



meridian

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Electricity Authority
By email submissions@ea.govt.nz

Consultation Paper – 2014/15 Appropriations and Work Programme

Meridian Energy (“Meridian”) welcomes the opportunity to submit on the Electricity Authority’s 2014/15 Appropriations and Work Programme (“Appropriations”) Consultation Paper. Our submission comprises this cover letter and the attached appendix containing our more detailed comments.

Meridian is broadly supportive of the proposed programme of work that has been proposed, subject to the suggestions we detail below and in Appendix One regarding the Authority progressing certain projects earlier, the programme allowing for other important work to be undertaken, and the coverage of certain detailed elements.

Concluding work on the Part 10 post-implementation review, retailer default arrangements, and the response to Consumer Law reforms is important

Since the consultation paper and current work programme are unclear on this point, Meridian would appreciate confirmation from the Authority that its future work programme allows for the development of clear, timely guidance to industry on implications of Consumer Law Reform legislation. In line with feedback provided as part of previous submissions, required work will in our view fall into three parts: consideration of the need for consequential changes to minimum t’s and c’s, investigating changes to incorporate Transpower into indemnity provisions in the Code, and consideration of how a co-ordinated approach can be taken with the Commerce Commission to investigations into new requirements.

We also request that the Authority confirms that the implementation of new retailer default arrangements and that the post implementation review of Part 10 will be completed in advance of the 2014/15 financial year, as is assumed by the EA’s proposals.

Meridian is generally supportive of the proposed work programme

Meridian supports the decision by the Authority to propose a programme of work that incorporates projects to examine the effects of low fixed charges and review gate closure rules, having indicated our support for work in this area in previous “Appropriations” submissions. We also strongly welcome the proposed investigations into national markets for frequency keeping and instantaneous reserves, consideration of a short-term market for hedge instruments (such as, for instance, a day ahead market), and the review of participant audit requirements. Meridian continues to support the Authority prioritising work on concluding its review of transmission pricing methodology.

There are in Meridian’s view several important areas that the Authority should commit time to. The first of these relates to continuing the practice of proactive engagement with the public on positive market developments and responding, where appropriate, to external commentary on the functioning of the market. We also consider it is appropriate the Authority investigates in detail the range of different consumer advocacy measures adopted by overseas jurisdictions, and whether current engagement practices are appropriate for the New Zealand context. Finally, the programme needs to be designed in a way that enables the Authority to continue to dedicate sufficient time and resources to market monitoring activities.

Changes to the way information is presented as part of the consultation are a step in the right direction but further improvements are needed

Meridian welcomes the Authority’s new approach to “group” projects in the consultation paper in a way that provides greater clarity on their intended outcomes.

Meridian recognises that the proposed programme of work that has been suggested reflects a snapshot in time. We submit, however, it would be helpful to all participants if there were to be greater dialogue and transparency on adjustments to accommodate new projects and revisions to project timeframes, particularly in instances where industry implementation work may be involved.

Meridian also requests the Authority provides better information on the expected phasing of projects within the year. Having information made available on whether a particular project is expected to be completed in July, relative to, for instance, June the following

year is important, particularly where work is needed to implement the changes at a cost to industry.

Steps need to be taken to ensure the Authority's extensive programme of work is progressed in a manageable way

To assist industry participants, it will be important for the Authority to apply some caution in progressing the extensive set of projects proposed. As part of this, we request the Authority adopts Meridian's previous suggestions around:

- Ensuring its consultation calendar is kept up to date;
- Ensuring "peaks" in consultations are avoided, such as the week of 20 August 2013 where industry was asked to respond to four different regulatory topics that included a 350 odd page consultation on wholesale prudential and settlement reforms;
- Packaging together related projects where possible with a view to limiting major (retail and wholesale) market changes to one per year; and
- Continued appropriate use of technical and other working/advisory groups.

We look forward to continuing to work with the Authority in an open and constructive way in 2014/15 and beyond.

Please don't hesitate to get in contact if you have any queries regarding our submission.

Yours sincerely



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Appendix 1: Specific comments on proposed appropriations and work programme

	Issue	Comment
1	Table 1: Actual expenditure	As suggested in previous submissions, Meridian would welcome further details on actual expenditure to date for the current financial year.
2	Table 3: Indicative levy rates	Meridian remains of the view that further information should be made available on how this table reconciles with the total appropriations set out at Tables 1 and 2, such as, for instance, details on assumptions made on generation volumes and the number of ICPs.
3	Proposed key project C8 – Improving access to retail data	We submit it is important that uptake around MEP data aggregators, and the impact this has had in terms of improving data access from the perspective of customers, is taken into consideration as part of cost benefit analysis undertaken as part of the initial stages of this project.
4	Proposed key project D9 – Review of retail competition on embedded and customer networks	It is important in our view the proposed review considers in detail interactions with use of systems agreements and, in particular, the types of responsibilities to distributors retailers can have in terms of the relationships with embedded networks. We note that Meridian remains of the view that a model use of system agreement for embedded networks should be developed.
5	Proposed key project D2 – Research project: effects of low fixed charges	Consistent with the feedback provided in our 2012 “Appropriations” submission, Meridian strongly supports the Authority’s proposal to examine the effects of the low fixed user charge. We consider it is important the project addresses concerns listed by the Authority in their 14 August 2013 Project Brief to the RAG ¹ and considers, as part of this, the need for clarity around interactions with DG charging (e.g. in the case of solar panels that export excess generation into a network).

¹ Namely, potential for cross-subsidies from low use to high use consumers, barriers to competition arising from additional complication and costs of retail pricing and billing, potential to crowd out innovative tariffs, and ineffectiveness in encouraging energy efficiency.

	Issue	Comment
6	Proposed key project E7 – Short-term hedge instruments	Meridian endorses the Authority’s proposal to commence work on this project in the 2015/16 financial year.
7	Proposed key project B3 – National market for frequency keeping	Meridian agrees with the Authority’s categorisation of this project as offering high net benefits and strongly supports its inclusion in the Authority’s programme of work for 2014/15 and beyond.
8	Proposed key project B4 – National market for instantaneous reserves	Refer comments regarding proposed project on National market for frequency keeping.
9	Proposed key project D8 – Offer and dispatch Code development	Meridian continues to strongly support a review of gate closure rules, having indicated our support for further work in this area in our previous “Appropriations” submission and in a number of forums. ² We also note the Authority has in the past suggested this to be a small project with the potential to deliver high net public benefits. ³
10	Participant education and information / Review of existing operational guidelines	It is important in our view this considers the need to ensure appropriate alignment between retailer and distributor guidelines, given potential detrimental flow-on impacts from inconsistencies for consumers. We consider guidelines on the new Part 10 connections process to be one area where conflicts can arise.
11	Review of participant audit requirements	Meridian welcomes the Authority’s proposal to review participant audit requirements. We would, however, like to understand more about the proposed scope and motivations for the work. In our view it will be important for the project to include consideration of whether the process can be streamlined for participants who consistently demonstrate high levels of compliance.

² Refer, for example, 2012 Meridian Presentation to NZWEA Conference, available at: http://windenergy.org.nz/images/stories/conf12/MIKE_ROAN.pdf

³ Refer Table 13 of the EA’s 2012/13 Appropriations, Authority Path to CRE, and EECA Work Programme Consultation Paper, available at: <http://www.ea.govt.nz/dmsdocument/12141>