

Reorienting advisory groups

Summary of submissions Information paper

17 January 2017



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1 Background

Legislative framework

- 1.1 The [Electricity Industry Act 2010](#) (the Act) requires the [Electricity Authority](#) (the Authority) to:
- (a) form an advisory group called the [Security and Reliability Council](#) (SRC) ([section 20\(1\)](#))
 - (b) form at least one other advisory group ([section 21\(1\)](#))
 - (c) create a charter governing arrangements for advisory groups (advisory group charter) which is available for public viewing ([section 19\(1\)](#))
 - (d) consult interested parties on draft versions of an advisory group charter ([section 19\(2\)](#))
 - (e) publish a consultation charter ([section 41\(1\)](#)).
- 1.2 When consulting on an advisory group charter, the Authority must also follow Part 2.3 of its [consultation charter](#).

Existing advisory group structure

- 1.3 As well as the SRC, the Authority has two additional advisory groups:
- (a) the [Wholesale Advisory Group](#) (WAG)
 - (b) the [Retail Advisory Group](#) (RAG).

2 The Authority's consultation process

- 2.1 On 9 August 2016, the Authority issued the consultation paper *Reorienting advisory groups* (the consultation paper).
- 2.2 A copy of the consultation paper is available on the Authority's website at <http://www.ea.govt.nz/about-us/corporate-projects/administrative-changes-to-advisory-groups/consultations/#c16158>.
- 2.3 The consultation paper:
- (a) outlined the Authority's decision to disestablish its existing additional advisory groups
 - (b) proposed a reorientation of the Authority's advisory group structures.
- 2.4 Specifically, the Authority sought submissions on two proposals:
- (a) setting up two new advisory groups:
 - (i) an Innovation and Participation Advisory Group (IPAG), to focus on issues specifically related to new technologies and business models, and consumer participation
 - (ii) a Market Development Advisory Group (MDAG), to focus on further evolving the 'machinery' of the electricity market.
 - (b) changing the Charter for Advisory Groups and the terms of reference for the advisory groups, encompassing:

- (i) updating the Charter for Advisory Groups
- (ii) replacing the terms of reference for the SRC
- (iii) creating new terms of reference for IPAG and MDAG that capture their respective scopes of work.

2.5 The consultation period ran from 9 August 2016 until 20 September 2016.

3 Purpose of this paper

3.1 This paper provides a summary of the submissions received by the Authority (the summary of submissions) on the consultation paper.

4 Structure of the summary of submissions

4.1 This paper sets out the summary of submissions in tabular format, listing original responses by submitters (in alphabetical order) by question asked in the consultation paper.

4.2 A separate table at the end of the consultation paper contains comments by submitters in cover letters.

4.3 No submissions, either partially or fully, were marked confidential.

5 Submissions received

5.1 The Authority received 19 submissions on the consultation paper. Listed in alphabetical order, the submitters were:

- (a) Allen Davies
- (b) Consumer New Zealand
- (c) Contact Energy Limited (Contact Energy)
- (d) Cortexo Limited (Cortexo)
- (e) Electricity Networks Association (ENA)
- (f) EnerNOC New Zealand Limited (EnerNOC)
- (g) Genesis Energy Limited (Genesis Energy)
- (h) John Hancock
- (i) Major Electricity Users' Group (MEUG)
- (j) Mercury Energy Limited (Mercury Energy)
- (k) Meridian Energy Limited (Meridian Energy)
- (l) Orion New Zealand Limited (Orion)
- (m) Pioneer Energy Limited (Pioneer Energy)
- (n) Powerco Limited (Powerco)
- (o) Transpower New Zealand Limited (Transpower)
- (p) Trustpower Limited (Trustpower)
- (q) Unison Networks Limited (Unison Networks)
- (r) Vector (Advanced Metering Services)

(s) Wholesale Advisory Group (WAG).

5.2 Copies of full submissions, including appendices and diagrams, are on the Authority's website at <http://www.ea.govt.nz/about-us/corporate-projects/administrative-changes-to-advisory-groups/consultations/#c16158>.

6 Question 1 – What feedback do you have on the proposed IPAG, including its purpose and scope?

6.1 Responses to Question 1 are in Table 1 below.

Table 1: Question 1

What feedback do you have on the proposed IPAG, including its purpose and scope?

Submitter	Submission
Allen Davies	I think the purpose and the scope as proposed for the IPAG are a reasonable starting point but may need to be modified further down the track.
Consumer New Zealand	<p>We support the proposed scope of the IPAG, particularly the need to remove or minimise barriers to small scale providers of distributed energy resources. Given the increasing cost-effectiveness of small scale distributed generation, we believe it's essential to establish clear principles for pricing and the relationship with the distributor/clearing manager, so that potential prosumers can make informed decisions on the long-term economics of investing in distributed generation.</p> <p>We think the IPAG should have a broad scope. In addition to the projects outlined in paragraph 2.4.4 of the consultation document, we suggest the IPAG should be involved in the ongoing development of new distribution pricing structures, especially with regards to how to best educate the public about new distribution pricing arrangements.</p>
Contact Energy	<i>See Table 10</i>
Cortexo	<p>Cortexo supports the Authority's proposal to create a wider reaching advisory group to support innovation and participation.</p> <p>We have emphasised innovation (disruption) in our submission but note that the IPAG also needs to include those individuals who have specific knowledge and community feedback to support the objective of increased participation by new entrant suppliers as well as end users.</p> <p>We note the difficulty the Authority has in identifying the scope and scale of innovation occurring outside the established industry players. There is a tendency for the industry incumbents to believe that they are the only ones with the knowledge and ability to develop new services and business models. The electricity industry tends to work like a walled garden surrounding silos of information.</p>

Submitter	Submission
	<p>Every industry is being disrupted and the Uber's and AirBnB's are the visible (and well used) examples. To be able to keep up with disruption that may well be the technology or model that adds real value to consumers, and at the same time puts immense pressure on incumbents, the Authority must be able to see outside the rigid walls of the mainstream. We believe the IPAG may assist that process.</p> <p>Of course we accept that real innovation is also occurring within the current industry and their experiences, problems and insight are valuable. The difficulty arises with their willingness to engage with others; however the Authority already has established and confidential channels to peruse that knowledge. It's unfortunate that there is such a focus in the industry on exclusivity and confidentiality; these entrenched positions tend to inhibit innovation.</p>
ENA	<p>The ENA agrees with the Authority's rationale for creating the IPAG, and with its proposed purpose. We do however note that there appears to be some overlap in the scope of the IPAG with that of the MDAG (see Figure 1 of the consultation paper). The ENA suggests the Authority may wish to consider carefully the extent to which the IPAG and MDAG activities should overlap, given confusion over scope appears to have been one of the reasons that the existing RAG and WAG advisory groups were disestablished.</p>
EnerNOC	<p>On paper the group's focus on "<i>issues inhibiting the entry and participation of new technologies and new business models</i>" reads well but the challenge is how it will be achieved in practice by an Advisory Group structure. As most of the changes are going to be driven from what the present market calls the demand-side, new approaches to system integration will be the innovation needed and the rules have to keep pace with this.</p> <p>Innovation along with new business models will have to move fast to be competitive and this is the nature of the game. Barriers have to be addressed quickly too by the regulator if a culture of innovation is to be fostered.</p> <p>The IPAG cannot be innovative if the agenda is going to be set by the Electricity Authority's internal annual planning cycle and availability of resources. It should be set by issues arising from the market and dealt with in a timely manner.</p> <p>For example, EnerNOC has pioneered a proposal to include load aggregators in the Code and for block dispatch of dispatch-capable load stations to widen the use of Dispatchable Demand and this was discussed with the Authority well over a year ago in September 2015. We put considerable thought into these proposed Code changes working with the System Operator and we were encouraged to invest in the development of a proposal which was submitted in February 2016. Our proposal then took until June 2016 to be approved. Our proposal currently sits on the Authority's work programme for 2016/17 and it is likely to take another few years before Code changes can be made because of its priority. These delays impose a barrier to innovation.</p>

Submitter	Submission
Genesis Energy	<p>Genesis Energy does not support the establishment of two separate advisory groups. We believe MDAG and IPAG should be combined to form one Advisory Group as the issues the industry are facing, and will continue to face, blur across traditional lines of separation.</p> <p>The Advisory Group could draw on its membership, and that of external SME's to form working groups as required. The working groups would deliver project specific advice to the Authority via the Advisory Group as required.</p> <p>2.4.4 (1) – we do not support this project. We do not believe the focus on data and data exchange will deliver value given the current state of the market. It may inadvertently inhibit innovation, as the IPAG membership will need to be restricted in some way to deliver advice, and new ideas may be missed. This project is something the Advisory Group could look at once the wider emerging technology framework is better established.</p> <p>2.4.4 (2) Barriers to mass market participation will need to be considered across agencies (Ministry of Business Innovation & Employment and Commerce Commission (“MBIE”)). We support involvement of the Advisory Group if the Authority is co-ordinating this work programme between the agencies.</p> <p>We support the group providing project specific advice to the Authority on pricing and cost allocation, operational efficiencies, and risk management – each is likely to require SME advice and be working group specific.</p>
John Hancock	<p>The Authority has suggested that both IPAG and MDAG span the entire supply chain which deals with the concerns about boundary issues that WAG and RAG raised earlier in the year.</p> <p>The reference to innovation in the IPAG's name is potentially confusing as it's clearly not the intention that market innovation happens in the group - rather that it reduces barriers and improves consumer participation so that people can innovate in the industry. It might be clearer to call it something like the 'market access and participation' advisory group?</p>
MEUG	<p>Agree with proposed scope of the Innovation and Participation Advisory Group (IPAG) as illustrated in Figure 1 and the need for this new advisory group because “the electricity industry faces potentially far-reaching changes from evolving technologies”.¹</p> <p>¹ Consultation paper paragraph 2.2.2.</p>
Mercury Energy	<p>Mercury supports the IPAG purpose and scope however our view is that a single, widely constituted advisory panel structure would be more effective. This would be more of a steering committee model with expert working groups established.</p>
Meridian Energy	<p>Meridian supports the proposed IPAG including its purpose and scope.</p>

Submitter	Submission
Orion	<p>Purpose of the IPAG</p> <p>The purpose of IPAG (should it be created) and any advisory group other than the Security and Reliability Council is set out in s 21 of the Act:</p> <p><i>“to provide independent advice to the Authority on the development of the Code and on market facilitation.”</i></p> <p>This is the purpose set out by the Authority in the proposed charter for advisory groups Part 2 clause.</p> <p>However, s16 (f) the Act also states that one of the functions of the Authority is:</p> <p><i>“to undertake market-facilitation measures (such as providing education, guidelines, information, and model arrangements), and to monitor the operation and effectiveness of market facilitation measures”</i></p> <p>Combining the statutory function of an Advisory group (other than the Security and Reliability Council) together with the statutory function of the Authority on market facilitation suggests that the purpose of any Advisory groups (other than the SRC) be limited to:</p> <p><i>providing independent advice to the Authority on the development of the Code and on market facilitation (such as providing education, guidelines, information, and model arrangements)</i></p> <p>Scope of the IPAG</p> <p>The scope of the IPAG is set out in the terms of reference for the IPAG and limits the IPAG to providing advice on a limited subset of the Authority’s work programme.</p> <p>This limitation means that the intent of the proposal that the IPAG would look at the entire electricity supply chain and future innovations will not be achieved. As noted in the body of our submission, the market development programme “Evolving technologies and business models” impacts on the other four programme areas. A point that the Authority has clearly recognised in the paper, noting at paragraph 2.2.5 that: <i>“Some of the issues under its [MDAG’s] consideration would inevitably have some relationship to innovation and participation in the electricity sector. When considering such issues, MDAG would be expected to maintain a view of the potential effects of, and for, innovation, participation and consumer choice”</i>.</p> <p>Unfortunately, this overlap and blurring across the Authority’s work</p>

Submitter	Submission
	<p>programmes resulting from emerging technology is precisely the problem the Authority is trying to resolve by disestablishing the WAG and the RAG and establishing two new advisory groups, the IPAG and the MDAP. In fact the MDAG is specifically expected to overlap the work of the IPAG.</p> <p>We recommend that the scope of the advisory groups be reconsidered, with advisory groups looking at the entire Authority work programme.</p>
Pioneer Energy	Based on the projects currently allocated to IPAC it appears this advisory group is focused on transactional detail and that MDAG is more strategic.
Powerco	<i>See Table 10</i>
Transpower	As the IPAG membership does not require <i>strategic, commercial, and regulatory expertise</i> then it suggests that the role for the IPAG might be viewed more as a think-tank than a body with specific tasks in a regulatory setting. Its work may be more aligned with 'market facilitation' perspectives, rather than 'development of the Code' (EIA section 21 (2)). The group could be an avenue to bring ideas for investigation and possible development to the Authority.
Trustpower	<i>See Table 10</i>
Unison Networks	Unison supports the Authority's description of the IPAG's proposed purpose and scope.
Vector (Advanced Metering Services)	VAMS is interested in the IPAG, and can see benefits particularly around the introduction of new technologies.
WAG	<p>The mechanics of how the Authority's advisory groups operate are set out in two documents: the <i>Charter about advisory groups</i>¹ and the <i>WAG's terms of reference</i>.² The formality of these arrangements means that the WAG is only able to work on projects that:</p> <ul style="list-style-type: none"> • are on the Authority's work programme • the Authority explicitly seeks the WAG's advice on. <p>Sections 2.4.1 to 2.4.5 of the consultation paper propose a similar arrangement for the proposed Innovation and Participation Advisory Group (IPAG). Given that group's proposed focus on 'issues inhibiting the entry and participation of evolving technologies and new business models in the electricity industry... (and) ... enhancing consumer participation and choice', it may better serve the Authority's purpose to give the IPAG greater freedom in setting its own agenda.</p> <p>Although the current advisory groups are able to suggest projects for</p>

