



23 April 2013

Submissions  
Electricity Authority  
PO Box 10041  
Wellington 6143

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

To The Authority,

**Strategic Directions for Market Development – Consultation Paper**

Please find attached Arc Innovations Limited's submission on "Strategic Directions for Market Development".

If you have any queries in relation to this submission please contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Emma Perry".

Emma Perry  
Senior Legal Counsel

DDI: 03 335 5434  
Mobile: 021 2419 704  
Email: [emma.perry@arcinnovations.co.nz](mailto:emma.perry@arcinnovations.co.nz)

## ARC Innovations Limited – Submission Response

### Appendix B: Strategic Directions for Market Development.

Question No.	General Comments in regards to the following questions:	Arc Response
1	What are your views on the proposed purpose of the strategic directions?	Arc concurs with the Authority’s approach of enhancing market processes in order to benefit all market stakeholders.
2	How else might the Authority indicate how the work programme will evolve in response to emerging circumstances? Please describe your proposal.	Arc suggests that in order for the Authority to attain its’ four strategic goals it would be beneficial for the Authority to further engage with relevant market participants in order to align the market processes and perceived changing market circumstances, where possible, with the strategic directions of the market participants.
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>The challenges analysis and categorisation appears comprehensive.</p> <p>Arc makes the following suggestions:</p> <p><b>A: “uncertainty”</b></p> <p>“Uncertainty” is not really a challenge per se but a potential result of defined circumstances which should be articulated where possible.</p> <p>As examples, uncertainty may be a result of the potential impact of:</p> <ul style="list-style-type: none"> <li>• New technologies;</li> <li>• Increased retailer competition for consumers given the flat demand forecast. This will result in improved product service and price options for consumers;</li> <li>• The potential impact of a change of government on the electricity sector;</li> <li>• The sharemarket floating of Mighty River Power, Meridian and Genesis Energy.</li> </ul> <p>With regard to the last three bullet points above, Arc submits that it would be beneficial to market participants if the Authority produced a white paper on each.</p> <p><b>B: “Changing Consumer Expectations”</b></p> <p>Given the importance of consumer perception regarding upward electricity</p>

		<p>price trends which has contributed to a belief that the competitive market hasn't worked or worked as well as it should have, it would be beneficial for the Authority to provide greater leadership in communicating information which enhances public confidence in the electricity sector. This goal should be articulated clearly in the strategic directions.</p> <p><b>C: Strategic Direction (b)</b></p> <p>In 2.4.1 (b) we suggest that the challenge of changing consumer behaviour to enable consumer's to take advantage of choice in supplier or products should be articulated in this strategic direction. Smarter tariffs provide choice, but without change in consumer behaviour around load shifting, then the consumer may not always see the potential benefits..</p>
4	Do you agree or disagree with the proposed strategic directions? Please provide your reasons.	Arc agrees with the four strategic directions.
5	Do you consider there are other strategic directions for market development? Please provide your reasons.	Arc considers that "regulatory predictability" could also be a strategic direction.
3.1.4	Feedback about the usefulness of the presentation of the relationships between the projects.	A good presentation but further detail regarding the relationships and the outcomes vis a vis the strategic directions would be useful.