost of providing the service is relatively small in the context of end consumer's electricity bills,[11] it plays an essential role in keeping the lights on and enabling New Zealand to electrify and grow. Its value is therefore not reflected in its direct cost alone, but through secure and reliable operation of the power system, efficient market outcomes, improved resilience, and the avoidance of wider consumer and industry costs associated with power system disruption.

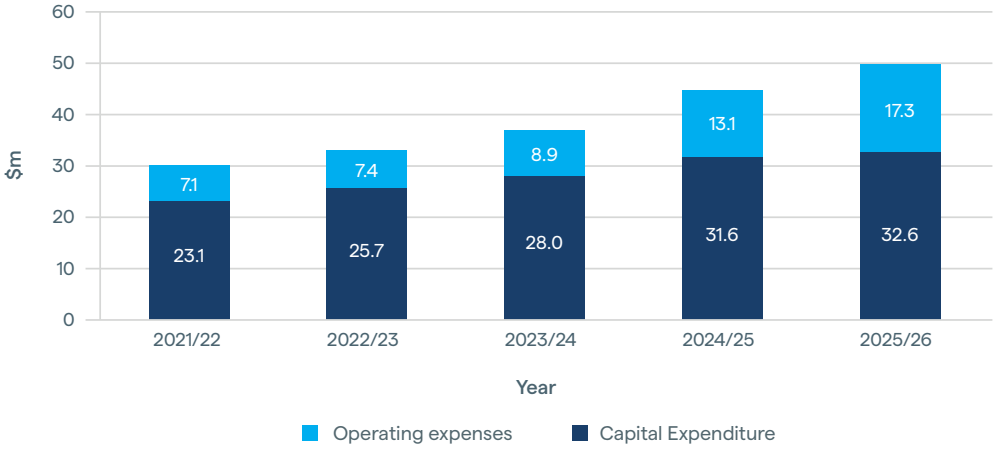
Impacts on service costs

Historically, the System Operator operated in a comparatively stable environment characterised by incremental change in system operation, market arrangements and technology. As the operating environment evolved in SOSPA 3, investment has increasingly focused on strengthening capability, improving operational tools and systems, and preparing for a more complex electricity system.

The annual System Operator fee recovers both operating expenditure and capital investment over time. Transpower remains focused on delivering the System Operator service efficiently, while balancing capability investment with affordability and value for money.

The following chart provides a view of historic System Operator nominal spend over the last five years.

Figure 10: System Operator Historical Spend*



excludes Market Design capital spend



11. The System Operator Service is funded through a portion of the 'levies' component of a consumer's electricity bill. The total 'levies' component of an electricity bill is approximately 0.5%. More details can be found on the Electricity Authority website: Your power bill | Electricity Authority

Increasing complexity requires increased capability going forward

As outlined in this strategy, the electricity system is becoming increasingly renewable, variable, decentralised and data intensive. Electrification, large new loads, batteries, inverter-based resources, distributed energy resources, increasing weather-related uncertainty, and changing consumer expectations are fundamentally changing how the power system must be operated.

To continue delivering secure and efficient operation of a more renewable, variable and decentralised electricity system, the System Operator will need to invest in enhancing capability and capacity in the coming years. Future increases in the cost of providing the System Operator service are expected to be driven by:

- recovery of capital investments made during the current SOSPA3 period,
- addressing the rapidly increasing complexity of the power system that is challenging the capability and capacity of our tools and processes, and
- the need to retain and grow specialist capability to meet the growing needs of industry and end consumers over time.

We expect significant upward pressure on the costs of providing System Operator Services for the SOSPA4 period. This System Operator Strategy informs the SOSPA4 capability investment plan within our next funding proposal which we will provide to the Authority by 1 July 2027.



Glossary

Term / Abbreviation	Description
ACS	Asset Capability Statement
AI	Artificial Intelligence
API	Application Programming Interface
AUFLS	Automatic Under Frequency Load Shedding
BESS	Battery Energy Storage System
CACTIS	Connected Asset Commissioning, Testing and Information Standard
CER	Consumer Energy Resource
CRoF	Control Room of the Future
DER	Distributed Energy Resource
DSO	Distribution System Operator
EA / Authority	Electricity Authority
EDB	Electricity Distribution Business
EECA	Energy Efficiency and Conservation Authority
ENA	Electricity Networks Aotearoa
ERC	Electricity Risk Curve
PPO	Principal Performance Obligation(s)
ESI	Electricity Supply Industry
ESO	Electricity Security Outlook
EV	Electric Vehicle(s)
GO	Grid Owner

Term / Abbreviation	Description
IBR	Inverter-based resource(s)
LMP	Load Management Protocol
LNG	Liquefied Natural Gas
LV	Low Voltage
MBIE	Ministry of Business, Innovation and Employment
MW	Megawatt
NEMA	National Emergency Management Agency
NIWA	National Institute of Water and Atmospheric Research
NTS	Non-transmission solution
NZGB	New Zealand Generation Balance
POCP	Planned outage coordination process
SO	System Operator
SOSA	Security of Supply Assessment
SOSPA	System Operator Service Provider Agreement
SPD	Scheduling, Pricing and Dispatch
SPS	Special Protection Scheme, also referred to as a remedial action scheme (RAS)
SSAD	Security Standards Assumptions Document
SSF	System Security Forecast
SST	Simulated Storage Trajectory
TSO	Transmission System Operator

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