

## Sector Stakeholder Survey

The Electricity Authority is carrying out surveys of residential consumers and sector stakeholders as part of its process of determining its development priorities for the coming years. The surveys will be followed by stakeholder forums in mid September and consultation on a draft plan prior to Christmas.

This survey is in two parts. The first two questions are the same as the residential consumer survey, for which we would like you to respond as a residential consumer. These are followed by more detailed questions that we would like you to respond to as a representative of your organisation.

The summary results from the surveys are intended to be published prior to the September forums. A detailed report will be published by the end of October. Individual results will not be attributed to the person providing input. Individual responses will be held in confidence by UMR Research Limited, who is conducting the survey on behalf of the Authority.

Thank you for taking the time to assist us with our planning by completing this survey – it should take 10–20 minutes.

Carl Hansen  
Chief Executive  
Electricity Authority

**We would like you to answer the first two questions as a residential electricity consumer, not as a representative of your organisation.**

1. Using a scale of 0 to 10 where 0 means ‘not at all competitive’, 5 means ‘just adequate’ and 10 means ‘extremely competitive’, how competitive are the following businesses in terms of working to get your custom and offering you the best deals. If you do not know, use “don’t know”.

|   |  |
|---|--|
| Petrol stations – petrol prices                       |  |
| Telephone companies – including mobile phone services |  |
| Supermarkets  |  |
| Online bookstores                                     |  |
| Electrical goods stores                               |  |
| Banks and other financial services                    |  |
| Electricity retailers                                 |  |

2. Using a scale of 0 to 10 where 0 means extremely poor, 5 means neutral and 10 means extremely good; how would you rate the electricity industry in New Zealand on the following? If you do not know, use “don’t know”.

|  |  |
|--|--|
| There is enough electricity to meet ongoing needs, that is, a good balance is achieved between the cost of having some power stations sitting idle most of the time against the cost and risk of power shortages when there is a long drought that limits hydro generation |  |
| There is a reliable supply of electricity each day, that is, a good balance is achieved between the cost of power cuts versus the cost of maintaining power lines, which is funded by the fixed daily charge on your electricity bill                                      |  |
| The New Zealand electricity market ensures electricity is generated and supplied efficiently   |  |
| The New Zealand electricity market ensures that the right mix of power stations is built in time to meet growing demand for power  |  |
| The current level of competition among electricity generators ensures they build the most efficient power stations and generate electricity as cheaply as possible   |  |
| The current level of competition between electricity retailers ensures that prices consumers pay only rise in line with costs to the electricity companies   |  |

**From this point forward we would like you to answer all questions from your perspective as a representative of your organisation, company or group.**

3. What type of organisation do you represent:

| Organisation type  | Tick one | Position in organisation<br>e.g. board member/ director, chief executive, senior manager, technical expert, spokesperson/communications |
|--|----------|---|
| Primarily a generator                                      |          |   |
| Generator & electricity retailer                           |          |   |
| Primarily an electricity retailer                          |          |   |
| Distribution or transmission                               |          |   |
| Service provider or agent (e.g. hedge market agent)        |          |   |
| Electricity consumer (please go to question 3A)            |          |   |
| Electricity consumer representative                        |          |   |
| Investors / educational institutions / professional bodies |          |   |
| Other (please specify)                                     |          |   |

- 3A Electricity consumers only, please indicate from the list below how you purchase your electricity (more than one category may apply – please tick all that do):

| Electricity consumer: how we purchase our electricity                 | Tick all that apply |
|---|---------------------|
| Purchase directly from the spot market                                |                     |
| Purchase electricity hedges   |                     |
| Purchase from a retailer – prices paid fluctuate with the spot market |                     |
| Purchase from a retailer on a fixed price tariff                      |                     |
| Other (please specify)  |                     |

4. In terms of **competition**, the Authority is seeking: Widespread consumer and investor confidence in the competitiveness of New Zealand’s wholesale and retail electricity markets.

A workably competitive market is one in which level of rivalry between suppliers is satisfactory, in that a supplier wanting to maximise its profits must carefully consider the responses of rivals and customers when deciding on prices or what to produce.

Using a scale of 0 to 10 where 0 means strongly disagree, 5 means neutral and 10 means strongly agree; please indicate your views on the following statements. If you do not have an opinion, please use “don’t know”.

|  |  |
|--|--|
| Prices in the spot market generally reflect the outcomes expected in a workably competitive market   |  |
| Prices in the spot market when hydro lake levels are well below average reflect the outcomes expected in a workably competitive market                           |  |
| Prices in the instantaneous reserves (IR) market reflect the outcomes expected in a workably competitive market  |  |
| Prices for frequency keeping reflect the outcomes expected in a workably competitive market  |  |
| Prices for voltage support reflect the outcomes expected in a workably competitive market  |  |
| Prices for black start reflect the outcomes expected in a workably competitive market  |  |
| Prices in the ASX market for long-term (e.g. 3 year-ahead) electricity futures contracts reflect the outcomes expected in a workably competitive market          |  |
| Prices in the ASX market for short-term (e.g. up to 6 months-ahead) electricity futures contracts reflect the outcomes expected in a workably competitive market |  |
| Prices in the over-the-counter hedge market reflect the outcomes expected in a workably competitive market   |  |
| Prices in New Zealand’s retail electricity market reflect the outcomes expected in a workably competitive market   |  |

5. In terms of **efficiency**, the Authority is seeking: Widespread recognition that New Zealand's wholesale and retail electricity markets, and transmission and distribution arrangements are efficient mechanisms for coordinating electricity production and consumption, and for facilitating timely and innovative investment in the electricity system.