Submitter	Submission
	<p>the Authority's work plan that they may be asked to take on by the Board, this can take years. Regulating innovation may be an oxymoron, but using the experience of innovators to detect and then break down barriers could be an effective means to the Authority's end if the proposed IPAG has some discretion to identify and pursue topics for its work, provided they are consistent with the Authority's statutory objective.</p> <p>This would suggest that the IPAG should have a considerably freer remit than the consultation paper proposes: examining operational efficiency issues across the sector's supply chain in its entirety. This would entail a focus on making the operational aspects of the market simple and nimble, considering issues new entrants will find frustrating to face (such as data exchange protocols and system operator tools) and prioritising them for resolution. Often these issues will be largely associated with freeing operating arrangements from the practical constraints of the 1990s operations under which the rules were written.</p> <p>This reoriented focus would be driven by participant concerns while potentially encompassing feedback from non-participants, such as consumers and potential new entrants. Such responses would provide the proposed IPAG with a sound basis to review alternatives against the Electricity Industry Participation Code. As an example:</p> <p><i>A local network has stipulated that shopping centres required 11kV metering if they were configured as embedded networks.</i></p> <p><i>The 11kV metering is not required for reconciliation purposes and is much more expensive than 400V metering. The shopping centre believes the purpose of the local network's metering requirement is to make the establishment of embedded networks more expensive.</i></p> <p><i>In this context, the proposed IPAG could:</i></p> <ul style="list-style-type: none"> • <i>consider the situation and form a view on whether the behaviour of the local network was consistent with the Authority's statutory objective of promoting competition in the market</i> • <i>consider a range of actions they could recommend the Authority might take if the Authority considered the behaviour was inconsistent, including</i> <ul style="list-style-type: none"> ○ <i>meeting with all affected parties to understand the background to the issue</i> ○ <i>reinforcing the use of the existing regulatory framework by proactively identifying Code breaches on non-compliance with guidelines</i> ○ <i>modifying distribution pricing guidelines or amending Code provisions</i>

Submitter	Submission
	<ul style="list-style-type: none"> ○ <i>meeting with the Commerce Commission to highlight this type of competition issue and identify potential responses</i> <p>Under such a model, it is clear that the proposed group's role is to facilitate innovation and listen to innovators' concerns. To make this clear, it may be appropriate to give it a different name from 'Innovation and Participation Advisory Group' as it is not the group itself that would be innovating.</p> <p>¹ https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/foundation-documents/#ag-charter</p> <p>² https://www.ea.govt.nz/dmsdocument/10323</p>

7 Question 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?

7.1 Responses to Question 2 are in Table 2 below.

Table 2: Question 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?

Submitter	Submission
Allen Davies	<p>I see that member numbers for the IPAG as per 2.4.11 are suggested as 10 to 15 and in Appendix C 3.1 it is normally ten but the authority may appoint more or less. The more members the broader the representation if that is what is required and it appears that a broad spectrum is suggested, time will tell depending on which way you go.</p>
Consumer New Zealand	<p>In our view, the IPAG's membership should be significantly broader than that of the RAG and WAG. We believe a larger pool of members from a variety of backgrounds is the best approach for tackling the impact of evolving technologies and business models on the electricity sector. Researchers, innovative technology firms and people who have not traditionally been part of the electricity sector should all have a voice in the IPAG depending on the issue under consideration.</p> <p>However, we believe there needs to be a core group of members involved in every project, including representatives from an organisation that represents consumers. As New Zealand's leading consumer organization, we are well-placed to fill this role.</p> <p>While we agree with the proposal in the consultation paper that the IPAG should make use of surveys, focus groups and targeted consultation to gain the necessary insight into consumers' views, these should be</p>

Submitter	Submission
	<p>complemented by a permanent member serving as the dedicated consumer representative.</p>
<p>Contact Energy</p>	<p><i>See Table 10</i></p>
<p>Cortexo</p>	<p>Cortexo believes that membership of the IPAG should be dynamic. Maybe a core permanent group of 5 or 6 with good knowledge of the current industry and future trends. Their job is also to act as a conduit between the current and emerging technology companies as well as existing participants that can then “pull in” those individuals that will add value to the specific projects under discussion.</p> <p>The caution with this approach is that there is a need for continuity of information as many of the anticipated areas of discussion will overlap or have implications for each other.</p> <p>From Cortexo’s point of view the important point is that the Authority doesn’t create another group of the same old suspects. We believe some market participant’s use these forums as a way to keep up with what their competitors are doing, or to pour cold water on anything that might threaten their current operations. We do recognise the obvious experience provided by individuals in the industry and we think it would be better to use these participants more as “expert witnesses”.</p> <p>Disruptive technologies evolve incredibly fast, something those used to building hydro dams or transformer stations sometimes struggle to come to terms with. Some of the likely target “disruptors” are probably still in the garage phase, or part of an academic research paper so having an IPAG member with their finger on the pulse of innovation would be an advantage. We think close liaison with Callaghan Innovation, NZTE and regional development agencies (not to mention industry groups like the NZ Software Assn, Canterbury Tech and Technology Taranaki) may well expose very significant work in areas the electricity industry might consider “disruptive”. [Note: we apologise for a software emphasis in the groups we mention, there are other technology groups which would encompass more physical innovation].</p>
<p>ENA</p>	<p>The ENA suggests that the Authority looks to include relevant external organisations (e.g. MBIE, EECA and the Commerce Commission) in the appointments panel for the membership of the advisory groups. This should aid the Authority in identifying appropriate organisations and individuals to form the new advisory groups.</p> <p>The ENA also cautions the Authority that it should ensure the advisory groups contain a reasonable level of knowledge regarding the fundamental operation of the NZ electricity system.</p>
<p>EnerNOC</p>	<p>The key will be to get the right mixed membership of people and a balance between incumbents across the supply chain and new thinking from entrants from the merging of transport (with EVs) and the business intelligence worlds (Internet of Things) coming into the electricity sector.</p>

Submitter	Submission
	<p>The best people will be those who have the enthusiasm for being part of an advisory group, along with a vision for change and a sound understanding across the total system in terms of the impact on the affordability of electricity, security of supply and the carbon emissions from the sector.</p>
Genesis Energy	<p>We support expansion of the Advisory Group membership and encourage the Authority to include consumer representation.</p> <p>We suggest the Authority:</p> <ul style="list-style-type: none"> • establish pools of SMEs the Advisory Group can draw on. This will restrict the cost of involvement for stakeholders (ie, can choose which issues, rather than which group, to invest the time and resource). We believe this will enhance industry engagement. • investigate whether a consumer advisory group exists which could be approached for issue specific advice and to support the consumer representative/s.
John Hancock	<p>Our electricity market does a good job providing balancing electricity over the grid and open network access. The constraints that its rules represent are relevant to how it can evolve to accommodate new operating models – some reflect the laws of physics.</p> <p>In forming the group, it would be helpful for the Authority to talk to people who have joined the industry recently. They will have relevant ideas about how best others like them can be brought up to speed with the way things work now and why the rules exist. Not all of our rules can be changed however much we might want to remove constraints to innovation and participation.</p> <p>In my experience busy commercial people find policy development processes to be slow-moving and frustrating – if the intention with IPAG is to engage entrepreneurs and potential new entrants to the sector it may be better to focus the group on activities rather than creating documents – the form of the group’s outputs might be more in the form models, pictures and prototypes than conventional papers.</p>
MEUG	<p>A larger, more diverse membership than the current advisory groups with flexible engagement to maximise opportunities for IPAG members to contribute as proposed is appropriate.¹</p> <p>¹ Ibid paragraphs 2.4.6 to 2.4.15.</p>
Mercury Energy	<p>We consider it would be appropriate to constitute a single advisory panel with more senior level individuals but for efficiency this could include representatives from consumer and industry associations. Membership should also include metering providers.</p>
Meridian Energy	<p>Meridian agrees with the idea of a broad membership for the IPAG with a diverse array of backgrounds. Meridian considers the nomination process will produce appropriate nominees from which the Authority can then appoint parties that will ensure the IPAG can achieve its purpose. While</p>

Submitter	Submission
	<p>Meridian has no firm views on whether a 10 – 15 member IPAG or a larger group would be more appropriate, it may be that the larger group, individuals from which contribute on specific projects in an advisory panel-type approach better serves the aims for the IPAG. While believing firmly that the selection process needs to be as inclusive as possible, we are frankly not sure what special steps the Authority could reasonably take to motivate the participation of those who would not otherwise be interested.</p>
Orion	<p>Again the membership of an advisory group is set out in s 21 of the Act: <i>“Every advisory group must include people whom the Authority considers have appropriate knowledge of, and experience in, the electricity industry and consumer issues, but members need not be independent persons.</i></p> <p>At a minimum the advisory group needs to include industry representatives from across the value chain that have a sound engineering and economic background together with customer representatives. The Authority will need to carefully consider how it encompasses representatives of the mass market.</p>
Pioneer Energy	<p>A Cross-Agency approach would attract more diversity of views, including consumer and technologies markets experience.</p> <p>Pioneer suggests the Authority should also try to access more international expertise to advise both advisory groups.</p>
Powerco	<p>See Table 10</p>
Transpower	<p>See above re the (assumed) deliberate omission of the membership criteria <i>strategic, commercial, and regulatory expertise.</i></p> <p>We see two related considerations (i) the extent to which participation provides direct benefit from participation (this may be non-financial, i.e. reputation) and (ii) how enjoyable and satisfying participation is. The latter point will be significantly influenced by the Authority’s approach to, use and treatment of Advisory groups.</p>
Trustpower	<p>See Table 10</p>
Unison Networks	<p>The Authority states in paragraph 2.4.7 of the consultation paper that the IPAG would have a membership of people with an interest and expertise in:</p> <ul style="list-style-type: none"> a) <i>the electricity sector, and</i> b) <i>evolving technologies and competition, and/or</i> c) <i>consumer choice and competition.</i> <p>The Authority goes on to state in paragraph 2.4.9 that members could be drawn from a number of areas¹. While Unison supports this expanded membership and the benefits that may come with it, we would urge the Authority to keep its key focus on the requirements of Clause 21(2) of the Electricity Industry Act:</p> <p style="text-align: center;"><i>“Every advisory group must include people whom the Authority considers have appropriate knowledge of, and experience in, the electricity industry and consumer issues...”</i></p> <p>The core skills of any member of IPAG should therefore be “knowledge of and experience in the electricity industry and consumer issues”.</p>

Submitter	Submission
	<p>Finally, Unison submits that a smaller group of core members (approximately 7-8 members) would be appropriate for the IPAG. Wider expertise could be drawn on for particular research projects and reports (e.g. for a particular working group), similar to the 'expert' input/feedback the RAG often procured, either from consumer engagement or subject experts.</p> <p>¹ For example, information technology firms interested in the electricity sector; researchers at universities or firms etc.</p>
Vector (Advanced Metering Services)	<p>The consultation paper does not specifically mention MEP as possible members. However, the technical domain which the MEP operates in is evolving very quickly, with a range of new communications technologies enabling innovations within the metering/sensor space.</p> <p>We believe MEP participation in IPAG may help facilitate and support earlier uptake of such technologies and opportunities for the exposure of new ideas and concepts to the wider market.</p>
WAG	<p>The WAG agrees with the suggestion in Section 2.4.8 of the consultation paper that it would be helpful if the group included members with diverse backgrounds, but considers that the Authority's advisory groups would be most effective if they had a relatively mixed membership consisting of both new and traditional participants.</p> <p>In a similar vein to the suggestions in Sections 2.4.7 and 2.4.9 of the consultation paper, these members could be drawn from a pool of:</p> <ul style="list-style-type: none"> • traditional industry participants • technology experts • innovators • international experts • related utility industries (such as telecommunications and data service providers) <p>There are two reasons for seeking this kind of mixed membership:</p> <ul style="list-style-type: none"> • A particular challenge for new entrants to the sector is that they have ideas which do not necessarily mesh with the realities of the mechanics of the industry. The key value of the proposed IPAG will be in identifying evolutionary rather than revolutionary developments. This requires a group of people who understand the orthodoxies of the existing arrangements, but have insight into their limitations and can hence identify how to modify the arrangements to support greater innovation and participation. • There are very few people in the industry that can cover the full supply chain. Most people in the industry have more expertise in particular areas (upstream / downstream aspects of the energy sector or experience in other industries). A mixed membership would ensure broad expertise that span the full supply chain. The WAG has found the diverse

Submitter	Submission
	<p>backgrounds of its members to be invaluable in supporting in-depth conversation and robust recommendations.</p> <p>A strong incentive for WAG members to participate in the group has been the ability to influence energy market design and operation. It is clear to members that the Authority Board gives weight to the advice they provide and is strongly influenced by consensus recommendations. Changes to the prudential security requirements and the introduction of the net pivotal rules are particular examples where the WAG's influence has been readily apparent.</p> <p>This formal link between the advisory group and the rule maker differentiates the Authority's advisory groups from other industry groups like the Smart Grid Forum who have a less direct relationship with the agencies with the power to change rules and legislation.</p> <p>As mentioned above, WAG members have also found the advisory groups to be a constructive environment for shared learning. Working on detailed issues with other people from an assortment of backgrounds has helped build individual knowledge to the great benefit of each member.</p> <p>In establishing its new advisory groups, the Authority can attract participation by ensuring these sorts of incentives continue.</p> <p>As we note above, even straightforward issues can take around two years to progress from an suggested project to an implemented rule change as the initiative steps between:</p> <ul style="list-style-type: none"> • Suggestion • Inclusion in the Authority work plan • Allocation to an advisory group • Investigation • Industry discussion • Group recommendation • Board deliberation • Industry consultation to • Code amendment. <p>This kind of prolonged process would not meet the needs of innovators, who would rely on the operational framework of the market keeping pace with technological evolution.</p> <p>The Authority should consider whether and how the development process could be managed to better suit a group like the proposed IPAG. For example, there might be opportunities to fast track 'low-hanging fruit' developments.</p>

8 Question 3 – What are your views as to how the IPAG might operate, so as to best achieve its purpose?

8.1 Responses to Question 3 are in Table 3 below.

Table 3: Question 3

What are your views as to how the IPAG might operate, so as to best achieve its purpose?

