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Electricity Authority  
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By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear Carl

## More detail needed for strategic directives

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Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Electricity Authority on the consultation paper "Strategic directions for market development".

Genesis Energy welcomes the Authority's intention to provide more guidance to the public on how it considers market developments. However, we consider the proposed strategic directives approach will not successfully deliver the desired outcomes..

### **The purpose of strategic directives**

Establishing strategic directives for market development is an opportunity for the Authority to properly consider how best to meet the statutory objectives in the market development context, and thus focus both the resources of the Authority itself, and the sector. We note that the consultation paper suggests such an approach in Figure 1 to the Appendix.

In particular, we consider that now is a good time for the Authority to consider how to better inform the sector about its future intentions for the market. This is because the Authority has implemented most of the steps needed to meet the section 42 objectives.

## Current Strategic directions

We consider that the proposed strategic directives, although agreeable, do not meet this purpose. In particular, we do not see them providing any real guidance over and above that already provided in the statutory objectives. For example, “providing efficient price signals” and “appropriate flexibility and resilience” are not strategic goals – rather they reflect the business as usual for a market regulator.

We consider that, to be truly useful, the strategic directions must be much more future focused. Furthermore, the description of the strategic directions must be sufficient to enable the transparent assessment and prioritisation of projects on the Authority’s work programme.

We suggest that, to address our concerns and for the strategic directions to be useful to the sector, the Authority needs to:

- **take a more “top down” approach.** Our interpretation of the consultation paper is that the strategic directives reflect the current Authority work programme, rather than sector challenges and statutory objective and aspirations.
- **use a more collaborative approach to identifying key challenges facing the sector.** As discussed further below, we consider that the discussion on “challenges” in the consultation paper is off target and does not reflect our view for the sector. We suggest that wider sector workshop would assist the Authority in gaining wider industry views on what appropriate.

## Commentary on sector challenges

As noted above, we consider that an industry workshop would be the best way for the Authority to identify the key challenges facing the electricity market over the next 10 years. However, we have some specific comments that we suggest need to be considered as part of that further discussion:

### Uncertainty in the electricity sector

The Authority identifies “uncertainty” as a key challenge for the electricity market. Genesis Energy agrees that the sector is constantly managing uncertainty – particularly in terms of peak demand and load. We consider that the Authority could play a useful role in modelling and forecasting these variables to assist the management of this type uncertainty.

We consider that regulatory uncertainty remains a key challenge that must be acknowledged in the Authority's analysis. The Authority should focus on how they achieve certainty (i.e. by giving an indication of what changes may be on the horizon). The best way that the Authority can contribute to reducing regulatory uncertainty is for it to minimize interventions to where there is a clear and well defined market failure to address. Therefore, we recommend that the Authority place greater emphasis on problem definition (with, where possible, sector input) and best-practice cost benefit analysis.

Increased regulatory intervention, in itself will not create certainty. We also suggest that, as a good regulator, the Authority should continue to review the need for existing interventions. Such reviews should enable the Authority to remove regulatory instruments that have either successfully resolved an issue, or have become redundant over time.

#### Changes in technology and customer expectations

The Authority refers to changing technology and customer expectations as "challenges" to the sector. Whilst we agree that these are challenges for the sector, they are best met by market participants who clearly understand the needs of their customers and customer segments – not by regulatory intervention. In our view, one of the key strengths of the competitive market is that it encourages innovation in both retail and generation and provides a clear understanding that customers are not homogenous.

#### Public perception

Although not an issue that can be addressed in market design, a key sector risk that the Authority needs to urgently prioritise is the public perception that the electricity market is not delivering value to New Zealand. The Authority has improved its reaction to this issue in the media. However, in our view it needs to take a stronger, proactive role in leading the debate on the benefits of the market approach. In particular, we consider that the Authority should focus on educating the public on how the electricity market currently works, and how it provides benefits to consumers and New Zealand as a whole.

If you would like to discuss any of these matters further, please contact me on 04 495 3340.

Yours sincerely



Jeremy Stevenson-Wright

Regulatory Affairs Manager