



23 April 2013

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

### **Strategic directions for market development**

Meridian welcomes the opportunity to submit on the Electricity Authority's consultation paper 'Strategic directions for market development'.

Our response to individual consultation questions is attached as Appendix A.

If you have any queries regarding this submission please contact me.

Yours sincerely,

Matthew Hall  
Regulatory Analyst

DDI 04 382 7516  
Mobile 021 820 422  
Email [matthew.hall@meridianenergy.co.nz](mailto:matthew.hall@meridianenergy.co.nz)

## Appendix A: Meridian responses to consultation questions

	Question	Meridian Response
1.	What are your views on the proposed purpose of the strategic directions?	<p>Meridian agrees there is value in the Authority articulating a set of 'strategic directions' which provide guidance with respect to the Authority's regulatory work programme over the medium term.</p> <p>We agree that such a document should assist interested parties to understand the potential evolution of the market development work programme, the interactions between individual projects, and the relationships between the work programme and the Authority's statutory objective.</p> <p>We also agree that the dynamic nature of the electricity industry means the Authority should not set out to create a 'blueprint' for market development. However, we consider the Authority may be able to provide a greater level of detail on some of the above matters than has been included in the draft strategic directions document. This is discussed further below.</p>
2.	How else might the Authority indicate how the work programme will evolve in response to emerging circumstances? Please describe your proposal.	<p>Meridian suggests the Authority consider including discussion on the following matters in its strategic directions document:</p> <ul style="list-style-type: none"> <li>• Further description of how the Authority undertakes prioritisation of workstreams in setting its 3-year work programme i.e. is there a prioritisation framework beyond the simple assessment of public benefit and project size? Will the 'strategic directions' identified by the Authority be used in workstream prioritisation?</li> <li>• Identification of which future market development workstreams are likely to involve changes to market systems and, where possible, demonstrate how separate workstreams will be co-</li> </ul>

	Question	Meridian Response
		<p>ordinated to minimise cost and disruption to market participants.</p> <ul style="list-style-type: none"> <li>• Identification of whether the Authority has any broad plan with respect to how frequently it reviews various parts of the Code e.g. would the Authority expect to undertake a general review of each Code Part every 10 years?</li> <li>• Further description of exactly how the strategic directions document will be used to inform development of the Authority's work programme. Does the Authority expect to report on progress against the strategic directions identified?</li> <li>• Further description of how the Authority takes the identified 'regulatory strategy principles' into account in establishing and prioritising its work programme, and how these principles interact with the strategic directions for market development.</li> </ul>
3.	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>We agree that rapid development of technology and changing consumer expectations are key challenges.</p> <p>While we recognise that 'uncertainty' is an inherent characteristic of the development of the electricity industry, we question whether it should be identified as a 'challenge' in itself e.g. the other challenges identified are specific trends, and could themselves be said to be subject to uncertainty. Uncertainty is more of an underlying characteristic.</p> <p>Meridian considers the Authority could further develop the comprehensiveness of its analysis of technology development in the electricity sector. A limited examination of this issue may unintentionally over-emphasise the importance of those technologies that are specifically discussed e.g. the 'artificial leaf' or the electric vehicle.</p> <p>We note the Authority's CRE aspirations</p>

	<b>Question</b>	<b>Meridian Response</b>
		include 'widespread confidence in the competitiveness of markets' and 'widespread recognition that markets are efficient'. Meridian agrees with these aspirations and encourages the Authority to continue to provide information to industry stakeholders and the public on the performance of the market. The Authority could give consideration to including 'building confidence in the market' amongst its identified challenges.
4.	Do you agree or disagree with the proposed strategic directions? Please provide your reasons.	We agree with the proposed strategic directions identified by the Authority.
5.	Do you consider there are other strategic directions for market development? Please provide your reasons.	Meridian considers 'regulatory predictability' to be a critical factor in creating a competitive, reliable and efficient electricity sector. Achieving this requires a clear decision making and prioritisation framework. The Authority should also be careful to allow time for the impacts of existing policies to take effect (including, where appropriate, undertaking post-implementation reviews) before progressing further initiatives which might be targeted at the same problem. The Authority could give consideration to including 'regulatory predictability' amongst its strategic directions.
6.	The Authority would appreciate feedback about the usefulness of [Figure 1's] presentation of the relationships between projects.	One concern with Figure 1 is that it does not provide full information on the specific strategic directions each work stream is aligned to. For example, Figure 1 shows the "retailer default" project as solely being aligned with "reducing barriers". This is contrary to the suggestion contained in page 9 of Appendix B of the consultation paper linking the project with "resilience".