Submitter	Submission
Allen Davies	<p>One thing that I have found over the years face to face meetings are the way to go when more than three people are involved, the RAG meeting last December using a conference call and only a singular subject was from point of view, not the best way to conduct a meeting, Using working groups is an a reasonable thought.</p>
Consumer New Zealand	<p>We agree with paragraph 2.4.14 that the IPAG will need to operate in a less formal and more dynamic way to effectively consult with less traditional industry participants. In particular, we support the use of video conferencing to seek feedback from overseas experts from countries where evolving technology, like solar PV or electric vehicles, has had a greater uptake than in New Zealand.</p> <p>We also believe that Consumer NZ can make a valuable contribution to the IPAG through provision of the results of our regular surveys and investigations relating to the energy sector. This could include our annual energy satisfaction survey, and our investigations into new, evolving technologies such as solar PV and electric vehicles.</p>
Contact Energy	<p><i>See Table 10</i></p>
Cortexo	<p>We have covered a number of points that cover this question in the previous one.</p> <p>So to summerise; Cortexo believes that the IPAG should be a permanent core of forward looking people that, as individuals (not company spokespeople), can see how new and emerging technologies may affect or change the regulatory framework and the industry. We also acknowledge the need for members that can bring forward the issues inhibiting participation by new entrants and end users.</p> <p>One (or more) would have connections through agencies or new industry to understand what new technologies are emerging and be able to join the dots between the various new companies working on new technologies such as peer-to-peer solar, blockchain technologies, storage, demand response and grid edge transactions. [Again, excuse the emphasis on software]</p> <p>We also think believe that it would be in the interest of the Authority to provide, either themselves or via an existing training organisation, basic</p>

Submitter	Submission
	workshops that give an understanding to how the electricity industry works in New Zealand and how to interact with it. These workshops would make visible to the Authority some of the work going on around the edge of the grid by drawing interest from those new disruptive companies.
ENA	<i>No comment provided</i>
EnerNOC	<p>A large standing industry group focused on innovation will not work. A better approach will be a smaller group of members, where each one is responsible for chairing a working sub-group focused on building the different aspects of more market flexibility to under-pin the changes in our renewable electricity market. These working sub-groups would deliver results from work streams to bring out the issues and barriers which have to be addressed by the Electricity Authority through rule changes. Each sub-group is set up to complement the development of smart grid or smart power and takes forward the benefits of more demand response, more energy storage and the integration of smarter controls.</p>
Genesis Energy	<p>We support greater flexibility in the way the group can meet. We suggest, as a minimum, the group meets face-to-face bi-annually to encourage engagement and develop rapport within the group, particularly with the entrance of 'non-traditional' members.</p>
John Hancock	<p>Section 2.4.9 suggests that the group might include some people who are quite different from the ones who sit on WAG and RAG at the moment. These types of people will have fresh perspectives but may have a less strong incentive to dedicate time to the group so it may be necessary to find ways of allowing them to engage without having to travel to Wellington every month or so or review papers between meetings. Collaboration technologies may be helpful here.</p> <p>Question 1 points to the need for facilitated upskilling and education of members around how the current rules work and why – this may need to be delivered in a tailored and rapid format.</p> <p>Question 2 points to the impatience that commercial people may have with bureaucratic processes. I do wonder if that may open the door to an entirely different way of working – bursts of activity on particular issues in which all the resources required to understand and solve a problem are available within the event with no pre-work or follow-up required.</p> <p>I've found that heavily-facilitated scan-focus-act workshops with deep on-site analytical support can achieve this in a day or less. They are expensive and time consuming to organise but can achieve as much in a day or two as conventional processes do in months which is more engaging and time-efficient for all participants.</p> <p>The approach has worked well for similar initiatives in other industries. GS1 – the standards organisation that develops and maintains standards for supply and demand chains such as barcodes - used a scan-focus-act approach to evaluate and agree on changes necessary to the standards</p>

Submitter	Submission
	<p>to accommodate the diversity and ubiquity of online channels for buying and selling over the internet.¹ One participant talked about how the topic “had spun around in industry forums for 3 years with a high degree of polarisation without any consensus or conclusions” and that this approach brought it to global consensus within 12 weeks.</p> <p>¹ There’s a 2 minute video on this project at https://www.youtube.com/watch?v=omTQQEfDbeE</p>
MEUG	See response to Qu. 2 above.
Mercury Energy	Underneath the advisory panel a number of working groups could be established to provide advice to the main advisory group on new innovations and consumer engagement models and any perceived barriers that might need to be addressed.
Meridian Energy	Workshops, webinars and other alternatives to traditional chairperson-led roundtable discussion are all worthy of consideration. Ultimately Meridian suggests this should be a matter for the IPAG Chair.
Orion	<p>As indicated above we consider that limiting the IPAG to a subset of the Authority’s work programmes risks creating silos. While having the MDAP overlook IPAG’s work may reduce this problem it maintains an overlap that the Authority is trying to remove.</p> <p>The size of the standing Advisory groups will also need to be carefully managed to avoid them becoming unmanageable. Additional consumer input could be obtained from ad-hoc Advisory groups or working groups reporting to the main standing working group. It is also unlikely that consensus outcomes will result therefore advice to the Authority should include the majority and minority views together with the reasoning behind them. This in itself is not a problem as it is the Authority that has to make the final decision after weighting the advice given by its advisory groups. Clearly appropriate funding for consumer representatives would need to be provided.</p>
Pioneer Energy	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.
Powerco	<i>See Table 10</i>
Transpower	We agree that different operational processes may be needed for the two groups if their scope and outputs are expected to differ.
Trustpower	<i>See Table 10</i>
Unison Networks	Regular (bi-monthly) face to face meetings should still be the main way the group should operate.
Vector (Advanced Metering)	We like the idea that the group is served by a larger pool of members from a variety of backgrounds, who contribute to specific projects on a case-by-case basis (i.e. an advisory panel-type approach). However, we believe it could benefit from a small core group to help maintain

Submitter	Submission
Services)	<p>consistency across projects.</p> <p>We believe regular face to face meetings may not always be the most efficient use of time and better use of technology should be adopted.</p>
WAG	<p>WAG members note that their participation in the group has required a reasonable commitment of time in order to consider all meeting materials, be available for all-day meetings every 6-8 weeks and to accommodate offline conversations and emails. This has entailed a sustained responsibility for each member over their two-year term. As Sections 2.4.14 and 2.4.15 of the consultation paper indirectly note, this kind of obligation is unlikely to be attractive to time-poor innovators.</p> <p>Furthermore, WAG members consider that a standing group focused on innovation is something of a contradiction because the parties innovating will be changing all the time. It may therefore be more appropriate to assemble a pool of members for the proposed IPAG before setting up technical sub-committees to tackle particular issues on a short-term basis, an option Section 2.4.11 of the consultation paper envisages.</p> <p>In terms of convening discussions between members, the WAG has experimented with webinars and teleconferences in the past. While these have generally served their purpose, there are significant benefits to face-to-face interaction.</p> <p>Other industries such as the pharmaceuticals industry have used intensive workshops to accelerate investigations to the point of achieving agreement and decision making within a matter of days rather than months¹. These span no more than three days and seek to identify a solution to a given problem within that timeframe. Participants are generally not required to undertake any prior work and are given all the information to appreciate the issues at the workshop. Between sessions, participants have the opportunity to discuss, contemplate and test ideas with each other as well as their colleagues while the secretariat has the opportunity to conduct further analysis to help inform the group's further consideration.</p> <p>The Authority could draw inspiration from this approach to fashion an arrangement which obtains the most value from time-poor people seeking rapid alterations. If a similar approach could be used for the proposed IPAG, it would also be conducive to participation by international experts and parties outside the energy sector.</p> <p>¹ See for example: https://www.capgemini-consulting.com/acceleration-capabilities/accelerated-solution-environments</p>

9 Question 4 – What feedback do you have on the proposed MDAG, including its purpose and scope?

9.1 Responses to Question 4 are in Table 4 below.

Table 4: Question 4

What feedback do you have on the proposed MDAG, including its purpose and scope?

Submitter	Submission
Allen Davies	What is proposed appears to fit the bill.
Consumer New Zealand	<i>No comment provided</i>
Contact Energy	<i>See Table 10</i>
Cortexo	<i>No comment provided</i>
ENA	<i>No comment provided</i>
EnerNOC	<p>MDAG is better aligned to handle the Authority's existing work programme and could follow somewhat the formal structure of the present advisory groups.</p> <p>It should have the ability to recommend the acceleration through the regulatory process of changes to the code that are non-controversial and benefit consumers.</p>
Genesis Energy	<p>Genesis Energy does not support the establishment of a separate market development group. This will perpetuate the 'cross-over' issue that currently exists between the advisory groups, and may not ensure that the relevant SMEs are providing advice on issues which they are qualified to opine because they are linked with the wrong group.</p>
John Hancock	<p>If the MDAG is to focus on efficient pricing, capacity and energy risk management and electricity market operations, some of the areas that it is asked to advise on will be highly material to market participants.</p> <p>The Authority's experience with TPAG is that material winner-loser issues such as changes sunk transmission cost allocation do not lend themselves to collaborative consensus-based processes such as these.</p> <p>My experience with the WAG has been that participants will work hard to find consensus on material issues if they believe that their consensus advice will have more influence on rule changes than special pleading as individual companies. It will be important not to give projects to the MDAG that have material winner-loser characteristics so that the group is able to gain similar confidence in its superiority as a means of influencing rule making in order to be motivated to find common ground on divisive issues.</p>

Submitter	Submission
MEUG	<p>Apart from one potentially new aspect, the proposed scope for MDAG is appropriate.¹</p> <p>The possible new aspect that MDAG could cover is consumer participation in the pricing and cost allocation of monopoly services under the strategic priority “Improve price signals”.</p> <p>Consumer participation in relation to the existing and emerging competitive business models is covered in the proposed scope of IPAG. IPAG does not cover consumer participation for monopoly services and the pricing of those services. Consumer participation for pricing of monopoly services is ad hoc. For example:²</p> <ul style="list-style-type: none"> • Part 12A of the Code requires consultation by distributors with traders on proposed changes to tariff structures but not directly with consumers.³ There is no requirement on traders in turn to consult with consumers. • The Commerce Commission EDB Information Disclosure Determination requires distributors to have sought the views of consumers on pricing methodologies.⁴ <p>MEUG suggests MDAG explicitly include in its scope the promotion of efficient consumer participation in cost allocation and pricing for monopoly services. A suggested change to the terms of reference for the MDAG is set out in response to Qu. 9 below.</p> <p>¹ Ibid paragraphs 2.5.3 to 2.5.7. ² This is not an exhaustive list. ³ Code cl. 12A.7. ⁴ Electricity Distribution Information Disclosure Determination 2012, cl. 2.4.1 (4).</p>
Mercury Energy	As above, Mercury would supports the purpose of the MDAG however feels it should be included under a single advisory panel with a number of working groups.
Meridian Energy	Meridian supports the proposed MDAG including its purpose and scope
Orion	As indicated in our response to Q1 above
Pioneer Energy	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.
Powerco	<i>See Table 10</i>
Transpower	Its membership criteria seem more closely aligned with policy development that may end in code change.
Trustpower	<i>See Table 10</i>
Unison Networks	The purpose and scope of MDAG seems sound and looks to fit well with the focus of IPAG.

Submitter	Submission
Vector (Advanced Metering Services)	Depending on the topics and projects MDAG considers, MEPs should be considered as potential members as we also play an important part in the electricity supply chain.
WAG	<p>The consultation paper envisages that the proposed Market Development Advisory Group (MDAG) would focus on the 'machinery' of the markets.</p> <p>Noting this, the WAG observes that the proposed MDAG would be responsible for higher-level projects involving large, economically complex issues such as cost allocation. This provides a clear division of responsibility when compared to the purpose and scope of the proposed IPAG the WAG has suggested.</p> <p>Such a division would also mean the MDAG would align more closely to the Authority's work programme with a work plan similar in structure to the RAG and WAG.</p> <p>Just as we have suggested ways by which the IPAG may need to engage with participants and stakeholders in different ways from those that the WAG and the RAG have used to date, there would be benefit in the Authority exploring new mechanisms for the MDAG to achieve the same with its stakeholders. We note that the Authority intends both groups to advise on the entire supply chain and that relying on individual members' personal expertise needs to be reinforced with visits to participants' sites, presentations from stakeholders and direct interaction with the Authority's Board.</p>

10 Question 5 – What are your views as to the membership of the MDAG, and how it should operate?

10.1 Responses to Question 5 are in Table 5 below.

Table 5: Question 5

What are your views as to the membership of the MDAG, and how it should operate?

