

20 September 2016

Submissions
Electricity Authority
P O Box 10041
Wellington 6143

By email: submissions@ea.govt.nz

Dear Sir / Madam,

RE: Re-orienting advisory groups

Pioneer Energy (Pioneer) appreciates the opportunity to make submissions on the Electricity Authority's (Authority) proposals to establish two new advisory groups with new terms of references (replacing existing advisory groups) and to update the charter for advisory groups.

This submission focuses on the purpose of the new advisory groups. We have no comments on the revised charter or proposed terms of reference for the SRC and advisory groups.

New advisory groups

Pioneer agrees that the traditional demarcation between retail, wholesale and transport activities in the electricity sector is becoming less relevant.

The consultation paper states one of the goals of establishing these new advisory groups is to ensure that the Authority

"can quickly identify and remove any inefficient barriers that might inhibit innovation in how electricity is generated, stored, transported, and purchased" (para 2.2.5b)

This is a commendable goal but Pioneer has concerns about whether the Authority can expect this outcome from an advisory group constrained as it would be by the narrow statutory objectives of the Authority, for example:

- the Authority can only ask an advisory group to work on a topic that is on the Authority's work programme. Developing a work programme is a process that extends over many months and this timeframe may impact the effectiveness of the advisory group investigating / responding to innovation.
- innovation with emerging technologies will converge regulated and unregulated markets. It will be difficult to determine "inefficient barriers" in early stages of technology adoption, without consideration of wider government policies. Does this goal and the terms of reference for the advisory groups give the Authority the mandate to make changes to the rules that impact innovations during their early adoption stage? In other words, is the Authority or advisory groups going to be involved in picking winners?

- the Authority’s statutory objective is narrow compared with Government’s Big P policy. New innovations may straddle the electricity sector and other parts of the economy or parts of Government policy – for example electric vehicles which use electricity and are a key plank of the Government’s Big P transport and climate change policy. If inefficiencies arise in the electricity sector due to electric vehicles how will the advisory groups and Authority take into account the Government’s Big P policy objectives?

Pioneer would prefer a cross-agency Advisory Group for IPAC, providing advice that informs both the Authority and Commerce Commission. This would ensure closer alignment and consistency between regulators on matters that might impede innovation or efficiency.

Pioneer suggests the Authority should be focussed throughout on creating a rules environment that is neutral or benign to new technologies or business models. The rules should enable an open platform for anyone to participate or innovate across the entire supply chain. We query whether this should be the overriding objective for any changes to the Code. Further, there must be a durable regulatory environment for existing and new investors. Ultimately consumers will determine what meets their needs for their long term benefit.

In our view this means the Authority should focus on simplifying the rulebook. The Authority previously had a project to review the entire rulebook. Pioneer suggests this project should be put back on the work programme and be a priority for the newly formed MDAG. Our understanding of the terms of reference for the IPAG is that this group’s focus will be on transactional details (eg the right data exchange formats).

This letter should be read in conjunction with our answers to the questions in the Consultation paper in Appendix A.

Yours sincerely



Fraser Jonker
Chief Executive

Attachment: Appendix A – Pioneer Energy answers to specific questions

Appendix A – Pioneer Energy answers to specific questions

Question		Pioneer's response
1	What feedback do you have on the proposed IPAG, including its purpose and scope?	Based on the projects currently allocated to IPAC it appears this advisory group is focused on transactional detail and that MDAG is more strategic.
2	What are your views on the membership of IPAG, and how to engage the sorts of parties that will ensure it can achieve its purpose?	A Cross-Agency approach would attract more diversity of views, including consumer and technologies markets experience. Pioneer suggests the Authority should also try to access more international expertise to advise both advisory groups.
3	What are your views as to how the IPAG might operate, so as to best achieve its purpose?	Membership would be most useful working through a Cross-Agency IPAG, to ensure alignment and consistency with all government policy and regulated and unregulated rules.
4	What feedback do you have on the proposed MDAG, including its purpose and scope?	Pioneer's view is that the MDAG is the 'strategic' advisory group. It should review, as a priority, the entire rulebook to ensure it is technology neutral and creates an open platform for the future. In order to be able to do this the Authority must add this review back on to its work programme.
5	What are your views as to the membership of the MDAG, and how it should operate?	See answer to Q2. MDAG would be more focussed on adapting market design and rules to ensure more open access and technology neutrality.
6	Do you agree with the Authority's proposal to: a) introduce new terms of reference for the IPAG and MDAG, subject to the feedback provided under Q1 - Q5 b) replace the current terms of reference for the SRC in its entirety, with an updated and streamlined version c) replace the current version of the charter in its entirety, with an updated and streamlined version?	No comment.
7	Do you agree with the Authority's assessment of its proposals? If not, what alternative assessment would you make and why?	No comment.
8	Are there alternatives to either of the Authority's proposals that you consider would better meet their respective objectives? If so, please	Pioneer suggests there are useful precedents in the way the Smart Grid Forum was able to engage organisations that are not direct participants in the electricity sector; has

	describe the alternative and why it would be preferable.	organised many presentations from international experts that were open to the public and had a clearly defined objective that was not limited by a narrow focus on economic efficiency.
9	Do you have any specific comments on the drafting of the proposed new versions of the Charter and terms of reference for the SRC, IPAG, and MDAG?	No comment.