Using a scale of 0 to 10 where 0 means strongly disagree, 5 means neutral and 10 means strongly agree; please indicate your views on the following statements. If you do not know, just say so.

|  |  |
|--|--|
| New Zealand's <b>wholesale electricity market</b> is an efficient mechanism for: |  |
| a. coordinating electricity production and consumption                           |  |
| b. facilitating timely and innovative investment in the electricity system       |  |

|  |  |
|--|--|
| New Zealand's <b>hedge market</b> is an efficient mechanism for:           |  |
| a. coordinating electricity production and consumption                     |  |
| b. facilitating timely and innovative investment in the electricity system |  |

|   |  |
|---|--|
| New Zealand's <b>retail electricity market</b> is an efficient mechanism for: |  |
| a. coordinating electricity production and consumption                        |  |
| b. facilitating timely and innovative investment in the electricity system    |  |

|  |  |
|--|--|
| New Zealand's <b>transmission and distribution arrangements</b> (regulatory and voluntary) are efficient mechanisms for: |  |
| a. coordinating electricity production and consumption   |  |
| b. facilitating timely and innovative investment in the electricity system   |  |

|   |  |
|---|--|
| <b>Overall</b> New Zealand's wholesale and retail electricity markets, and transmission and distribution arrangements are efficient mechanisms for coordinating electricity production and consumption and facilitating timely and innovative investment in the electricity system. |  |
|   |  |

6. In terms of **reliability**, the Authority is seeking: Widespread consumer and investor acceptance of efficient levels of supply reliability across the 'supply chain' (generation, transmission, distribution, and retailing). This includes developing a wider appreciation and understanding of the trade-offs between cost and reliability.

Using a scale of 0 to 10 where 0 means strongly disagree, 5 means neutral and 10 means strongly agree; please indicate your views on the following statements. If you do not know, just say so.

|  |  |
|--|--|
| The current level of security of supply is efficient as the cost of reserve generation and demand response capability is appropriately balanced against the cost and risk of power shortages |  |
| There is an efficient level of day-to-day reliability e.g. dealing with localised power outages, frequency and voltage stability   |  |
| <b>Consumers</b> appreciate and understand the trade-offs between cost and reliability   |  |
| <b>Investors</b> appreciate and understand the trade-offs between cost and reliability   |  |
| Over the next ten years the level of reliability will improve  |  |

7. Using a scale of 0 to 10 where 0 means extremely poor, 5 means neutral and 10 means extremely good; how would you rate the **current market arrangements** within the electricity sector (voluntary and regulatory). If you do not know, just say so.

|  |  |
|--|--|
| Wholesale spot market  |  |
| Retail market  |  |
| ASX electricity futures market   |  |
| Over the counter hedge market  |  |
| Instantaneous reserves market  |  |
| Other ancillary services markets   |  |
| Demand side response   |  |
| Encouraging efficient investment and innovation in generation  |  |
| Encouraging efficient investment and innovation in distribution                                      |  |
| Encouraging efficient investment and innovation in transmission                                      |  |
| Minimising barriers to entry for new generation projects and/or new generation companies             |  |
| Minimising barriers to entry for new retail companies or existing companies expanding into new areas |  |
| Ensuring an appropriate balance between reliability and cost   |  |
| Effectiveness of regulatory arrangements overall   |  |
| Other 1 (please specify)   |  |
| Other 2 (please specify)   |  |

8. If you have any specific comments or suggestions on the **major development priorities for 2012 onwards** in relation to the Electricity Industry Participation Code<sup>1</sup> or voluntary arrangements within the electricity sector, could you please note them in the tables below.

NB exclude the major **current** Authority projects that are nearing completion (scarcity pricing, locational price risk management, dispatchable demand, demand-side bidding and forecasting, more standardised tariff structures & use of system agreements, metering (Part 10), current hedge market liquidity work, and the transmission pricing methodology projects).

**First priority:** (e.g. urgent, important, potential very significant benefits)

**Second priority:** (e.g. important, potential significant benefits\*)

**Third priority:** (e.g. quite important, should be progressed as resources permit, potential benefits)

**Thank you for your time in completing this survey.**

<sup>1</sup> The Electricity industry Participation Code is delegated legislation made in accordance with the electricity Industry Act 2010. The Code sets out participant responsibilities, including the Electricity Authority's duties and responsibilities. The Authority maintains the Code and is responsible for ensuring participants comply with the Code.