Submitter	Submission
Allen Davies	Ten members with an industry background meeting face to face seems to be the right answer.
Consumer New Zealand	<i>No comment provided</i>
Contact	<i>See Table 10</i>

Submitter	Submission
Energy	
Cortexo	<i>No comment provided</i>
ENA	See response to question 2 above.
EnerNOC	<i>No comment provided</i>
Genesis Energy	<p>Individuals with deep experience of the electricity sector must be part of “IPAG” or an overarching Advisory Group. The market does not operate in isolation. It is important that innovation and the market ‘machinery’ align. If not, it is highly likely that the new ideas of the IPAG will simply fall flat as there may be potential issues restricting or preventing implementation in the market in the manner proposed by the IPAG. The same is applicable vice-versa – the market must be able to adapt and support new technology and innovation.</p>
John Hancock	<p>I agree that the membership of MDAG is likely to be similar to the WAG and RAG – incumbents have the strongest incentives to participate in longer-term projects around market efficiency.</p> <p>Members are appointed for their individual expertise and experience and expected to provide impartial and independent advice but the group’s durability requires the wider industry to accept that it is a more effective means of influencing the Board than special pleading. Given the potential materiality of the issues that MDAG will investigate it is important that members are senior enough to be able to reassure colleagues and peers in the industry about the compromises the group has made to achieve consensus solutions.</p> <p>The Authority Board has been consistent in generally accepting consensus recommendations from the WAG and the RAG that are consistent with its Statutory Objective. My experience is that this track record is profoundly important in motivating members to find common ground on issues when making recommendations – even more so when the Board accepts recommendations that are not the same as its preliminary views on those issues.</p> <p>Human dynamics are equally important to the effective operation of any group such as this – having the time and opportunity to work with and gain respect for colleagues is important if members are going to compromise in order to find common ground. On the WAG, it has been particularly helpful for members’ terms to rotate out of phase with one another so that there is always a core of members who know one-another well and new members enter a constructive environment in which it is clear that all contributions are valued.</p>
MEUG	<p>Apart from considering any adjustment for the response to Qu. 4 above in relation to consumer participation for monopoly pricing and cost</p>

Submitter	Submission
	<p>allocations, the proposed membership and operation of MDAG is appropriate.¹</p> <p>¹ Consultation paper paragraphs 2.5.8 to 2.5.10.</p>
Mercury Energy	As above, we consider it would be appropriate to constitute a single advisory panel with more senior level individuals and form a number of working groups to provide advice to a single panel
Meridian Energy	Meridian also supports the Authority's views on the membership of MDGA and how it should operate.
Orion	As indicated in our response to Q2 and Q3 above. However, if the Authority goes ahead with establishing working groups based on its proposal then we would recommend that the MDAP oversees all IPAG output to ensure that it is consistent with the other areas of the work programme.
Pioneer Energy	See answer to Q2. MDAG would be more focussed on adapting market design and rules to ensure more open access and technology neutrality.
Powerco	<i>See Table 10</i>
Transpower	Drawing from practice in other jurisdictions such as PJM, it may benefit the groups' consideration process if (non-confidential) papers are made publically available at the time they are provided to the MDAG. This would allow interested parties to offer any relevant information to the group's assessment.
Trustpower	<i>See Table 10</i>
Unison Networks	<i>No comment provided</i>
Vector (Advanced Metering Services)	As above, MEPs should not be excluded. We also think there should be non-Authority members on the appointment panel for these two new groups to help ensure broad and non-bias selection of members.
WAG	<i>No comment provided</i>

- 11 Question 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 to 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?

11.1 Responses to Question 6 are in Table 6 below.

Table 6: Question 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?*

Submitter	Submission
Allen Davies	(a) I have no problem with new terms of reference being introduced based on the feedback, but should they not then also go out again for further submissions? (b) Yes (c) Yes
Consumer New Zealand	We agree with the introduction of new terms of reference for the IPAG and the streamlining of the current version of the charter, on the proviso they take into account our feedback provided under Q1 – Q3.
Contact Energy	<i>See Table 10</i>
Cortexo	Cortexo believes that it is sensible to review terms of reference and charters for any new groups established as part of the ongoing process of good governance.
ENA	<i>No comment provided</i>
EnerNOC	<i>No comment provided</i>
Genesis Energy	a) Yes. However, we suggest the Terms of Reference be further standardised. We have attached suggested amendments to the proposed

Submitter	Submission
	Terms of Reference. b) Yes c) Yes
John Hancock	<i>No comment provided</i>
MEUG	a) Agree. b) Agree. c) Agree.
Mercury Energy	a) Yes but have a single advisory panel with working groups formed b) Yes c) Yes
Meridian Energy	We agree with the Authority's proposal.
Orion	We agree that: a) if the Authority creates new advisory groups it should introduce new terms of reference suitable for the work that the Advisory groups will undertake; b) that updating the current terms of reference for the SRC in its entirety, with an updated and streamlined version, would be appropriate; c) we consider that the Authority need to exercise caution in amending the charter as outlined in our response to Q9 below and our marked up version of recommended changes to the Authority's proposal, which we have provided as an appendix.
Pioneer Energy	<i>No comment provided</i>
Powerco	<i>See Table 10</i>
Transpower	We agree, subject to feedback from this consultation.
Trustpower	<i>See Table 10</i>
Unison Networks	Unison is supportive of the changes proposed by replacing the current charter, and introducing new terms of reference for the IPAG, MDAG and SRC.
Vector (Advanced Metering Services)	Agree. These are new groups with new agendas in an ever changing market. This would be a good time to renew these.
WAG	<i>No comment provided</i>

12 Question 7 – Do you agree with the Authority’s assessment of its proposals? If not, what alternative assessment would you make and why?

12.1 Responses to Question 7 are in Table 7 below.

Table 7: Question 7

Do you agree with the Authority’s assessment of its proposals? If not, what alternative assessment would you make and why?

Submitter	Submission
Allen Davies	I can’t disagree with the Authority’s assessment at this stage, but time will be the deciding factor as to the validity of any changes.
Consumer New Zealand	<i>No comment provided</i>
Contact Energy	<i>See Table 10</i>
Cortexo	Cortexo agrees with the Authority’s assessment.
ENA	<i>No comment provided</i>
EnerNOC	<i>No comment provided</i>
Genesis Energy	Somewhat agree. We do not agree that the proposed establishment of two groups will improve efficiency – there will still be significant overlap between the groups. Operational efficiencies will be missed by separating the two groups of SMEs.
John Hancock	Yes but I would note in 4.1.1 that advice on efficiency requires removing barriers not only to “how electricity is generated, stored, transported and purchased” but also how it is used.
MEUG	The proposed changes, assuming the EA considers the comments of MEUG in the responses above, are reasonable and likely to promote better outcomes than the two alternatives in paragraph 4.2.1 of the consultation paper. MEUG has no other suggested alternative means to reorient the advisory groups to meet the EA’s objectives.
Mercury Energy	Partially. Mercury agrees with the proposal of reorientation of the current advisory groups but supports a single group having a view of initiatives, improvements and implementation.
Meridian Energy	We agree with the Authority’s assessment.
Orion	No. We consider that the Authority’s proposals, rather than resolving the issue of advisory groups work overlapping as emerging technology blurs

Submitter	Submission
	the demarcation between wholesale, transport and retail sections of the electricity supply chain, has simply created overlaps for working groups across the Authority's work programme. This is explicitly acknowledged with the requirement for MDAP to look across the entire work programme of the Authority.
Pioneer Energy	<i>No comment provided</i>
Powerco	<i>See Table 10</i>
Transpower	We agree it is timely to reconsider the role for advisory groups but consider the assessment for their future use may have been better informed with some evaluation of the scope and outputs to date from current and previous groups.
Trustpower	<i>See Table 10</i>
Unison Networks	Yes, Unison supports the Authority's assessment of its proposals. The refined focus of the groups should ultimately produce more relevant and useful research reports and consultation papers for the Authority and the industry to consider.
Vector (Advanced Metering Services)	Agree
WAG	<i>No comment provided</i>

13 Question 8 – Are there alternatives to either of the Authority's proposals that you consider would better meet their respective objectives? If so, please describe the alternative and why it would be preferable.

13.1 Responses to Question 8 are in Table 8 below.

Table 8: Question 8

Are there alternatives to either of the Authority's proposals that you consider would better meet their respective objectives? If so, please describe the alternative and why it would be preferable.

Submitter	Submission
Allen Davies	No I do not have any alternative proposals to suggest.

Submitter	Submission
Consumer New Zealand	<i>No comment provided</i>
Contact Energy	<i>See Table 10</i>
Cortexo	We have not considered any other alternative.
ENA	<i>No comment provided</i>
EnerNOC	<i>No comment provided</i>
Genesis Energy	<p>Yes. We believe the Authority should re-consider 4.2.1 (2) – the establishment of one Advisory group. It is unclear why the Authority has assumed that consumers and participants in the energy sector would not be interested in market issues. Retail models such as that offered by Flick Electric Co illustrate how some consumers are engaging in the wholesale market and, with greater uptake of technology likely, this is only going to increase. Individual interests and expertise could be catered to through the formation of issue specific work groups. Further, we would argue that even within the proposed MDAG and IPAG, members would have interests that diverge, and expertise that is more relevant to one issue than perhaps another that the same group may be considering.</p> <p>Establishing a single Advisory Group (similar to a steering group) will reduce cross over, allow quicker identification of operational efficiencies within the market, allow sharing of ideas and constraints, and reflect the changing nature of the energy sector.</p> <p>Please see Figure 1.1 in our cover letter which illustrates how a single Advisory Group could support the Authority.</p>
John Hancock	<i>No comment provided</i>
MEUG	See response to the question above.
Mercury Energy	As outlined. A single steering committee of senior industry leaders with appropriate sub groups would be supported by Mercury..
Meridian Energy	We do not believe that alternatives would necessarily better meet the Authority's objectives. In particular Meridian believes the Authority's proposal is a better option either than retention of the existing advisory groups or moving to a single advisory group.
Orion	<p>An alternative solution is establishing a number of standing Advisory groups (probably two initially), each with a broad spectrum of participants including consumer representatives that provide independent advice to the Authority on the development of the Code and on market facilitation (such as providing education, guidelines, information, and model arrangements) in relation to any programme of work assigned to them across the entire spectrum of the Authority's functions.</p> <p>Where necessary these standing advisory groups could with the</p>

Submitter	Submission
	<p>Authority's agreement establish ad-hoc specialist advisory groups or working groups to report to them and provide advice on specific issues where more detailed expertise would be needed. These ad-hoc specialist advisory groups or working groups could be specific customer groups or industry specialists or a mix.</p> <p>The Authority would not assign the working groups to a particular silo of its work programme, but assign the next priority project to the available advisory group.</p> <p>If the workload becomes too great for the number of standing Advisory groups then more could be established. Noting that a limiting factor would be the industry's ability to supply resource the working groups and also to respond to consultations.</p> <p>All of the standing advisory groups should be required, as part of the charter, to specifically consider the impact of emerging technologies on the work programme that they are advising on together with the various interrelationships between the different regulatory agencies and the wider environment. Advising, where necessary, that the issues be co-ordinated with the Commerce Commission and the Ministry of Business, Innovation and Employment or some other party.</p> <p>Our proposal manages the workload of advisory groups, meets the Authority's existing criteria for advisory groups, and resolves the potential silo and overlap issues.</p>
Pioneer Energy	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 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.
Powerco	<i>See Table 10</i>
Transpower	<p>In the Advisory Group Charter June 2013¹ there is provision for ad-hoc advisory groups. This provision is not present in the revision to that charter. In the absence of any discussion in the consultation paper on changing this flexibility aspect we suggest it is retained.</p> <p>¹ http://www.ea.govt.nz/about-us/strategic-planning-and-reporting/foundation-documents/</p>
Trustpower	<i>See Table 10</i>
Unison Networks	No, Unison is comfortable with the Authority's proposals.
Vector (Advanced Metering Services)	None that we have identified at this time.
WAG	<i>No comment provided</i>

14 Question 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?

14.1 Responses to Question 9 are in Table 9 below.

Table 9: Question 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?

Submitter	Submission
Allen Davies	The only comment I have to make is that they are easy to read, understand and follow.
Consumer New Zealand	<i>No comment provided</i>
Contact Energy	<i>See Table 10</i>
Cortexo	<i>No comment provided</i>
ENA	As noted under the ENA’s response to question 2 above, it may be helpful to the Authority for the makeup of the appointments panel for the advisory group to include organisations such as MBIE, EECA and the Commerce Commission. It would be sensible to include this requirement in the proposed Charter.
EnerNOC	<i>No comment provided</i>
Genesis Energy	Yes – see Appendix B.
John Hancock	<i>No comment provided</i>
MEUG	<p>MEUG has one suggested drafting change to the terms of reference for MDAG and one commentary on when advisory group agenda papers can become public.</p> <p>First the suggested drafting change. As noted in response to Qu. 4 above MEUG suggest a change to the terms of reference for MDAG (new text underlined):</p> <p style="padding-left: 40px;">cl. 2.2 (a) (ii) “improving administered prices and cost-allocation methods such as distribution pricing, distributed generation pricing principles, cost allocation of ancillary services <u>including facilitating effective consumer participation in monopoly cost allocation and pricing processes.</u></p> <p>Second the publication of advisory group agenda papers. The terms of</p>

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	<p>reference are silent on whether advisory group members can circulate non-confidential agenda papers ahead of an advisory group meeting. MEUG interprets this as allowing members to circulate non-confidential agenda papers in whole or part at their discretion to allow those members in acting in his or her personal capacity to improve their contribution to advisory group meetings. In other words there is no prohibition of non-confidential agenda papers becoming public ahead of meetings.</p> <p>If it is not the intention of the terms of reference that advisory group members can circulate non-confidential agenda papers ahead of a meeting then clauses should be included in the terms of reference to that effect. We think drafting such enforceable restrictions on circulation of non-confidential agenda papers as infeasible in this instance.</p> <p>This raises the question of how the EA can enforce advisory group members not circulating confidential agenda papers within their affiliated organisations. MEUG suggest the inclusion of confidential papers in advisory group agenda papers be kept to a minimum because of the problem of the EA's weak ability to enforce selected parties and affiliated organisations having access to information before other parties in the market.</p> <p>Finally MEUG suggests if advisory group agenda papers are or could in effect be widely available before an advisory group meeting (because there is no prohibition on members circulating papers) then they should be published as soon as practicable after they have been circulated to members. That is non-confidential agenda papers should be published before a meeting. This view was submitted by MEUG to the EA in the prior review of advisory group administrative arrangements in 2013.¹</p> <p>¹ Refer MEUG to EA, Consultation Paper – Review of advisory group administrative arrangements, 16th April 2013, response to Qu.7, pp3-4, found at http://www.meug.co.nz/node/532</p>
Mercury Energy	<i>No comment provided</i>
Meridian Energy	We have no drafting comments.
Orion	<p>Yes. Please see our marked up version of suggested changes appended.</p> <p>Orion's comments on the drafting of the proposed new version of the Charter</p> <p>While we agree in principle with the replacement of clause 1.2 and 1.3 of Part 1 and 1.2 of Part 2 with clause 1.3 of the proposed charter we suggest that, consistent with the current charter and the reference to “any inconsistency between the terms of reference and the charter”, that the reference to the TORs being “<i>intended</i>” to specify the operational and governance matters should be retained.</p> <p>Clause 1.3 would then read:</p> <p>In addition to the requirements of this charter, the SRC and each advisory group is subject to its own terms of reference, as established by the Authority. Each terms of reference is intended to specifies specifies the operational and governance matters for the SRC and each advisory group,</p>

