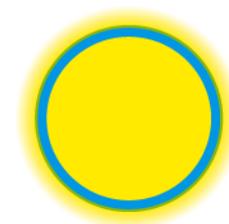


20 September 2016

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Via email: submissions@ea.govt.nz



Dear Sir / Madam

EA advisory group structures

This is Powerco's submission on the Electricity Authority's consultation paper *Re-orienting advisory groups*, dated 9 August 2016.

General comments

The EA has suggested that evolving technologies and innovative business models are increasingly blurring the traditional demarcation between retail, wholesale and transport activities; making it less relevant and useful to organise activities around those categories.¹ Powerco agrees that the traditional demarcation of these activities is becoming blurred through technology change and believes this is likely to increase over time.

The Authority has indicated that the proposed advisory groups will improve efficiency as the restructure will result in less overlap between the work of the advisory groups, resulting in less duplication of effort.² Powerco supports steps to ensure any Advisory Groups have a clear focus and do not overlap.

In principle Powerco supports the EA's intentions to restructure its advisory groups to keep up with evolving technologies and innovative business models.

Structure of the Advisory Groups

The Authority has decided to disestablish the existing Wholesale Advisory Group (WAG) and the Retail Advisory Group (RAG), and is proposing to establish two new advisory groups;

- The Innovation and Participation Advisory Group (IPAG), focussing on issues specifically related to new technologies and business models, and consumer participation; and
- The Market Development Advisory Group (MDAG), focussing on further evolving the 'machinery' of the electricity markets.

¹ Electricity Authority, Re-orienting advisory groups consultation paper, 9 August 2016, Executive summary

² Electricity Authority, Re-orienting advisory groups consultation paper, 9 August 2016, p.19.

As stated above the Authority believes that this restructure will improve efficiency by reducing the overlap of work between Advisory Groups. However it appears that the Authority's proposal may not fully address the 'overlapping' problem. The two Advisory Groups proposed by the Authority look like they could have competing mandates in some areas. For example, the MDAG would focus on "improving price signals and enhancing risk management markets", but these must be issues of relevance to emerging technologies and consumer participation and could therefore also be seen to fall under the responsibilities of the IPAG.³ The Authority's Figure 1 diagram on page 8 of its consultation paper also acknowledges there will continue to be some overlap.

A better approach might be to have a single Advisory Group that takes on the combined responsibilities of the IPAG and MDAG. This single Advisory Group could have a relatively large membership, with members selected to focus on particular projects that meet their expertise. This more flexible approach would ensure each issue is considered by the best mix of group members. A flexible membership may also be helpful in relation to projects that would fall under the focus of the MDAG, as the MDAG has a wide remit across the value chain it might struggle to find candidates with expertise in all areas.

IPAG objective

The current draft of the IPAG Terms of Reference states that the Authority may seek IPAG's advice on "initiatives to reduce inefficient barriers to development and use of evolving technologies and business models across the supply chain".⁴

If the IPAG is established, Powerco considers that it should have a less presumptive objective. The proposed objective seems unnecessarily pejorative – i.e. it assumes there are (or will be) inefficient barriers within the supply chain. Starting with this objective could make the IPAG's work unnecessarily controversial if it actively tries to find "inefficient barriers". A better objective would be something like: "providing advice on initiatives to improve the development and use of evolving technologies and business models across the supply chain, where these are efficient".

The other IPAG objective, regarding "initiatives to promote consumer participation through the retail market" is reasonable.⁵ However, we assume these initiatives to promote participation would only be promoted where they are efficient and this should be clearly stated in the Terms of Reference.

Thank you for the opportunity to provide comments on this consultation. If you wish to discuss any of the points made, or clarify any matters, in the first instance please contact Nathan Hill tel. (06)759 8582, email nathan.hill@powerco.co.nz.

Yours sincerely



Richard Fletcher
General Manager Regulation and Corporate Affairs

³ Electricity Authority, Re-orienting advisory groups consultation paper, 9 August 2016, p.6.

⁴ Electricity Authority, Terms of Reference for the Innovation and Participation Advisory Group, 9 August 2016, p.7.

⁵ Electricity Authority, Terms of Reference for the Innovation and Participation Advisory Group, 9 August 2016, p.3.

