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Electricity Authority
By email: submissions@ea.govt.nz

2019/20 Levy-funded appropriations and indicative work programme

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide a submission to the Electricity Authority (the **Authority**) on the consultation paper '2019/20 Levy-funded appropriations and indicative work programme' (the **consultation paper**) dated November 2018.

We do not have comments on the proposed appropriations, although we consider that the Authority should provide a clearer view of its likely litigation liability in the coming year/s; this could be by way of proactive updates as information becomes available.

We do have comments on the indicative work programme, as outlined below. Our comments are provided with a view to ensuring the Authority's work programme is best focused on what competition, reliability and efficiency gains will truly deliver consumer benefits now and in the future.

Prioritising the work programme to deliver consumer benefits

As the industry continues to respond to changing consumer preferences and adapt for new technologies, we appreciate the Authority's willingness to commit to significant market development to ensuring we remain flexible for the future.

It is important however, that the focus of all market development centres on ensuring the regulatory framework can strike the right balance between allowing innovation to develop within the bounds of existing rules, and responding when market failures are identified. With this framing, it is crucial to clearly prioritise the comprehensive list of continuing, resuming and new projects in the consultation paper to ensure they are appropriately targeted, scheduled and resourced.

- **High priority projects**

In our view, first order priority should be given to the continuing *Equal access* and new *Distribution pricing monitoring* projects as the issues identified in these projects represent clear barriers to delivering innovative products and services that can be accessed by consumers nationwide.

Distribution pricing needs to be both standardised and more cost-reflective without further delay to resolve current and future inefficiencies, while network access needs to facilitate a platform for the competitive procurement and provision of network services.

We also consider priority should be given to the *Hedge market enhancements* project resuming in 2019, and look forward to opportunities to work with other stakeholders and leverage industry expertise to deliver on the stated objectives of this project.

In our recent submission¹ on the *Electricity price review – First report* we recommended improvements to the transparency of the wholesale market, including creating a central repository for all market disclosures, and enhancing existing hedge disclosures.

We generally support initiatives to improve the liquidity of the market, including evolving the current market-making arrangements and exploring additional, fit for purpose futures products; for example, peak products. We provided the Authority similar feedback in 2015 and it has not been addressed to-date, which is disappointing. In our view it is crucial that design improvements to the market making regime in particular are made with urgency, and we note the work of the ASX user group to progress this.

We are also disappointed that feedback on thermal fuel limitations provided to the System Operator 12 months ago has only recently gained traction, after the market experienced stress due to fuel shortages. We consider there should be improved visibility of the availability of all fuels used for generation, including, particularly, gas; and that there is a role for the Authority in promoting a linked-up approach across industry regulators and participants on such security of supply matters.

High priority should be given to the continuing *Real-time pricing* and resuming *Improving accuracy of spot price forecasts* projects. The latter particularly has the potential to enable the market to more efficiently schedule generation and demand, which will itself enable the transition to real-time pricing and deliver net benefits to consumers.²

- **Low priority projects**

In our view, no priority should be given to the legacy systems barriers project, nor should it proceed at all in absence of a clearly defined issue or scope of inquiry.³

We would be very concerned if the Authority considered it was appropriate to intervene in the ‘legacy’ systems and processes that incumbent industry participants have invested in over-time at their expense as they adapted to meet the changing needs of their customers.

We also stress that there is an important difference between actual market barriers to new entrants and what should be accepted as reasonable costs of doing business at scale.

If you would like to discuss any of these matters further, please contact me by email: margie.mccrone@genesisenergy.co.nz or by phone: 09 951 9272.

Yours sincerely



Margie McCrone
Senior Advisor, Government Relations and Regulation

¹ See Genesis Energy submission on [Electricity price review – First report](#).

² We believe the estimated net benefits of this project of \$20 million underestimate the benefits to consumers.

³ For example, are there supposed issues that are covered by other work programme projects such as the *Switch process review*? Are there bespoke issues experienced by a particular new entrant/s that would be better dealt with via the existing code change request process?