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	<p>and should be read in conjunction with this charter. If there is any inconsistency between the terms of reference and this charter, the charter will prevail.</p> <p>Part 1: Security and Reliability Council</p> <p>Comments on Clause 2</p> <p>s20(1) of the Act requires the Authority to appoint a SRC and s20(2) of the act sets out the function of the SCR. We therefor suggest the following changes to clause 2 (noting that this is consistent with the proposed TORs</p> <p>2 Purpose Function of the SRC</p> <p>2.1 Section 20 of the Act requires the Authority to appoint an SRC</p> <p>2.2 The function of the SRC is to provide independent advice to the Authority on:</p> <p>(a) the performance of the electricity system and the system operator</p> <p>(b) reliability of supply issues.</p> <p>2.2 The SRC's purpose is to provide the Authority with advice from parties directly affected by the system operator's decisions and actions. The SRC enables the Authority to draw on the wisdom and expertise of senior industry personnel.</p> <p>Comments on Clause 3 Establishment of the SRC</p> <p>Section 20(7) of the Act requires that the terms of appointment as a member of the Council are as determined by the Authority on an individual basis.(emphasis added) Therefore we consider that it would be appropriate to include in section 3 (Establishment of the SRC) of the charter a set of guidelines for the Authority on the establishment of the SCR and its membership noting that the terms of appointment of a member of the Council are to be determined by the Authority on an individual basis. This would also be more consistent with the hierarchy of documents that govern the Authorities advisory group as set out in paragraph 3.1.1 of the paper</p> <p>Comments on Part 2: Advisory Groups</p> <p>For the reasons outlined in our response to Q1 we recommend that the wording of the proposed charter Part 2 clause 6.1 be amended to say:</p> <p>6.1 Section 21 of the Act requires the Authority to establish (in addition to the SCR) one or more advisory groups to provide independent advice to the Authority on the development of the Code and on market facilitation (such as providing education, guidelines, information, and model arrangements)</p> <p>Comments on Part 2 clause 6.3 The proposal changes the requirement under the existing charter clause 2.7 from explicitly requiring that the provisions of the charter apply equally to ad-hoc and standing advisory groups to explicitly stating that the charter does not apply to such ad-hoc groups. We disagree with this proposal which is a material change to a foundation document and potentially is contrary to section 19(3) of the Act which requires that the Authority and all advisory groups must comply with the charter made under this section. (emphasis added).</p> <p>In addition Part 2 clause 6.3 does not deal with the purpose of the advisory group and would be better situated in section 7 Establishment (and disestablishment) of advisory groups</p>

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	<p>We recommend that clause Part 2 6.2 and 6.3 be deleted and replaced with new clauses and clarifies that the charter does apply to ad-hoc groups.</p> <p>7.1 The Authority expects some advisory groups will be 'standing' advisory groups that advise the Authority on an ongoing basis.</p> <p>7.2 The Authority may also establish ad-hoc groups to provide specialist advice and recommendations for significant issues that go beyond the knowledge and experience of any advisory groups. The provisions in this charter do not apply equally to such ad-hoc groups.</p> <p>Renumber other clauses as required.</p> <p>Proposed clause 7.1 we consider that the charter not the terms of reference should set out the criteria and procedure by which the Authority establishes advisory groups. Renumber clause 7.1 as 7.3</p> <p>7.34 The Authority will establish advisory groups by appointing members, including an independent chairperson, in accordance with the criteria and procedure set out in this charter. the terms of reference for each advisory group.</p> <p>As a result we consider that new clause 7.4 be added</p> <p>7.4 When establishing an advisory group under clause 7.1 or 7.2 the Authority must evaluate potential members against the following criteria:</p> <ul style="list-style-type: none"> (a) relevant knowledge and experience (b) relevant strategic, commercial, and regulatory expertise (c) an ability to represent alternative views in a balanced manner (d) an ability to provide impartial, independent advice (e) an ability to contribute constructively to the relevant tasks (f) the ability of members to collectively represent the relevant key perspectives.
Pioneer Energy	<i>No comment provided</i>
Powerco	<i>See Table 10</i>
Transpower	We have no objection to changes in drafting for communication clarity, but have found the changes difficult to follow and have relied only on the Authority's explanation of key changes at section 3.4.6. The practice of not showing or indicating all changes puts risk on to stakeholders.
Trustpower	<i>See Table 10</i>
Unison Networks	<p>Unison has one recommended addition to paragraph 9.12 of the <i>Charter for Advisory Groups</i>:</p> <p><i><u>"The Authority will keep the relevant advisory group informed about its progress when considering the advisory group's recommendations on Code amendment proposals or market facilitation. The Authority will seek feedback from the relevant advisory group if the Authority proposes to deviate from the recommendations in a material way.</u></i></p>

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	<p>The inclusion of this additional wording (similar to what is included in the current charter), ensures final decisions by the Authority are considered through advisory group feedback. The addition of the text above reinforces the value of the advisory group function and that the groups are a key 'sounding board' that the Authority uses to test proposed regulatory change. Unison notes that this view was recommended by the RAG in the last review of the Charter for Advisory Groups¹.</p> <p>¹ Retail Advisory Group (8 May 2013). <i>Letter to Carl Hansen: Advisory group involvement after recommendations are made to the Authority.</i></p>
Vector (Advanced Metering Services)	<i>No comment provided</i>
WAG	<i>No comment provided</i>

15 Cover letter comments

15.1 Comments by submitters in cover letters can be found in Table 10 below.

Table 10: Cover letter comments

Submitter	Submission
Allen Davies	<i>No comment provided</i>
Consumer New Zealand	<p>Consumer NZ agrees with the proposal to disestablish the Wholesale Advisory Group (WAG) and the Retail Advisory Group (RAG), and the proposal to establish two new advisory groups. We generally support the proposed purpose and scope of the Innovation and Participation Advisory Group (IPAG), with some caveats outlined in the responses below to selected questions in the consultation paper.</p>
Contact Energy	<p>Contact supports the re-orientation of the Advisory Groups. We appreciate the Authority responding to changes in the electricity sector, which are largely driven as a result of emerging technologies and the opportunities this is providing for consumers to participate.</p> <p>We are conscious that electricity markets need to keep abreast of technology and innovation, and there are likely to be areas of overlap between IPAG and MDAG. We particularly support clause 6.6 of the respective Terms of References which require the advisory groups to coordinate activities, where appropriate. A cohesive approach to removing barriers that inhibit innovation in how electricity is generated, stored, transported, and purchased will be in the best long term interests of consumers.</p> <p>With reference to paragraphs 2.4.6 to 2.4.12 (IPAG membership), we</p>

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	<p>support the promotion of diversity and consumer-centric views on the IPAG. This does not discount the fact that there are innovators in traditional retailers as well. Contact is interested in having representation on both advisory groups, and looks forward to participating in the nomination process.</p>
Cortexo	<p>We fully support the Authority with regard to this project and believe that the outcomes will be increased innovation in the electricity market that will directly benefit consumers.</p>
ENA	<p>The ENA recognises the same emerging challenges that the Authority describes in their consultation paper as:</p> <p><i>“...potentially far-reaching changes from evolving technologies. These technologies could create a wide range of options for how electricity is generated and used, giving consumers far greater choice and individual control. It could also have significant implications for market participants, with the potential for new players to enter and grow market share.”</i></p> <p>The ENA therefore supports in principle the formation of the new advisory groups (IPAG and MDAG) to aid the Authority in delivering its re-oriented work programme. The ENA does however request that the Authority have due regard to the following:</p> <ol style="list-style-type: none"> 1. In assessing and appointing members to the proposed new advisory groups it would be beneficial to expand the appointments panel to include non-Authority members. For example, useful organisations to include would be MBIE, EECA and the Commerce Commission. Broadening the appointment panel is consistent with the Authority’s overarching strategy to diversify and expand advisory group membership and reorientation of its work programme. It would equally be sensible to include organisations that can represent the views of consumers. The ENA urges the Authority to amend the proposed Charter to allow for a broadened appointments panel in the manner described above. 2. The ENA suggests that, as the range of skills and expertise within the membership of the advisory groups are broadened, the Authority monitors the extent to which its own internal expertise complements this. This is not to suggest that Authority staff do not have the necessary skills and expertise, merely that should the advisory groups (in particular IPAG) move into non-traditional areas for the Authority, it’s important that the Authority staff are reasonably conversant with the subject matter. 3. In a similar vein, whilst the ENA appreciates and agrees with the need to expand the expertise of those individuals comprising the membership of the proposed new advisory groups it is important that across the advisory groups as a whole there remains a reasonable level of knowledge of the fundamental operation of the NZ electricity system – in particular its constraints. 4. The ENA recommends that the Authority assess the likelihood for significantly increased workloads on the proposed new advisory groups (compared to the disestablished advisory groups) and SRC – see the Authority’s Statement of Performance Expectations 2016/17. It may be that additional advisory groups are required to provide sufficient capacity to adequately support the range of issues identified in the Authority’s future work programme.

Submitter	Submission
	<p>5. The Authority proposes that any new ad-hoc groups established will not be subject to the provisions in the new Charter (see Part 2 Para 6.3) – this is a change from the status quo and it would be helpful for the Authority to explain why it is they feel this is necessary. In the absence of an explanation from the Authority as to its rationale for this change the ENA submits that any new ad-hoc groups established by the Authority should remain subject to the provisions in the new Charter.</p> <p>6. Whilst the ENA is supportive of the objectives of the Authority’s proposals some caution should be exercised that this doesn’t give rise to situations where the Authority extends its policy development activities, as informed by recommendations from the proposed new advisory groups, into areas outside its overall ambit.</p>
EnerNOC	<p>EnerNOC supports this Electricity Authority initiative to restructure the WAG and RAG advisory groups. This is timely and appropriate.</p> <p>The Electricity Authority will require independent advice across the whole supply chain especially from new entrants involved with Distributed Energy Resources (DER) at the customer end of the market. DER has the potential to grow as the costs for new clean technologies come down and the impact of this penetration will be disruptive like we have seen in other markets where the traditional fossil fuel industry has been left with stranded assets.</p>
Genesis Energy	<p>We support replacement of the existing advisory groups</p> <p>Genesis Energy agrees with the Authority that the Retail Advisory Group (“RAG”), and Wholesale Advisory Group (“WAG”) have been a positive development for the sector and that there is need for the Authority to continue to obtain meaningful and actionable advice from sector representatives to deliver its work programme, and draw on subject matter experts (“SMEs”) to deliver value to the end consumer. As the Authority notes, the electricity industry is facing substantial changes from evolving technologies, and regulators will need to proactively review and change their current practises to ensure they remain fit for purpose. The traditional demarcation between retail, wholesale and transport is becoming blurred, and the Authority must draw on a wider pool of stakeholders for advice, while maintaining stability and security of supply.</p> <p>Genesis Energy encourages the Authority to avoid simply re-distributing work projects between newly named advisory groups. As illustrated by the Authority’s diagram, the lines are still not clear cut between the proposed Innovation and Participation Advisory Group (IPAG) and the Market Development Advisory Group (MDAG). We suggest the Authority establishes a single Advisory Group, which would cover the proposed scope of both IPAG and MDAG.</p> <p>Efficient use of working groups</p> <p>The WAG and RAG have successfully used working groups to deliver advice on specific issues to the Authority to date. We suggest the new Advisory Group look to replicate this success. If a specific issue identified by the Advisory Group warrants further investigation, a sub-set of the Advisory Group could form a work stream and engage SMEs from the sector to deliver discreet projects.</p> <p>For example, for the Authority’s proposed project “Review of wholesale</p>

