

**Submission: Electricity Authority 2014/15 Appropriations
and 2014–2017 Work Programme**

Electricity Authority appropriations

Please send submissions to info@ea.govt.nz by 22 October 2013. Please note that late submissions will not be considered. If you do not wish to send your submission electronically, please send one hard copy of the submission to the address below:

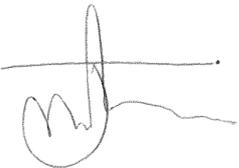
<i>POST:</i> Submissions Electricity Authority PO Box 10041 Wellington 6143	<i>COURIER:</i> Submissions Electricity Authority Level 7, ASB Bank Tower 2 Hunter Street Wellington	<i>FAX:</i> 04 460 8879
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Note about submissions for the EECA electricity efficiency appropriation

This template is for the Electricity Authority appropriations only. Please send submissions relating to the **electricity efficiency** appropriation to: levyconsultation@eeca.govt.nz. If you do not wish to send your submission electronically, please send one hard copy of the submission to the address below.

<i>POST:</i> EECA PO Box 388 Wellington 6140	<i>COURIER:</i> EECA Level 8, 44 The Terrace Wellington	<i>FAX:</i> 04 499 5330
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Submitter details

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Signature:	

Date:	22 October 2013
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Authority appropriations

Comments are invited on the appropriations proposal:

1. The overall proposed Electricity Authority appropriations as set out in table 1 of the consultation paper	Support. We welcome the intent by the Authority to hold its operating costs constant.
2. The proposed changes to Authority appropriations	We note the increase in system operator (SO) costs and appreciate the Authority is working closely with the SO regarding efficiency costs. We provide further commentary below on the need for greater coordination between industry, the EA and SO.
3. Other key matters relating to the Authority's overall appropriations that you consider the Authority should address	None regarding the quantum.

Proposed Authority work programme

Comments are invited on the proposed work programme in appendix C of the consultation paper.

4. Your level of support for the overall work programme as outlined in the consultation paper	<p>We welcome the Authority responding to feedback from ourselves and other participants and developing strategic directions for market development.</p> <p>We offer qualified support for the overall work programme.</p> <p>As evidenced in the Authority's report to the Minister of Energy and Resources for the 2013/14 appropriations, many submitters raised the issue of high workload associated with the proposed work programme. This point was accepted by the Authority who committed to revise the workload priorities in the finalised June 2013 work programme.</p> <p>It is not immediately apparent to Mighty River Power how such revisions were implemented. In fact the Authority is proposing to introduce a number of new retail competition projects to its work programme. While we support these projects and agree they should be afforded high priority our preference is that lower priority projects are removed or deferred.</p> <p>It would be valuable to participants if the Authority included a reconciliation against the previous work programme submitted in June each year against the proposed appropriations and how project timings or resources may have shifted.</p> <p>The need for rapid implementation of recent reforms has meant the Authority has tended to focus on aggregating many steps of a tradition regulatory impact assessment process in order to expedite the policy development process.</p> <p>Now that the Section 42 matters are largely complete we would encourage the Authority to move away from the propose /</p>
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	respond model that has characterised engagement with industry to date and focus on a much more refined set of project with potential high net benefits that are progress following a robust problem definition, development of options and quantitative and qualitative assessment of costs and benefits.
5. Comments on the overall programme	<p>We congratulate the Authority on the completion of the majority of the s42 competition matters and support the intent to undertake post-implementation reviews.</p> <p>We welcome MBIE conducting an evaluation of the impact of projects funded from the customer switching fund. We look forward to seeing the results of this work and encourage the Authority to consider prioritising further independent evaluations of whether existing programmes are contributing to the achievement of the Authority's statutory objective.</p>

Comments on specific programmes

Comments are also invited on specific proposed programme in appendix C of the consultation paper.

(Copy and paste the table if you have more than two programmes to comment on.)

Programme Name	Competition in retail markets
Your level of support for the proposed programme as outlined in the consultation paper	Support.
Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.	<p>We note there has been a significant increase in the number of projects in this workstream in response to the Authority's view that there are likely material gains in focusing on retail competition.</p> <p>We welcome the Authority's research project into the effects of the low fixed charge tariff regulations on competition, pricing innovation and overall effectiveness in achieving its statutory objectives. We would like to see this work programme prioritised ahead of other low priority projects.</p> <p>While we welcome the Authority's intent to develop the FTR market further, we consider the recent proposals for significant expansion of FTR products needs further consideration.</p> <p>There could be potentially negative implications for long term benefit of consumers if the implementation of multi-point FTR market is rushed. In the near term, we consider the focus should be on improving the revenue adequacy and capacity availability of existing FTR products prior to expansion of the market. Unless FTR products offer an effective hedge to all forms of basis risk they are unlikely to be an attractive option for new entrant retailers and therefore lead to appreciably more competitive outcomes in the market.</p> <p>We support the Authority undertaking enhanced retail market analysis, particularly to provide clarity around the drivers of electricity prices over time. We consider this high priority work and understand the Authority has already made progress and intends to</p>

Programme Name	Competition in retail markets
	<p>release details of its research shortly.</p> <p>We encourage the Authority to consult with stakeholders further on the scope and extent of the national retail price database for electricity and gas to ensure customer confidentiality issues are managed appropriately.</p> <p>We support the Authority's work in relation to domestic contracting arrangements, particularly in relation to improving arrangements in relation to medically dependent and vulnerable consumers.</p>

Programme Name	Efficient Pricing
Your level of support for the proposed programme as outlined in the consultation paper	Support.
Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.	We welcome the Authority's intent to consult further on and potentially materially alter its TPM proposal. In response to the recent clear industry feedback on the CBA working paper, we would support the Authority undertaking an additional step by consulting on a working paper on problem definition for the TPM.

Programme Name	Provision of models and data
Your level of support for the proposed programme as outlined in the consultation paper	Support
Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.	Mighty River Power supports the Authority taking an increased role in the public reporting of industry performance. We would like to see the timing of this work stream clarified as soon as practicable and consider it a high priority. There would also appear to be linkages with the workstream on reporting the drivers of retail pricing.

Programme Name	Fit-for-purpose market services
Your level of support for the proposed programme as outlined in the consultation paper	Support

Programme Name	Fit-for-purpose market services
<p>Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.</p>	<p>We note there is current uncertainty around the timing and sequencing of a number System Operator capital expenditure projects. We support the intention to review the SOPSA and would support an industry workshop process to enable the Authority, System Operator and market participants to define more clearly the priorities and sequencing for future work and focus the current work programme.</p> <p>There is little clarity as to how many of the current market and industry development projects have been identified as priorities. For example, from Mighty River Power's perspective a key issue we would like to see progressed is providing greater accuracy of demand forecasting in the market system as this would improve the efficiency of least cost dispatch.</p>