

24 April 2013

Carl Hansen
Chief Executive
Electricity Authority

Dear Carl

Proposed change to the Advisory Group Charter

The Authority is currently undertaking a review and consulting on the Advisory Group Charter and Terms of Reference documents. The Wholesale Advisory Group (WAG) was previously given the opportunity to have input on how these documents might be improved and I understand this input has already been taken into account as part of the review. However, since that time, the WAG has identified a number of additional improvements that could be made to the Advisory Group Charter. The purpose of this letter is to describe those proposed improvements and request that the Authority takes them into consideration as part of its review.

The current Advisory Group Charter states that:

“the Authority has sole responsibility for amending the Code and for market-facilitation measures. The Authority’s final decision will reflect the conclusions it reaches and may differ from those preferred by a particular Advisory Group.

If the Authority decides further work is required on a Code amendment proposal or a market facilitation proposal, the Authority may choose to send the advice back to the relevant Advisory Group to be reworked, or it may establish a new Advisory Group to consider the issue, or seek advice from any other party it wishes, including Authority staff and independent experts”.

The WAG accepts these provisions, but recommends that the process the Authority follows after an Advisory Group has finalised its recommendations to the Board is added to. More specifically, the WAG recommends that the following requirements are added to the Advisory Group Charter:

For Code amendments or market facilitation measures being developed by the Authority that relate to recommendations previously made by an Advisory Group, then:

- the Authority must regularly update the Advisory Group on progress;
- if the Authority is giving consideration to amending or not progressing any of the Advisory Group’s recommendations, then the Authority will give the Advisory Group a timely opportunity to comment on any such alterations to its recommendations;
- the Advisory Group may request that it present its views directly to the Authority’s Board.

I would like to take this opportunity to clarify that the WAG is seeking these amendments to the Advisory Group Charter not because it has been kept uninformed by Authority staff. The project plans for the WAG projects have always set out a process by which Authority staff are to keep the Advisory Group informed, and this has been occurring. However, as you will appreciate,

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WAG members have invested considerable time and effort to develop recommendations to the Authority, and in many cases consider the WAG's recommendations to be a 'package' of improvements. The WAG is concerned that well-meaning amendments by Authority staff to the WAG's recommendations may unintentionally undermine the trade-offs between the various recommendations agreed by the WAG. Therefore, the WAG considers that it is important it continues to be able to provide independent advice to the Board regarding its recommendations while the Authority is developing Code amendments or market facilitation measures that relate to those recommendations. Furthermore, this should be formalised within the Advisory Group Charter.

I would be happy to clarify any of the comments expressed in this letter.

Yours sincerely

John Hancock
WAG Chair