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	<p>market trading arrangements (Part 13 of the Code)” MDAG would need to draw on legal advice when suggesting any amendments to the Code. It is extremely unlikely that someone with this expertise will be a core member of the proposed MDAG. Under our suggested model, the Advisory Group would review the issue defined by the Authority, and propose a working group to the Authority. The Advisory Group would make a recommendation on the group membership to achieve the right balance of expertise, project timeframes, and deliverables. If agreed by the Authority, it would then be up to the Advisory Group to maintain oversight of the working group, and provide regular updates to the Authority. An example of a successful subject specific working group was the ASX Cap working group.</p> <p>Keep it simple</p> <p>Genesis Energy urges the Authority to consider the time and resource cost for senior Authority representatives to support two advisory groups. There are also significant costs involved for stakeholders to participate in two groups or participate in one at the expense of the other. This is an important consideration when trying to broaden membership. We believe a single Advisory Group would be both time and cost efficient. The Advisory Group will have a clear line of sight and mandate, ensure equal importance is placed on the views of traditional and ‘non-traditional’ participants, can include the specific SMEs for specific topics and promote diversification of views.</p>
John Hancock	<p>The falling costs and improving capabilities of energy management and sensing technologies mean that there will be increasing opportunities for the economic automation and dynamic response of devices of all sizes from industrial plant to home appliances. These opportunities will rely as much on access to and participation in elements of the electricity markets as new models of commercial generation, storage, transportation and sale.</p> <p>Industry consensus decision making was an effective way of developing technical rule changes in the self-governing arrangements of MARIA and NZEM but did not proactively pursue a public benefit objective function. The Authority’s history with advisory groups has worked well – it has harnessed the effectiveness of such processes to the Statutory Objective.</p> <p>The speed with which distributed energy resources and the new business models they enable are providing economic alternatives and complements to grid-reticulated electricity has caught many by surprise. The speed that the Authority has progressed its proposed changes to ensure New Zealand consumers are able to benefit from them is admirable – thank you for the opportunity to contribute my thoughts on the proposal.</p>
MEUG	<p>In this submission MEUG:</p> <ul style="list-style-type: none"> a) Suggests the terms of reference for the Market Development Advisory Group (MDAG) include facilitating effective consumer participation in monopoly cost allocation and pricing processes. b) Interprets the terms of reference silence on whether advisory group members can circulate agenda papers ahead of advisory group meetings

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	<p>as allowing them to do so. MEUG suggests use of confidential agenda papers be kept to a minimum.</p>
<p>Mercury Energy</p>	<p>Mercury agrees that reorientation is timely given the on-going evolution of the electricity sector, particularly the emergence of new technologies. We are excited by the opportunities new technologies will provide for our customers to enjoy electricity in new and different ways. We want to ensure all New Zealanders are able to access new technologies at competitive prices and with the features and services that they want. We consider the best way to ensure this is to enable as many providers of these services as possible to compete on price, service and quality. New technologies also evolve rapidly so it is important is that consumers are not locked-in to a particular model or features that may quickly become obsolete.</p> <p>Mercury agrees with the Authority that a whole of industry approach is important to ensure appropriate oversight of industry change. However, in our view the Authority’s suggested structure of two advisory groups could potentially work against this objective.</p> <p>Given the wider constitution of the proposed Innovation and Participation Advisory Group (IPAG) there is potential for highly divergent and oppositional viewpoints, particularly where participants have strong commercial drivers to favour particular frameworks or models. It is unclear to Mercury from the discussion document how such tensions are proposed to be resolved but we consider this an important first order issue to address. The risk is that the IPAG is unable to reach a supportable consensus on proposals and provide clear direction to the Authority or the Market Development Advisory Group (MDAG).</p> <p>We note that in comparison to the IPAG the structure of the MDAG will be constituted by more traditional industry participants. The immediate potential conflict we envisage is that MDAG will be requested to consider implementation for proposals they have had no oversight or input into developing (assuming the IPAG is able to reach a consensus). This has the potential to undermine the implementation process.</p> <p>To address these issues, Mercury would support the Authority considering implementation a single, widely constituted advisory panel, effectively a steering committee model. The membership of the panel would comprise parties that will have a primary role in implementing any supported changes. We consider it would be appropriate to constitute this group with more senior level individuals but for efficiency this could include representatives from consumer and industry associations.</p> <p>Underneath the advisory panel a number of working groups could be established to provide advice to the panel on new innovations and consumer engagement models and identify any perceived barriers that might need to be addressed. This group could be constituted with individuals with greater levels of technical and operational knowledge. This would provide the senior stakeholder steering committee with more deeper technical, operational and practical knowledge of issues. Further issue specific sub groups could be formed and utilised if required.</p> <p>Mercury would advocate for the inclusion of metering companies within the steering committee structure and working groups. With the development occurring within of the industry, metering providers are likely to play an</p>

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	<p>ever increasingly active role in industry initiatives and customer innovation. Shifting to a steering committee model is likely to mitigate the risk of participants reverting to a very narrow focus on commercial outcomes. The steering committee would also be best placed to ensure appropriate control of theoretical or unsupported assessments. There is also a potential for initiatives assessed by the working group to be seen as having endorsement by a government authority or industry body. The steering committee would also be able to provide consistent support for product implementation and operate without competitive conflict.</p> <p>In order to ensure the process is transparent, any individual or bodies with interest in the development of the industry should be able to attend in the capacity of observers. If meetings are limited to members and invitees it further creates a potential for perception of competitive advantage. Our view is that it is also likely to diminish industry engagement in the development process particularly from smaller or new entrant participants. It may also provide the Authority and industry a potential “succession plan” for fresh representatives when incumbents’ terms of tenure expire.</p> <p>Given the pace of change in the sector, Mercury supports an increase in the meeting schedules. Where there is a need to meet more often, there should be flexibility in the ToR to allow this to happen. This would include any subgroups required. In other jurisdictions Mercury has observed sub groups meeting monthly with steering committees meeting quarterly.</p>
Meridian Energy	<p>Meridian supports the Authority’s proposal to reorient its advisory groups as set out in the consultation paper dated 9 August 2016. As the Authority says:</p> <p>...the electricity industry faces potentially far-reaching changes from new technologies. These technologies could create a wide range of options for how electricity is generated and used, giving consumers far greater choice and individual control. It could also have significant implications for market participants, with the potential for new players to enter and grow market share.</p> <p>Meridian welcomes these changes. We believe we are well placed to serve consumers who have increasingly greater choice and control over the role that electricity suppliers play in their lives. We also welcome the challenge from new players. The New Zealand electricity industry is already one of the most competitive in the world. Increased competition will ensure that the industry remains under strong pressure to continue to provide value to consumers.</p> <p>The Authority’s proposed disestablishment of the Retail Advisory Group and the Wholesale Advisory Group and creation of the Innovation and Participation Advisory Group (IPAG) and Market Development Advisory Group (MDAG) will in our view ensure the Authority receives the appropriate advice in relation to how, in the light of increasing technological change, it can best discharge its objective to promote the long term benefit of consumers. We therefore support the proposal. Our answers to the specific questions posed by the Authority are set out in the Appendix.</p>

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Orion	<p>General Issues</p> <p>4. Advisory groups play a key role by providing independent advice to the Authority on the development of the Code and on market facilitation. This is evidenced by the statutory requirement on the Authority to establish the Security and Reliability Council (SRC) and at least one other advisory group.</p> <p>5. In the Authority’s consultation on this issue in 2010¹ it noted that: <i>“In reporting to Cabinet on the 2009 Ministerial Review, the Minister of Energy and Resources noted that “insufficient stakeholder involvement in rule development” was one of five key concerns with current governance arrangements.</i></p> <p><i>This concern reflected analysis in the Electricity Technical Advisory Group (ETAG) discussion paper in August 2009, which stated there was anecdotal evidence that industry participants had increasingly disengaged from the rule development process, claiming too little progress was being made through the advisory groups.</i></p> <p><i>The ETAG paper noted that the Electricity Commission had recently adopted a new advisory group structure and had amended arrangements to enhance the flow of information and advice between advisory groups and the Electricity Commission’s Board. Nevertheless, the ETAG paper recommended that the Authority be required by legislation to involve working groups of sector representatives (including consumers) in rule development. This requirement is set out in section 21(1) of the Act.”</i></p> <p>6. As a result of this earlier consultation the Authority established the charter for advisory groups as part of its foundation documents and in addition to the SRC proposed to establish three other advisory group covering the Wholesale, Transport and Retail sections of the electricity supply chain.²</p> <p>7. The Authority, at that time developed and evaluated the number and scope of advisory groups against the following criteria:</p> <p>7.1. Having closely inter-connected issues overseen by a single advisory group minimises duplication and overlap across advisory groups, making it easier for the Authority to allocate issues and hold each advisory group accountable for achieving its work programme;</p> <p>7.2. The workload for each advisory group needs to be commensurate with the time members can be expected to allocate to advisory group business; and</p> <p>7.3. The size of each advisory group needs to be manageable whilst bringing the full spectrum of views and Code-making skills to the table.</p> <p>8. The current paper does not indicate whether the Authority has based its proposed advisory groups against the same criteria, however it does indicate that the existing advisory groups have highlighted that their respective tasks were overlapping.</p> <p>9. The Authority’s criteria would suggest that, due to the ever increasing inter-connected nature of the industry that a smaller number of advisory groups is desirable, however this could conflict with the workload</p>

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	<p>and size criteria.</p> <p>10. We recommend that the Authority considers the number and scope of any new advisory group against its own existing evaluation criteria and that any review of advisory groups specifically addresses the issues of how it will prevent creating silos³ between advisory groups (if more than one) when allocating projects from its workplan.</p> <p>Objective of the proposal</p> <p>11. The paper indicates that the objective of the proposal is to better account for evolving technologies. The Authority considers that evolving technologies and innovative business models are increasingly blurring the traditional demarcation between retail, wholesale and transport, making them less relevant or useful to organise its activities around.</p> <p>12. We agree that there is a blurring of the traditional demarcation between retail, wholesale and transport that has the potential to increase uncertainty in the industry. However the extent of this impact is still open to debate. Some stakeholders consider emerging technology could have a significant impact on the electricity industry. Other stakeholders consider that the impacts of emerging technology will be less material and that distribution networks (in an evolving form) will continue to provide benefits to consumers in the future.</p> <p>13. It is therefore timely for the Authority to consider changes to its advisory group structure to ensure that, in the face of emerging technology developments, it is well placed to ensure that Code and market facilitation initiatives give business's confidence to invest in infrastructure that supports the existing and future needs of our customers.</p> <p>14. While the Authority's proposal is a positive step to addressing the issue of emerging technology and addresses, to some extent the potential for advisory groups to be silos along the value chain, there is still the potential to create silos across the work programmes. We consider this issue in more detail later in the submission when we discuss the scope of the advisory groups.</p> <p>15. We also submit that the objective of the proposal cannot be achieved by the Electricity Authority acting alone. Emerging technologies, new business models, and consumer behaviours are interrelated with policy and regulations that affect market structure (eg, separation between electricity generation/retailing, distribution/transmission and other energy-related services), conduct (eg, pricing and investing), and performance (eg, profitability). That is they cross the boundaries of regulators and policy makers. The Authority should consider how its Advisory groups will provide advice to the Authority to allow it to interact constructively with other regulators and policy makers.</p> <p>What is the correct number of advisory groups?</p> <p>16. The Authority noted in its 2016/17 statement of performance expectations that:</p> <p><i>In regard to new technology, the electricity industry faces potentially far-reaching changes in the near future from evolving technology. These technologies could create a wide range of options for how electricity is generated and used, giving consumer's far greater choice and individual control than ever before. It could also have significant implications for market participants, with the potential for new and disruptive players to</i></p>

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	<p><i>enter and grow market share.</i></p> <p><i>The uptake of these technologies is expected to result in significant change for the electricity industry and require changes to the Electricity Industry Participation Code 2010 (Code) and our market systems. The Authority aims to:</i></p> <ul style="list-style-type: none"> <i>• ensure there are no inefficient barriers to the adoption of new technologies, whether by existing market participants, new entrants or consumers</i> <i>• ensure, as far as practicable, that decision makers face efficient prices for inputs and outputs regarding new technologies.</i> <p>17. This suggests that the work load on advisory groups in recommending Code changes and preparing market-facilitation measures (such as providing education, guidelines, information, and model arrangements)⁴ in the face of emerging technology developments may increase significantly. The Authority's second criteria for evaluating the number and scope of Advisory groups⁵ would suggest that it is possible that due to the increased workload that more than two Advisory groups (besides the SRC) may need to be appointed.</p> <p>18. We recommend that the Authority should as part of this review specifically address whether the proposal to have two advisory groups (IPAG and MDAG) has adequately taken into account the potential for an increasing workload as implied by its 2016/17 statement of performance expectations.</p> <p>19. The Authority's 2016/17 statement of performance expectations went on to say:</p> <p><i>Security of supply issues arose in the second half of 2015 when Contact Energy and Mighty River Power announced the closure of the Otahuhu B and Southdown thermal generation plants. At the same time, Genesis Energy was considering the future of its remaining coal-fired plants at Huntly. It has now announced these units will be retained until at least December 2022.</i></p> <p><i>The electricity market is facing unprecedented uncertainty about future levels of demand for electricity due to the world prices received by some of New Zealand's largest industrial consumers but also due to potential uptake of new generation, such as solar panels and battery storage technology. The Authority has been pursuing the introduction of standardised cap products in the electricity futures market to further promote the efficient provision of backup generation plant (and demand response capability) suitable for covering dry-year risks. To that end, the Australian Securities Exchange (ASX) announced recently that it intends to list such a product on its New Zealand trading platform by the end of 2016.</i></p> <p><i>In light of the uncertainties about future demand and supply the Authority has decided it would be prudent to review the customer compensation and stress testing regimes to ensure they are consistent with delivering ongoing security of supply. We will also continue our active monitoring of all market developments and we are advancing several other projects that will promote an efficient level of security of supply.</i></p> <p>20. This suggests that the work load on the SRC may also increase significantly and that additional monitoring of the system operator (SO) functions may be required. We recommend that as part of this review the Authority also consider the potential workload of the SRC and whether additional advisory groups may be required to assist the SRC.</p>

