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Androula Dometakis
Electricity Authority
2 Hunter Street
WELLINGTON

By email: submissions@ea.govt.nz

Dear Androula

2014/15 Appropriation and work programme

Genesis Energy Limited welcomes the opportunity to provide a submission to the Electricity Authority (“the Authority”) on the consultation paper “2014/15 Levy-Funded Appropriations, Electricity Authority Work Programme, and EECA Work Programme” dated September 2013.

The Authority’s structured approach to its appropriations proposal is clear and helpful although once again it appears ambitious and unfocused. While we appreciate the Authority’s effort to maintain a similar operational budget to last year we consider that as market participants seek to shed costs to the benefit of end consumers so should the Authority. A focus on further savings, achievable through substantially better prioritisation of projects and improvement of project development processes, should be a clear focus.

The Authority needs to prioritise its work projects, creating focus provides value for money

We would like to see the Authority focus more on the programmes which could deliver higher value for money and improve electricity market performance while turning off those projects that have little value in the face of a quickly changing market. The Authority’s proposed market development programme for 2014/15 is ambitious. 48 key projects are outlined for the indicative project development stage. For any business four to six key projects would be deemed a stretch and

we question if the Authority can deliver this number of projects on time and on budget.

In our view, for the Authority's market design programme, we consider that:

- developing an effective hedging market is key to facilitate retail competition;
- developing a national market for instantaneous reserve could be a good opportunity to minimise costs to the market;
- improving the existing spot pricing process is central to create confidence in wholesale trading; and
- reviewing the transmission pricing methodology (TPM) and distribution pricing is important given they are direct costs to the end consumers' electricity bill.

Therefore, we consider that the Authority should only focus on 8 of its 32 proposed activities with the following projects to be high priority:

(D1) hedge Market Development

(B5) Within-island basis risk (WIBR)

(E7) Short-term hedge instruments

(D8) Offer and dispatch code development

(B7) Alignment of forecast and settlement prices

(D6) Improvement to existing spot pricing process

(C6) Distribution pricing review

(B10) TPM review

We suggest that the Authority should focus on just these eight projects. This would present a work programme that is much more achievable and cost effective. In particular, it would provide stakeholders with greater confidence that the right level of resources are being directed at the projects that really matter. Leading to more robust policy development processes, and better quality decisions.

Better quality control is needed for policy development process, which would enhance saving for the Authority.

As the Statement of Intent stated, the Authority is working toward being a "... World class electricity regulator that is efficient, effective and progressive...". To successfully achieve that statement, in our view, the following improvements should be a clear focus:

- better and more effective early engagement with industry stakeholders;
- the provision of high quality cost benefit analysis at the initial consulting stage in order to create less confusion and mitigate the possibility of repeating work;
- presentation of alternatives for consideration in the early stages of consultation; and
- the value of a conference-type forum to enable stakeholders to present their views directly to the Authority Board.

Ultimately, improving the current policy development process will enable the Authority and stakeholders to avoid unnecessary costs and delays to projects going forward. This will enable resources to be used elsewhere to deliver benefits to consumers.

The Authority needs to respond to the appropriation consultation feedback.

Some of the key points made above have been raised in previous years' submissions on appropriations. For example, prioritisation of ambitious programmes has been consistently raised by Genesis Energy Limited, and others, in previous years. Accordingly, we are disappointed prioritisation remains an issue. We consider that consultation on the appropriations will become redundant if the Authority does not respond to the consultation feedback.

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

Yours sincerely



Daisy Shen

Regulatory Advisor

Appendix A: Authority appropriations

QUESTION	COMMENT
Q1: The overall proposed Electricity Authority appropriations as set out in table 1 of the consultation paper	Please refer to the cover letter.
Q2: The proposed changes to Authority appropriations	Please refer to the cover letter.
Q3: Other key matters relating to the Authority's overall appropriations that you consider the Authority should address	Please refer to the cover letter.

Appendix B: Proposed Authority work programme

QUESTION	COMMENT
Q4: Your level of support for the overall work programme as outlined in the consultation paper	We broadly support the Authority's overall work programme as outlined in the consultation paper. However, as we point out in our cover letter, we do consider prioritisation is needed.
Q5: Comments on the overall programme	Please refer to the cover letter.