

10 December 2018

John Rampton
General Manager Market Design
Electricity Authority

By email: submissions@ea.govt.nz

Dear John

2019/20 Levy-funded appropriations and indicative work programme

We appreciate the opportunity to submit on the *2019/20 Levy-funded appropriations and indicative work programme*, published 13 November 2018.¹

Positive move to tighten the focus in the work programme

We welcome the Authority's intent to provide a more tightly focussed work programme and complete projects expeditiously. The indicative estimates of the potential benefits stemming from individual projects suggest most of the gains can be obtained from half-a-dozen or so of the projects in the work programme and these should be prioritised for completion.

The most important projects include a number of initiatives aimed at improving competition. We support these projects. Our submission to the Electricity Price Review reflected our view that there is significant opportunity for the Authority to improve competitive outcomes for consumers, including by addressing issues of hedge market liquidity.

Improved transparency about project costs

We welcome the inclusion of a breakdown of budget by programme activity in Figure 3.

There is opportunity for further improvements in the transparency of the Authority's operating budget decisions. The Authority could build on Figure 3 by including details of internal costs (including staffing), as well as external work programme support costs, and by itemising costs for major projects.

We again submit that we see benefit in the Authority adopting a greater level of transparency and reporting each year on its work programme and high priority individual projects. This transparency could include start dates, key milestones and consultation timeframes as well as updates during the year including comparisons of actual spend to date and budgeted costs for major projects.

Consistency of approach across projects

Our previous appropriations submissions requested greater focus on ensuring consistency and coherence across different pricing workstreams (in particular; network, energy market, distributed generation). The indicative benefits from electricity distribution pricing reform bring our comments

¹ For completeness, we have raised directly with the Electricity Authority an error in paragraph 3.24 where FY 21/22 should read FY 22/23. The Electricity Authority has confirmed that the reference to 21/22 is incorrect.

into focus. We want to be able to provide electricity distributors with surety our own pricing arrangements will support and complement initiatives to introduce more cost-reflective pricing, including time-of-use and peak pricing.

Other matters

We understand the Authority is undertaking a study into network adaptation to technological change. We support this work. Our Energy Futures report, [Te Mauri Hiko](#), highlighted one of the challenges the sector faces is ensuring networks are able to adapt to new technology, to ensure electricity services are delivered to consumers in the best and most efficient ways possible.

We reiterate that we consider the review of default disconnection process is not an operational efficiency project and should be re-opened as a market design (policy) project.

Responses to consultation questions

Q1. What is your view on the Authority's proposed 2019/20 Electricity industry governance and market operations appropriation of \$74.936 million?

While there is a high degree of detail for the System Operator, Service Provider and facilitating consumer participation expenditure, little information is provided for the Authority's expenditure for market operations. We would like to see greater transparency and breakdown of the Authority's proposed appropriation for its operations across the work programmes.

Q2. What is your view on the Authority's indicative 2019/20 work programme?

We support the Authority prioritising and fast-tracking completion of half a dozen or so of the highest priority projects, including initiatives to improve competition and hedge market liquidity.

Q3. What is your view on the Authority's proposal to keep the Managing the security of New Zealand's electricity supply appropriation unchanged for 2019/20?

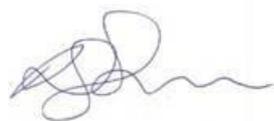
Support.

Q4. What is your view on the Authority's proposal to seek up to \$1.000 million for the Electricity litigation fund appropriation in 2019/20?

The Authority has the option of applying for further appropriation on an as needs basis. A priority of the Authority should be to lower the risk of litigation by ensuring it runs its policy development processes well, particularly on contentious matters, and/or where policy decisions have substantial financial implications for market participants.

Please contact me if you have any questions about this submission.

Yours sincerely



Rebecca Osborne
Regulatory Affairs and Pricing Manager