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	<p data-bbox="448 259 794 293">Scope of Advisory Groups</p> <p data-bbox="448 304 1422 501">21. While the Electricity Authority has an important role in the regulation of the electricity industry, the Commerce Commission is the primary economic regulator of the Transmission and Distribution sectors. In the same way that emerging technology can blur the boundaries between the wholesale, transport and retail sectors of the industry it can also blur the regulatory regimes and the policy drivers that led to the existing regulation.</p> <p data-bbox="448 512 1422 645">22. The issue of Emerging Technology has also been well articulated by the Commerce Commission in its Input Methodologies Review draft decisions - Topic paper 3: The future impact of emerging technologies in the energy sector: 16 June 2016. The Commission noted:</p> <p data-bbox="528 656 1430 714"><i>We find it useful to emphasise the following two key points from the process to date.</i></p> <p data-bbox="528 725 1422 981">1. <i>What we regulate: we regulate services, not assets or technologies. In the case of electricity, we regulate electricity lines services as defined by Parliament. We only regulate companies in as much as they are involved in delivering the regulated service. As a result, we are technology agnostic in the way we regulate electricity lines services, but recognise that new technologies may change the way in which suppliers deliver electricity lines services. Our rules seek to ensure consumers of electricity lines services benefit from these changes.</i></p> <p data-bbox="528 1028 1430 1124">2. <i>Areas out of scope: some emerging technology-driven changes are in areas outside the scope of the IMs. Some span across existing industry segments, others do it across regulators.</i></p> <p data-bbox="528 1171 788 1205"><i>The key ones include:</i></p> <ul data-bbox="528 1216 1422 1832" style="list-style-type: none"> <li data-bbox="528 1216 1422 1368">• <i>Distribution pricing: EDB changes to their prices as they respond and adapt to increasing deployment of emerging technologies. Distribution pricing falls mainly within the remit of the Electricity Authority, although the form of control we impose on EDBs plays a role in influencing EDB pricing decisions;</i> <li data-bbox="528 1424 1422 1832">• <i>Market structure: new technologies have the potential to be simultaneously valuable for the delivery of regulated and unregulated services. For example, electricity storage technology can help EDBs deliver electricity lines services, and at the same time be used to provide unregulated services. This situation raises important questions on the existence and functioning of markets associated with the regulated service and the unregulated ones. For example, should demand response that helps deliver electricity lines services at the distribution level be delivered via a market, and should EDBs be allowed to participate in it, and on what terms? The Electricity Authority, via the Electricity Industry Act 2010, has some ability to decide over these matters.⁴² Parliament has ultimate decision-making power should more fundamental changes to industry structure be deemed appropriate;</i> <p data-bbox="528 1883 1414 1980">⁴² Letter from Carl Hansen (Chief Executive, Electricity Authority) to Sue Begg (Deputy Chair, Commerce Commission) on implications of regulatory treatment of cash flows for emerging technology (1 June 2016).</p>

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	<ul style="list-style-type: none"> • <i>Boundaries of regulation and competition: more fundamentally, if new technologies erode the natural monopolistic characteristics of electricity lines services (or gas pipeline services), then policy makers (Parliament) will have to revisit what aspects, if any, require continued economic regulation, and potentially amend legislation. For the avoidance of doubt, while our IM review was not aimed at answering this question, we have not found evidence to suggest that electricity lines services no longer have natural monopoly characteristics, now or probably in the medium term.</i> <p><i>The Electricity Authority promotes competition in, reliable supply by, and the efficient operation of, the New Zealand electricity industry for the long-term benefit of consumers. It does this through market design, overseeing market operations, and monitoring and enforcing compliance with market rules.</i></p> <p><i>The above highlights the renewed importance of collaboration between regulators and policy makers to ensure the long-term benefit of consumers is promoted in these times of change.</i></p> <p><i>Figure 2 provides an overview of the roles and areas of responsibilities of the regulators and policy makers in the electricity industry and sets the regulatory context for emerging technologies and the IM review.</i></p> <p>23. Clearly Parliament decided the role of the Authority is limited across the electricity industry and as the Commission notes:</p> <p><i>The above highlights the renewed importance of collaboration between regulators and policy makers to ensure the long-term benefit of consumers is promoted in these times of change.</i></p> <p>24. We therefore recommend, that in relation to the scope of advisory groups, it is important that all Advisory groups established by the Authority (as opposed to just the proposed IPAG) specifically consider the impact of emerging technologies together with the boundaries of the Authority's functions when providing advice on any area of the distribution chain.</p> <p>25. The Authority's 2016/17 work programme is intended to draw a more direct link between the Authority's strategic focus and how that is implemented. The Authority's projects are now oriented around five market development programmes as follows:</p> <ul style="list-style-type: none"> a) Evolving technologies and business models: This programme covers initiatives to reduce barriers to development and use of evolving technologies and business models across the supply chain. This includes barriers that secondary networks and distributed generation experience when dealing with distributors. b) Consumer choice and competition: This programme covers initiatives to promote competition and empower consumer choice through the retail market. c) Pricing and cost-allocation: This programme covers initiatives to promote efficient pricing in markets, and for monopoly services. d) Risk and risk management: This programme covers initiatives to promote efficient management of capacity and energy risks through the spot market for electricity, markets for ancillary services, and the hedge market for electricity - including the market for financial transmission rights.

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	<p>e) Operational efficiencies: This programme covers initiatives to improve the operation of the electricity markets that are not covered in the above programmes.</p> <p>26. Clearly the first of these, “Evolving technologies and business models” impacts on the other four programme areas, a point that the Authority has clearly recognised in the paper, noting at paragraph 2.2.5 that <i>“Some of the issues under its [MDAG’s] consideration would inevitably have some relationship to innovation and participation in the electricity sector. When considering such issues, MDAG would be expected to maintain a view of the potential effects of, and for, innovation, participation and consumer choice”</i>.</p> <p>27. Unfortunately, this overlap and blurring across the Authority’s work programmes resulting from emerging technology is precisely the problem the Authority is trying to resolve by disestablishing the Wholesale advisory group (WAG) and the Retail advisory group (RAG) and establishing two new advisory groups, the IPAG and the MDAP. In fact the MDAG is specifically expected to overlap the work of the IPAG.</p> <p>28. While the Authority’s proposal is a positive step to addressing the issue of emerging technology it does not remove the potential for silos to be created and the overview by MDAG over the entire work programme appears to be a secondary consideration only.</p> <p>29. An alternative solution that we recommend the Authority consider is establishing a number of standing Advisory groups (probably two initially), each with a broad spectrum of participants including consumer representatives, that provide independent advice to the Authority on the development of the Code and on market facilitation (such as providing education, guidelines, information, and model arrangements) in relation to any programme of work assigned to them across the entire spectrum of the Authority’s functions.</p> <p>30. Where necessary these standing advisory groups could, with the Authority’s agreement, establish ad-hoc specialist advisory groups or working groups to report to them and provide advice on specific issues where more detailed expertise would be needed. These ad-hoc specialist advisory groups or working groups could be specific customer groups or industry specialists or a mix.</p> <p>31. The Authority would not assign the working groups to a particular silo of its work programme, but assign the next priority project to the available advisory group.</p> <p>32. If the workload becomes too great for the number of standing advisory groups then more could be established. Noting that a limiting factor would be the industry ability to resource the working groups and also to respond to consultations.</p> <p>33. All of the standing advisory groups should be required, as part of the charter, to specifically consider the impact of emerging technologies on the work programme that they are advising on together with the various interrelationships between the different regulatory agencies and the wider environment. Advising, where necessary, that the issue be co-ordinated with the Commerce Commission and the Ministry of Business, Innovation and Employment or some other party.</p>

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	<p>¹ Consultation Paper: “Charter about advisory groups 8 Nov 2010” Electricity Authority</p> <p>² The Authority has since disestablished the Transmission Pricing advisory group</p> <p>³ SILOS DEFINED</p> <p>The term “silos” is quite commonly used in literature on organisational performance to describe inwardly focused organisational units where external relationships are given insufficient attention. Breakdowns in communication, co-operation and co-ordination between unit participants and other stakeholders, and the development of fragmented behaviour, are common features. The result is that the organisation falls short of making its best contribution to the needs of immediate and wider groups with an interest in the unit’s continued good performance. – “REDUCING THE IMPACT OF ORGANISATIONAL SILOS ON RESILIENCE A Report on the impact of silos on resilience and how the impacts might be reduced” by Tony Fenwick, Erica Seville and Dave Brunson March 2009</p> <p>⁴ Section 16(1)(f) of the Act requires the Authority’s – to undertake market-facilitation measures (such as providing education, guidelines, information, and model arrangements) and to monitor the operation and effect of market facilitation measures</p> <p>⁵ The workload for each advisory group needs to be commensurate with the time members can be expected to allocate to Advisory group business</p>
Pioneer Energy	<p>New advisory groups</p> <p>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</p> <p>“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)</p> <p>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:</p> <ul style="list-style-type: none"> • 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? <p>Pioneer would prefer a cross-agency Advisory Group for IPAC, providing</p>

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	<p>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.</p> <p>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.</p> <p>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).</p>
Powerco	<p>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.</p> <p>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.</p> <p>In principle Powerco supports the EA's intentions to restructure its advisory groups to keep up with evolving technologies and innovative business models.</p> <p>Structure of the Advisory Groups</p> <p>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;</p> <ul style="list-style-type: none"> • 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. <p>As stated above the Authority believes that this restructure will improve</p>

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	<p>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.</p> <p>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.</p> <p><i>IPAG objective</i></p> <p>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</p> <p>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”.</p> <p>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.</p> <p>¹ Electricity Authority, Re-orienting advisory groups consultation paper, 9 August 2016, Executive summary</p> <p>² Electricity Authority, Re-orienting advisory groups consultation paper, 9 August 2016, p.19.</p> <p>³ Electricity Authority, Re-orienting advisory groups consultation paper, 9 August 2016, p.6.</p> <p>⁴ Electricity Authority, Terms of Reference for the Innovation and Participation Advisory</p>

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	<p>Group, 9 August 2016, p.7.</p> <p>⁵ Electricity Authority, Terms of Reference for the Innovation and Participation Advisory Group, 9 August 2016, p.3.</p>
Transpower	<p>The re-orientation for advisory groups</p> <p>We support the Authority’s consideration of whether a re-orientation of advisory groups may be needed. The Authority identifies that it is necessary because <i>evolving technologies and innovative business models are increasingly blurring the traditional demarcation between retail, wholesale, and transport</i>¹. We agree that emerging technology and evolving market conditions are enabling different choices by consumers and participants in the electricity supply system, so that the Authority’s consideration is timely.</p> <p>Intentions for advisory groups</p> <p>Under the Electricity Industry Act the role of Advisory groups is for market facilitation and code development². The first stated intent by the Authority for their use was</p> <p><i>“ the Authority intends advisory groups to be a primary means for developing Code amendment options for significant and non-urgent matters”³</i> (refer Consultation Charter 2012).</p> <p>This purpose has not been expressed in the revised Advisory Group charter so it is not clear whether the Authority still holds this view. In retrospect this intent does not appear to have been applied consistently in practice. For example, given the significance of the Authority’s review of the DGPP, and Distribution Pricing work, it is not clear why Advisory groups were not used. Similarly, while an Advisory Group was initially used for transmission pricing it was disbanded before the Authority was able to benefit from the group’s input and advice during its own review of the TPM.</p> <p>We consider that advisory groups have an important role to play in informing and advising the Authority’s exercise of its statutory functions. We acknowledge and commend the TPAG, RAG and WAG on their analysis, discussion and advice on the tasks assigned to them to date. We understand the demands on these groups and their members.</p> <p>In particular, we think advisory groups can offer value by:</p> <ul style="list-style-type: none"> • helping identify and articulate whether there is a problem i.e. is there a market failure and, if so, can this be resolved through regulation? • relatedly, helping establish whether new Code might be an output (and where it should not) • assessing the nature and role of ‘evidence’ in a policy development when ‘history’ is not a guide to the future • seeking and seeing opportunities for operational efficiencies. <p>Memberships of the proposed new groups</p> <p>We support the intent to broaden the membership for IPAG to include people with an interest and expertise in the electricity sector, evolving technologies and business models, and/or consumer choice and competition. We note that the criteria for membership of both advisory</p>

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	<p>groups are the same except in one respect; that the MDAG has an additional criterion <i>strategic, commercial, and regulatory expertise</i>.</p> <p>If the omission from the IPAG criteria is deliberate it suggests that its role may be viewed more as a think-tank than a body with specific tasks in a regulatory setting, more aligned with ‘market facilitation’ perspectives, rather than ‘development of the Code’ (EIA section 21 (2)). In that light it might make more sense that the projects for MDAG are those that may influence Code development.</p> <p>The Authority has asked how it could motivate people to be involved in the groups. This is a good question as full participation in an Advisory Group is a significant commitment from individuals and their employers. In our view employers (especially in the industry) will generally be willing to permit and support participation by their employees as it is in their interest to ensure its Regulator is well informed.</p> <p>Motivating participation by individuals is more nuanced. In addition to practical matters such as availability and complexity of material, we see two related considerations (i) the extent to which participation provides direct benefit from participation (this may be non-financial, i.e. reputation) and (ii) how enjoyable and satisfying participation is. The latter point will be significantly influenced by the Authority’s approach to, use and treatment of Advisory groups.</p> <p>We suggest (if not already undertaken) that the Authority survey current and previous Advisory Group members, and possibly potential members, to seek their views on what they found most (and least) rewarding from participating in Advisory groups.</p> <p>Revisions to the advisory group charter and the SRC terms of reference</p> <p>We have looked at the key changes identified by the Authority at 3.4.6 in is drafting revisions, but like the Authority, we have not undertaken an exhaustive capture of all that has been changed. We agree with all the reasons presented for the set of changes identified, but the practice of not showing or indicating all changes may create risk for stakeholders.</p> <p>After examining the revised charter we agree that the changes are not to the high-level purpose and function. However, it is not clear why there has been quite extensive re-drafting of the membership criteria for the SRC – which appears to mimic the criteria for the MDAG – and whether this overlap may run counter to the statutory distinction between the two groups and the Authority’s position that the SRC is a ‘special type’ of advisory group.</p> <p>Other matters</p> <p>In the consultation paper the ‘strategic’ setting for the proposed advisory groups is not quite consistent with the Authority’s current Statement of Intent (SOI)⁴ (the SOI strategies are slightly different from the set of ‘priorities’ proposed for the AG). We should expect these to be exactly aligned as slight changes in words can change the ‘sense’ and hence direction of development. For example between “providing efficient price signals” (SOI) v “improve prices signals” (for AGs), with the latter objective a more subjective measure (i.e. efficient price signals may or may not be</p>

