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20 December 2012

Carl Hansen
Electricity Authority
2 Hunter Street
WELLINGTON

By email: submissions@ea.govt.nz

Dear Carl

Proposal to amend Electricity Industry Act to enable collection of fees

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Electricity Authority (“the Authority”) on the consultation paper “Proposal to amend Electricity Industry Act to enable collection of fees” dated 23 November 2012.

Greater clarity required to demonstrate regulatory need

Genesis Energy considers that the consultation paper does not clearly justify the expansion of the current funding approach. In our view, the Authority must go further to demonstrate that a fee-making regulatory power is “required, reasonable, and robust”, as consistent with the Government’s statement on regulation¹. In particular, the Authority should specifically identify those services that demonstrate a need for fee-making powers and for which there would be benefits from a more user-pays funding approach.

Genesis Energy understands, from discussions with the Authority, that possible services to which the fee-making power could apply include FTR market transactions and aspects of the system operator services. However, we suggest that the Authority needs to clearly state this as part of its proposal and provide insight into how the efficiency gains of a user-pays approach would be realized in the context of these specific activities. We note that there could be higher costs

¹ 17 August 2009. Government Statement on Regulation: Better Regulation, Less Regulation

from administering a user-pays approach and greater cost uncertainty for participants. These costs along with the cost in progressing this regulatory change could exceed the benefits of this change.

Recommendations around the scope of this regulatory power

Ideally we consider the Authority needs to provide more information on the regulatory need and should allow participants the opportunity to comment prior to any decision being made on this proposal. For now, however, we make the following further suggestions in relation to the scope and operation of the suggested fee-making power.

We agree with the Authority that it is important that any fee-making regulatory power contains suitable requirements for consultation and disclosure with participants². In addition:

- **the power to make regulations should only apply to the Authority's market service operations.** It is important that funding for the Authority's regulatory and policy based functions continues to remain subject to the scrutiny of the Government appropriation process. Further, we consider that there is unlikely to be any clear efficiency benefits from funding these aspects of the Authority's role through a fees based approach.
- **the Authority should be required to account for its expected level of fee income when seeking approval from Parliament for levy based appropriations.** This additional process step is necessary to ensure that that any fees collected do not increase the total level of funding required to be met by industry participants. It will also provide the Government and industry participants with complete visibility of how the Authority is allocating and prioritising its annual funding across its statutory objectives.

If you would like to discuss any of these matters further, please contact me on 04 495 6357

Yours sincerely



Lizzie Wesley-Smith
Regulatory Advisor

² Pg 26 Consultation paper.

