

Carl Hansen
Chief Executive
Electricity Authority
P.O. Box 10 041
Wellington 6143

Dear Carl

2015/16 Levy-funded appropriations and work programme

Nova Energy is pleased to offer feedback on the Electricity Authority's work programme and funding for 2015/16. We support the continued focus on reducing costs to the industry through market design and operations, and the strategy of providing efficient price signals.

Nova Energy notes that just over 55% of the Authority's total appropriation is accounted for by the System Operator expenses, of which \$17.3m are capital-related expenses. While there may be elements of this expense which are beyond the Authority's control, we wonder if the Authority could not do more to control this expense, including perhaps a tighter definition of what constitutes systems enhancements and maintenance expenditure. Some years ago a large sum was spent on the Market Systems project, and yet we are still waiting for some of the expected benefits of the project to be implemented. It would seem to be appropriate to undertake a full post implementation review of that project, and implement regular audits of other capital projects undertaken by the System Operator. Perhaps this could be included as part of the renegotiation of the System Operator Service Provider Agreement in 2015.

The Authority has a number of initiatives focussing on facilitating consumer participation and increasing their engagement with retailers. Not only does this represent a significant investment by the Authority, but a number of the initiatives have the potential of increasing costs to retailers. Nova Energy believes that it is important that:

- consumer views are well represented in the Authority's deliberations, and
- consumer-focussed initiatives are undertaken with an evidence-based approach, supported by targeted market research.

Given the importance of this, Nova Energy suggests the Authority include a project to investigate how it can best achieve these requirements. We would be happy to engage with the Authority and discuss how this might be achieved.

Yours sincerely



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