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	<p>an improvement from the view of a person on the wrong side of a wealth transfer).</p> <p>Finally we note that the Statutory Objective that the advisory groups are indicated as working towards does not align with that of the Authority's S15 purpose (it applies to the energy sector not just the electricity industry). We presume this is a drafting error and will be corrected.</p> <p>¹ Executive summary consultation paper</p> <p>² Section 21 EIA 2010</p> <p>³ http://www.ea.govt.nz/about-us/strategic-planning-and-reporting/foundation-documents/</p> <p>⁴ Statement of Intent 2014 - 2018</p>
Trustpower	<p>1 Benefits of advisory groups</p> <p>Trustpower considers that the benefits of advisory groups include: enabling parties to understand the positions of other industry participants; providing independent and impartial expert advice; and going beyond the statutory requirements of consultation and aligning procedures with regulatory best practice.</p> <p>Trustpower agrees with the statement in the Treasury's "<i>Regulatory Impact Analysis Handbook</i>" that:</p> <p><i>"Stakeholders often have better access to empirical information on the size of problem as well as day-to-day experience with the nature of the real issues. In addition, stakeholders' practical experience can help identify potential unintended effects that policy makers have not considered. Stakeholders may also suggest more practical solutions to achieve the policy objectives."</i>¹</p> <p>As noted by Professor Robert Baldwin in his report accompanying our recent submission on the DGPPs², advisory groups are an important way for regulators to assist regulated entities to control the costs of regulatory change. They provide an opportunity for the regulator to assist regulated entities to manage change by:</p> <ul style="list-style-type: none"> a) Facilitating the sharing of notice and good information on contemplated regulatory changes, to avoid shock and provide reasonable tractability (page 25); and b) Providing stakeholders with an opportunity to negotiate or suggest alternatives (page 29). <p>2 Role of advisory groups</p> <p>Section 20 of the Electricity Industry Act 2010 (the Act) sets out Parliament's expectation that the Authority will use advisory groups "<i>to provide independent advice to the Authority on the development of the Code and on market facilitation</i>".</p> <p>Section 19 (1) of the Act states the Authority's Charter needs to set out how and when it will consult with advisory groups on material changes to the Code.</p> <p>The Authority's consultation Charter says it intends to use advisory groups as the primary means of developing Code amendment options for significant and non-urgent matters.³</p>

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	<p>Clause 9.2 of the proposed Charter states the Authority may, in its discretion, consult an advisory group on Code amendment proposals.</p> <p>Trustpower recommends that the wording of this clause is changed to instil a presumption that an advisory group will be consulted on Code amendment proposals. For example:</p> <p style="padding-left: 40px;">“The Authority will consult with an advisory group on material changes to the Code and on market facilitation measures, unless the Authority deems such consultation will not promote the achievement of the Authority’s statutory objective.”</p> <p>This will better align with the intention in the Act.</p> <p>3 Composition of advisory groups</p> <p>Trustpower considers that the core feature of advisory groups is that they include subject matter experts who take the time to understand and debate proposals in depth. In other words, the members need to do a considerable amount of work, and have a considerable amount of expertise.</p> <p>Trustpower also recommends a smaller group of experts for an advisory group, noting research into the effectiveness of group decision-making which suggests an optimal number of seven.⁴</p> <p>This would align with the expectation that an advisory group undertakes appropriate investigation of the issues in its work plan.</p> <p>4 Other forums</p> <p>We also encourage the use of other means of stakeholder engagement. The Authority should engage in a variety of communication channels with stakeholders but also recognise the need to delve deeply into issues with a small team of subject experts.</p> <p>Trustpower’s view is that the Authority should continue to hold events to increase stakeholder engagement, such as conferences, forums, workshops, streaming presentations online, and providing regulatory briefings.</p> <p>Advisory groups are a form of consultation, but do not supersede the need for other forms of consultation.</p> <p>5 Scope of activities and advisory group structure</p> <p>Trustpower supports greater alignment between advisory groups’ work programmes and the Authority’s medium term-strategy.</p> <p>However in our view, the Authority should utilise the services of both standing and ad hoc advisory groups to provide it with the required level of independent and impartial expert advice.</p> <p>Trustpower’s preference would be for the Authority to exercise its power to establish ad hoc groups to provide specialist advice and recommendations for significant issues that go beyond the core knowledge and experience of an advisory group, rather than expand the size of the advisory group to try and capture a wide range of knowledge. Advisory groups should be specialists.</p> <p>Since the provisions in the proposed Charter do not apply to ad hoc</p>

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	<p>groups, Trustpower recommends the Authority develop a standalone Part 3 of the Charter which would apply to specialist ad hoc groups.</p> <p>Having this framework in place will encourage and incentivise the Authority to establish ad hoc groups when required, rather than diluting the knowledge of the standing advisory groups. Trustpower’s proposed structure is set out in Appendix B of this letter.</p> <p>We suggest that the TPM options and CBA analysis process would have been a suitable opportunity for a working group, rather than leaving various parties to engage their own experts to review this work on an individual basis.</p> <p>6 Specific recommendations</p> <ul style="list-style-type: none"> • Security and Reliability Council (SRC) <p>The SRC originates from a Ministry of Economic Development discussion paper where it was anticipated that <i>“the Council would act as a senior, high level advisory body and watchdog”</i>.⁵</p> <p>Trustpower submits that in order to perform the function of a watchdog, there will be circumstances when it is appropriate for the SRC to initiate its own review of security and reliability issues.</p> <p>This should also be reflected in the Terms of Reference for the Security and Reliability Council. Accordingly, Trustpower recommends that:</p> <ol style="list-style-type: none"> a) Clause 2.2(e) of the Terms of Reference is amended to read: <i>“any other matters the Authority and the SRC consider to be within the function of the SRC as set out in the Act.”</i> b) Clauses 4.4 and 8.5 of the proposed Charter provide that the SRC or relevant advisory group may recommend external expertise to the Authority’s representative that it considers necessary to perform its function. Trustpower further requests that the Charter explicitly provide that the Authority will contribute a reasonable budget for the engagement of this expertise. c) Clause 5.2 of the proposed Charter states that the Authority may, in its discretion, require the SRC to advise or assist the Authority on specific perf and reliability issues. Trustpower recommends that the work “request” is substituted for “require”, which will more accurately reflect the relationship between the SRC and the Authority and recognise that the SRC may not always be able to provide a consensus position on advice to the Authority. d) Trustpower further recommends that a clause similar to the proposed clause 9.5 (in relation to advisory groups) is inserted for the SRC. This would provide that: <i>“If the SRC is unable to reach consensus on a matter under consideration within an agreed timeframe, the SRC may conclude its deliberations and report the differing views to the Authority for consideration. The report must address the views of the minority as well as those of the majority.”</i>

Submitter	Submission
	<p>• Innovation and Participation Advisory Group (IPAG)</p> <p>In the Consultation Paper, the Authority proposes that IPAG would operate in quite a different way from the Authority's existing advisory groups. This is because the Authority's is considering the IPAG consisting of a larger pool of members from a variety of backgrounds, who contribute to specific projects on a case-by-case basis (i.e. an advisory panel-type approach). We are concerned that the proposal to dilute important advisory groups to 10-15 people or larger will not result in the detailed level of analysis which advisory groups are intended to provide.</p> <p>Trustpower suggests that if the Authority needs to access particular expertise, then it should do this by forming bespoke ad hoc groups, rather than diluting independent advice amongst an omnibus group which will end up being a discussion forum on the Authority's proposals, rather than a working group developing independent thinking.</p> <p>Trustpower further submits that a quorum for the meeting of the IPAG should be aligned with that for the Market Development Advisory Group and the SRC, rather than being the subjective standard proposed in clause 4.4 of the IPAG's Terms of Reference.</p> <p>¹ The Treasury "Regulation Impact Analysis Handbook" at Pt 3, [1.3]. Available online at http://www.treasury.govt.nz/regulation/regulatoryproposal/ria/handbook/24.htm</p> <p>² Professor Robert Baldwin, "Regulatory Change Management and the Reasonable Regulator", 6 July 2016. Available online at http://www.ea.govt.nz/dmsdocument/21173</p> <p>³ Electricity Authority, Consultation Charter, 19 December 2012 at [3.2].</p> <p>⁴ And that for each person added above this, the group's decision making effectiveness was reduced by 10% (Harvard Business Review Stat Watch, Jan Feb 2011 which cites <i>Decide & Deliver: 5 Steps to Breakthrough Performance in your Organization</i> by Marcia W. Blenko, Michael C. Mankins and Paul Rogers, Bain and Company, 2009). Another study found the most effective number to be five, but noted that the effectiveness of the group decision making in groups between five and eight neither increases nor decreases.</p> <p>⁵ Ministry of Economic Development, Improving Electricity Market Performance Volume one: Discussion paper, August 2009 at [219]. Available online at http://www.mbie.govt.nz/info-services/sectors-industries/energy/previous-reviews-consultations/review-of-the-electricity-market-2009/documents-image-library/Improving%20Electricity%20Market%20Performance%20-%20Volume%20One.pdf</p>
Unison Networks	<p>Unison support for the change</p> <p>The Authority's rationale for proposing new, re-formatted advisory groups to better account for evolving technologies in the electricity industry. Specifically, the Authority states:</p> <p><i>"These technologies could create a wide range of options for how electricity is generated and used, giving consumers far greater choice and individual control. It could also have significant implications for market participants, with the potential for new players to enter and grow market share."</i>¹</p>

Submitter	Submission
	<p>Unison supports this proposed change by the Authority. The current and future changes in the electricity industry signal the need for the advisory group focus to be refocused to ensure the most useful outcomes for the Authority. However, Unison also submits that the Authority should consider its organisational structure and staff skill sets to ensure that the secretariat support provided to IPAG and MDAG aligns with the groups' new format and focus. The advisory groups rely on and value this support and expertise, and it is critical to ensure that the Authority's support for the Groups has aligned skill-sets, knowledge and competencies.</p> <p>Terms of Reference for IPAG</p> <p>Unison notes that the purpose of the IPAG is as follows:</p> <p><i>“The IPAG would be responsible for advising the Authority on matters relating to evolving technologies and business models; and consumer choice and competition.”²</i></p> <p>Unison is supportive of the Authority's proposal to draw on a range of sectors and experience to form the IPAG membership. Unison submits that a smaller group of core members (approximately 7-8 members) would be appropriate for the IPAG. Wider expertise could be drawn on for particular research projects and reports (e.g. for a particular working group), similar to the input/feedback the RAG often procured, either from consumer engagement or subject experts. However, Unison urges the Authority to keep its key focus on the requirements of advisory groups, as set out in Clause 21(2) of the Electricity Industry Act:</p> <p><i>“Every advisory group must include people whom the Authority considers have appropriate knowledge of, and experience in, the electricity industry and consumer issues...” (emphasis added).</i></p> <p>The core skills of any member of IPAG should therefore be “knowledge of and experience in the electricity industry and consumer issues”. This does not rule out members in other sectors, but the Authority needs to ensure that the core knowledge and experience of the electricity industry and consumer issues is a key appointment criteria.</p> <p>Unison also observes that the Authority should not lose sight of the need to ensure that the integrity of the electricity market/system is not compromised in the face of the evolving technologies. While this has not occurred to date, and the Authority has a role to play in making sure the market can accommodate different technologies and business models, it is also important that regulatory and market settings are based on sound technical and commercial/economic principles. For example, the concept of peer-to-peer trading and the interface with Code requirements is likely to be an area of interest, but any Code adjustments to enable effective trading must still be consistent with the real physical and technical requirements of the electricity system.</p>

Submitter	Submission
	<p>¹ Electricity Authority (9 August 2016). <i>Reorienting Advisory Groups: Consultation Paper</i>. Page 6.</p> <p>² Electricity Authority, page 8.</p>
<p>Vector (Advanced Metering Services)</p>	<p>AMS feels that the membership focus of the WAG and RAG advisory groups has been limited to retailers, distributors, and consumers, so we are particularly interested in the new Innovation and Participation Advisory Group (IPAG), from a Metering Equipment Provider (MEP) perspective.</p> <p>The Market Development Advisory Group (MDAG) description and purpose outlined seems to centre on the electricity market operation, with focus on the trading market and pricing and supply. Depending on the topics and projects MDAG considers (new technology, for example) MEP representation may be beneficial as MEPs play an important part in the electricity supply chain.</p>
<p>WAG</p>	<p>The Wholesale Advisory Group (WAG) was established in 2011 as one means by which the Authority meets its statutory requirement to seek industry advice on its rule making¹.</p> <p>The group is currently made up of nine members with a broad array of expertise in the electricity industry, providing independent advice to the Authority Board² specifically relating to the design of the wholesale electricity market.</p> <p>The WAG welcomes this initiative by the Authority, as the paper notes the proposed changes to the advisory groups was in part a response to the joint advice we provided with the Retail Advisory Group in March this year that:</p> <ul style="list-style-type: none"> • a rapidly evolving electricity sector increasingly makes the standard industry demarcation between wholesale and retail markets obsolete, and that • allocating projects to both advisory groups was more likely as a result. <p>Members of the WAG are appointed for their knowledge and experience of the electricity industry. They also have a familiarity with the Authority's working arrangements and the associated advisory group process. The WAG has discussed the consultation paper on reorienting advisory groups and has prepared this submission in the hope that our perspective on the issues raised in questions 1 to 4 will be of use to the Authority in its deliberations.</p> <p>¹ Electricity Industry Act 2010, s21(1) – Other Advisory Groups: http://tinyurl.com/EleclndusAct2010.</p> <p>² Details about the WAG members can be found on the Authority's website: http://tinyurl.com/WAGMembers.</p>