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Carl Hansen
Electricity Authority
2 Hunter Street
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By email: submissions@ea.govt.nz

Dear Carl

Review of advisory group administrative arrangements

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Electricity Authority on the consultation paper "Review of advisory group administrative arrangements" dated 5 March 2013.

Greater role for advisory group in future market developments

Genesis Energy agrees that the current advisory group model is working well. However, with the Government's Section 42 priority initiatives nearly complete, we consider that there is scope for advisory groups to play a greater role in assisting the Authority to shape and drive its future market agenda.

In our view, there are a number of improvements that could be made to the current arrangements to facilitate and accommodate this more effective use of advisory groups going forward. We suggest that to make more effective use of advisory groups, the Authority should:

- Improve the work programme for advisory groups;
- Provide greater representation on advisory groups; and
- Ensure transparency of decision making is maintained.

We expand on these issues below and our answers to the consultation document questions are in Appendix A.

Improving the work programme for advisory groups

We consider that the Authority can improve the way that work is assigned to the advisory groups by:

- Providing greater clarity around the process for agreeing work plans and projects for advisory groups;
- Establishing a criteria for what work will be assigned to advisory groups; and,
- Providing a role for advisory groups to assess and evaluate code change proposals.

Greater clarity in the work plan process

In our view the current process for agreeing work plans appears to be largely driven by the Authority, in particular:

- advisory groups do not have an explicit role in the initial preparation of their work plans, but merely a right to be consulted. Under clause 4.1 of the terms of reference, for example, it is the Authority that prepares the annual work plan, which is then presented to the chairperson and the advisory group for their consideration; and
- the terms of reference do not stipulate the timing for agreeing work plans for advisory groups. The Authority's current practice is not to begin the process of agreeing advisory work plans until after it has set its work programme and sought industry agreement on its appropriations, work priorities and projects for the year. This provides very little scope for advisory groups to influence or shape the outcome of their work plans.

We suggest that a better process would be for advisory groups to be responsible for, firstly, preparing their work plans and then presenting this to the Authority Board. This process should take place prior to the Authority seeking industry consultation on its appropriations.

Furthermore, we suggest that the Authority seek the views of the advisory groups when developing its work priorities and projects for the year. This will allow advisory groups to identify to the Authority the types of issues that they

would like to address on their own work plan. It will also enable the Authority to better leverage off the expertise of industry participants and secure early industry buy-in on its work programme.

Establishing criteria for assigning work

The Authority has very wide discretion when determining when it will seek advice from advisory groups, and, on what matters. As a result, it is not always clear whether a particular issue will be considered by an advisory group, or will be reviewed by the Authority. In our view, this creates uncertainty and inconsistency in the sector. It also means that key issues may not always have the benefit of an expert industry group review.

We consider that this situation can be improved by establishing criteria on the types of matters that the industry can expect advisory group involvement on. This would also assist the Authority when agreeing with advisory groups on the content of their work plans. As a start, we consider that any significant issue that is likely to have a material impact on the fundamental operation of the market should be assigned for consideration by an industry advisory group.

Advisory groups to assess and evaluate code change proposals

We suggest that advisory groups could also be responsible for the initial evaluation of participant Code change proposals. The Code change request process has been in place for some time now, however, we are unaware of any change to the Code being progressed through this process. It is unclear whether this is a result of participants not being proactively involved in the process, or the Authority lacking the capacity to consider these code change proposals.

Assigning this role to advisory groups could re-stimulate the Code change request process and would remove this responsibility from the Authority's work load.

Better stakeholder representation on advisory groups

We suggest that the Authority reconsider how it approaches the matter of advisory group independence and impartiality on issues of significance for the industry.

Advisory groups are established for the purposes of providing "independent advice" and are nominally selected on the basis of their expertise rather than their representation of a particular stakeholder or market participant. However, we consider that there will be some issues that affect some stakeholders more than others, and some matters that may fundamentally affect the operation of the

market. In such instances, it is important that the groups are truly representative of interested stakeholders.

We suggest that wider stakeholder engagement in this process can be achieved by:

- allowing the Chair of the advisory group to invite non-member stakeholders to sit in on key deliberations as “advisors” (where an interest is expressed); and/or
- prescribing the ability for interested parties to present to the advisory groups on issues/workstreams that are being considered by that group.¹

Maintaining transparency: circulation of meeting notes

We do not support the Authority’s proposed amendment regarding the publication of meeting papers. We consider that advisory groups papers should be required to be circulated prior to meetings.

Allowing interested parties complete visibility over the way in which information is exchanged between the Board and the Groups is fundamental to the transparency of the advisory group decision making process. In addition to promoting transparency this process, this also allows interested parties to provide input to advisory groups in a timely manner, and, enhances incentives for members to take greater ownership of their work

If you would like to discuss any of these matters further, please contact me on 04 495 6357

Yours sincerely



Lizzie Wesley-Smith

Regulatory Advisor

¹ For example, the presentations of Mighty River Power and Genesis Energy to the WAG as part of the Locally Net Pivotal Pricing Review

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
Q1:What is your view of the effectiveness of the current advisory group model?	Please refer to our cover letter.
Q2:Do you agree the process for agreeing work plans between the Authority and advisory groups does not need refinement?	Yes, please refer to the suggested changes provided in our cover letters.
Q3:Do you agree the range of skills and experience on advisory groups does not need to be broadened?	We consider that there is lack of clarity in the terms of reference around the level of seniority and expertise that is required for membership on advisory groups.
Q4:Do you agree the sizes of the advisory groups do not need to be increased?	While we do not consider that there is a need to increase the permanent size of advisory groups, as discussed in our cover letter, we consider that more flexible membership arrangements may be appropriate to provide a more representative stakeholder view on key issues.
Q5:Do you agree with the Authority's proposed amendments regarding members' terms of appointment?	Yes.
Q6:Do you agree it is not necessary to specify how many Authority staff should be present at each advisory group meeting?	Yes. Provided there is full transparency around the way these meetings are conducted we do not consider that attendance by Authority staff should be perceived as an issue.
Q7:Do you agree with the Authority's proposed amendment regarding the publication of meeting papers?	No. Please refer to the reasons provided in our cover letter,

QUESTION	COMMENT
Q8: Do you consider any other changes are required to improve the effectiveness of the advisory groups?	Yes. We outline our suggested changes in our cover letter.