



**Electricity Authority 2014/15 Levy-funded
appropriations and work programme**

22 October 2013

Introduction

1. Vector welcomes the opportunity to respond to the Electricity Authority's (Authority) consultation paper, *2014/15 Levy-funded Appropriations, Electricity Authority Work Programme, and EECA Work Programme*, dated 10 September 2013. No part of this submission is confidential and we are happy for it to be publicly released.
2. Vector's contact person for this submission is:
Sally Ma
Regulatory Analyst
09 978 8284
Sally.Ma@vector.co.nz

Levy rates

3. Vector supports the Authority's proposed 2014/15 levy rates. The Authority proposes to hold its operational costs constant. Vector supports this and is pleased to see the Authority effectively managing its costs - as illustrated by Figure 1 (page 7). We note that costs of the system operator and some other service providers are expected to increase and we assume the Authority is scrutinising these cost increases to ensure they are reasonable.
4. Vector notes that the Authority has not yet prepared a detailed budget for 2014/15 (paragraph 2.2.3). Vector suggests that in future the Authority might like to develop its detailed budget *before* consulting on its appropriations. This would help to better inform submitters of how the Authority proposes to use its funding.

Work programme

5. Vector appreciates the Authority's early and ongoing engagement on its annual work programme, and its willingness to incorporate feedback from this consultation in its detailed work programme in 2014.
6. This year's paper does not include an indication of the priority areas (unlike previous years) and information on the key projects is limited. Therefore, it is difficult to comment on the Authority's proposed work programme.

Pricing-related reviews

7. However, Vector is pleased to see the inclusion of the Part 6 pricing principles review (E1) and would fully support this being progressed quickly. We note that the distribution pricing review (C6) has already commenced and, if these workstreams are to be combined, would **recommend** that the Authority incorporate the Part 6 review as soon as possible to help ensure

that the distribution pricing review work is able to give it full and proper consideration.

8. Additionally, if the Authority decides not to include it, Vector **recommends** that the Part 6 pricing review remains a key project on the work programme and that the two distributor related reviews are not undertaken in isolation from each other.
9. Vector also supports the review of improving transparency of consumer electricity charges (C4), and the research on effects of low fixed charges (D2). However, with work on low fixed charges already underway and the issues with the regulations being well known already, we consider that the report to the Minister could readily be delivered in 2014/15. We **recommend** the delivery date for the report to the Minister is brought forward on the work programme.

MUoSA review

10. Vector notes the Authority intends to conduct an ex-post review in 2014/15 of barriers to retail competition in the MUoSA (C18). It is unclear whether or how this differs from the monitoring programme put forward in the *Authority's Information Paper and Summary of Submissions*¹ when the MUoSA was finalised, which emphasised the need for transparency and monitoring over time, and the light-handed nature of the MUoSA. We do not see any clear reason for the Authority to depart from this previously published monitoring plan.
11. The Authority has previously recognised the time and resources required for parties to update their UoSAs and considered a 2-5 year time frame reasonable.² The industry is currently one year into that time frame, and come 2014/15 we will only be two years in. Furthermore, the Authority has previously indicated that any monitoring or reviews of MUoSA uptake will look at both efficiency improvements and retail competition. The C18 project specifically focuses on retail competition, which seems to suggest the Authority has reached the view that there are no efficiency concerns with the implementation of the MUoSAs.
12. Vector considers that the Authority's annual MUoSA reviews should continue over the 2-5 year implementation period, and the Authority should refrain from undertaking other formal review projects before the end of this period.

¹ Electricity Authority, *Information Paper and Summary of Submissions*, 11 September 2012, p 27: <http://www.ea.govt.nz/dmsdocument/13654>

² *Ibid*, n1, footnote 21.

Part 10 implementation review

13. Vector also suggests that the Authority consider undertaking a review of the challenges with the implementation of the new Part 10, with the view of identifying lessons learned from the process of implementing a complex and wide-ranging Code change. The aim would be to learn from the Part 10 experience to improve the implementation of future substantive Code changes. This suggestion does not imply that the Part 10 implementation process was inefficient, but there will always be lessons that can be learned from reviewing such projects.
14. This review should be undertaken soon, while the Part 10 implementation process is still fresh in people's minds. As such, it may not be directly relevant to the 2014/15 work programme but we consider it useful to suggest this review as part of this submission process.