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John Rampton
General Manager, Market Development
Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington

By email: submissions@ea.govt.nz

Dear John

Strategic directions for market development

Thank you for the opportunity to submit on the Electricity Authority's (the Authority) consultation paper *Strategic directions for market development*, published 12 March 2013. Our interest in this matter lies both as system operator, with direct involvement in market development projects through the joint work plan, and as grid owner.

Support the purpose of the strategic directions

We support the purpose for the strategic directions to focus and guide market development in the medium to long term and identify the Authority's market development outputs.

We consider it important that an effective organising framework for industry projects is created. It should enable affected parties to understand the basis for the market development programme, how it might evolve over time, how individual projects interact and how projects are prioritised. This is particularly important for the system operator as implementation of projects that impact on our systems and processes can take significant time and resource to develop and need to be sequenced and scheduled in a logical manner. A clear and strategic perspective helps ensure coherence and certainty - and avoids the coordination and confidence downsides of a fragmented or piecemeal approach to market development.

We note industry sentiment that the work programme is overly ambitious and that, particularly when it comes to implementing multiple projects at once, this creates real cost and implementation risk for participants. We query whether a higher threshold to entry to the Authority work programme might be appropriate.

Application of strategic directions to initiatives is vital next step

We consider this strategic directions paper to be a first step on the way to achieving the desired purpose of focusing and guiding market development in the medium to long term.

The vital next step is to demonstrate how these directions will be developed and applied to prioritise and coordinate the projects and create confidence in the market development path. We note that the development and application of the directions is unlikely to be straight forward and may benefit from expert third-party facilitation.

Finally, we provide the feedback sought by the Authority on the usefulness of its presentation of the relationships between current projects (figure 1 of the consultation paper) under the proposed strategic directions. We agree that a visual representation of the work programme could be valuable to show the fit with the strategic directions and the linkages between projects. However figure 1 only partially achieves that outcome. For example, while it does identify which projects are interdependent, it does so only superficially and repeating project names in multiple directions is clumsy. If the purpose of the diagram is to be useful as a reference and high level planning tool then it may be helpful to include a temporal dimension to illustrate dependencies, sequencing and indicative timeframes – perhaps treating the direction as work streams.

We have responded to the questions at Appendix A. We would welcome the opportunity to discuss our submission with you if that would assist to clarify any of the points raised. Please contact me directly on (04) 590 7544.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JC' followed by a long horizontal stroke.

Jeremy Cain
Chief Regulatory Advisor

Appendix A – Responses to Consultation Questions

Question number	Question	Response
1	<p>What are your views on the proposed purpose of the strategic directions?</p>	<p>We agree with the purpose for the strategic directions, noting that these are the first step in defining a market development framework.</p> <p>As well as helping better prioritise work, the introduction and application of strategic directions will improve understanding of the purpose, timing and linkages between market development programmes. This will reduce uncertainty for affected parties and assist their planning.</p>
2	<p>How else might the Authority indicate how the work programme will evolve in response to emerging circumstances?</p> <p>Please describe your proposal.</p>	<p>We have no other proposal for how the Authority indicates how the work programme will evolve, but note that it is vital that the application of the strategic directions creates a clear rationale for the priorities and timing for market development projects.</p>
3	<p>Do you agree or disagree with the Authority's assessment of the challenges facing the electricity sector in the coming 10 years or so? Please provide your reasons.</p>	<p>We agree with the challenges identified and note specifically that falling demand growth adds a new dimension to the uncertainty challenge.</p>
4	<p>Do you agree or disagree with the proposed strategic directions? Please provide your reasons.</p>	<p>We think the directions are sufficiently encompassing. We support in particular initiatives under 'facilitating consumer participation' that develop demand response.</p> <p>These directions will need to be developed to a level of detail that will assist the prioritisation and co-ordination of the market development projects and will create confidence in the development path.</p>
5	<p>Do you consider there are other strategic directions for market development? Please provide your reasons.</p>	<p>None to add.</p>