

12 December 2014

Electricity Authority

Via email: submissions@ea.govt.nz

Proposed 2015/16 Appropriations and Authority Work Programme

Thank you for the opportunity to comment on the Authority's consultation paper on the 2015/16 appropriations and work programme. No part of this submission is confidential.

While the Authority has signalled an increase in appropriations the majority of this increase relates to system operator costs. We welcome that the Authority, in comparison to previous years, is not seeking to add significant additional projects to its work programme.

We support the focus on the retail market, particularly ensuring that consumers have access relevant information when making investment decisions around photovoltaics, battery storage or electric vehicles. The competitiveness of the retail market has increased substantially with innovative service offerings from both new entrants and existing retailers clearly evident. Given the natural progression of the market, we urge the Authority to carefully consider the need for Code-based measures to promote retail competition.

We agree that it is crucial that prices accurately reflect the cost of providing network services and that regulatory frameworks do not inhibit technological developments. We support the Authority's work on reviewing distribution pricing but note this project has not been materially progressed in the last year. We understand scoping work has been further delayed until mid-next year. We would support further attention to progressing this work stream as a priority and ensuring a robust problem definition from the outset.

Ensuring distribution pricing is consistent with current principles is, in our view, of higher priority and greater value to consumers, than the current focus on resolving transmission pricing. Distribution charges are of far higher significance to residential consumers and, as the Authority has noted, the current trend of flat electricity demand is likely to continue. This suggests the efficiency gains from reform to transmission pricing are likely to be limited. Further, Transpower's current operational review of the TPM has demonstrated there are practical and industry-supported incremental revisions to the TPM that can be progressed and should be integrated into the Authority TPM review.

Finally, we support the intention the demonstrating efficient spot price risks to consumers. As the consultation paper notes some retailers are offering spot market prices to residential consumers, which heightens the importance of these consumers being clear about the risks of such products. We agree that it is timely to review whether the current stress test obligations are needed on parties that purchase directly from the spot market.

Please contact me with any queries on 09 580 3623 or nick.wilson@mightyriver.co.nz

Yours Sincerely



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