

21 March 2023

Submissions
Electricity Authority
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Via email: policyconsult@ea.govt.nz

SUBMISSION ON THE REVIEW OF THE CONSULTATION AND FEEDBACK PROCESSES

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Review of the consultation and feedback processes' from January 2023.

ERANZ is the industry association representing companies that sell electricity to kiwi households and businesses. Our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Overall comments

In general terms, the Authority's consultation and feedback process works best when it includes early engagement with industry and stakeholders. Industry expertise is invaluable to helping shape and guide the Authority's thinking on tackling problems. Some teams within the Authority are very proactive in seeking out external views. Lifting the engagement performance of all divisions to the level of the best performing ones would benefit the Authority.

Changes to consultation charter

The majority of the changes listed in the consultation paper are simple tidy-ups and make sense. ERANZ has some further comments about the establishment of a new advisory group, see next section.

The proposed alterations eliminate a group of principles established to enhance investor certainty for regulated parties. If removed, this is likely to diminish investor confidence, which will impact the cost of capital, an issue not discussed in the document. ERANZ recommends the Authority consider ways in which investor confidence can be maintained, particularly as large investments are planned for New Zealand's energy transition.

ERANZ supports the continuing to evaluate "net benefits" as a test in the consultation charter. Quantifying and specifying benefits is very useful, but unless policy-makers can be reasonably satisfied that the benefits exceed the costs, it is not clear that any proposal is in the best interests of New Zealand.

Establishing a new Electricity Authority Advisory Group (EAAG):

ERANZ supports the work of the Authority's current advisory groups: IPAG and MDAG. This collection of expertise and views works well, and contributes to stronger decision-making by the Authority. For example, the recent MDAG options paper 'Price Discovery in a Renewables-Based Electricity System' is a significant piece of work containing the collective expertise from across the sector. ERANZ considers abolishing these advisory groups as potentially a backwards step.

ERANZ supports the Authority's proposal to supplement the IPAG and MDAG with a new generalist Electricity Authority Advisory Group ('EAAG') on the basis it will make the Authority's policy making process more transparent. As stated in our overall comments above, ERANZ considers earlier, more open engagement by the Authority with participants will improve the policy design process. The Authority should also proactively publish their current and forward work programme to give interested parties greater insight into the Authority's priorities.

ERANZ notes IPAG and MDAG are well established and have been working effectively to provide expert advice to the Electricity Authority. The Authority states it will review their structure and continued purpose – ERANZ supports their work and does not think they should be disestablished, even when the EAAG is up and running.

The proposal for EAAG laid out in the consultation document provides feedback options for membership, but little in the way or detail or options on the group's terms of reference. It will be useful for the Authority to publish its thinking on terms of reference so stakeholders can engage on the detail. The current lack of detail leaves stakeholders unclear on the proposal which could lead to uncertainty and confusion.

In terms of membership options, ERANZ favours either option 1 or 2. Option 3 is for a very large advisory group and risks losing overall cohesion. Option 2 provides for some additional diversity of thought over option 1.

ERANZ is cautious about how the Authority should include consumer representation in any change to advisory groups. Consumer representatives and voices are very important to decision-making. However, such representatives cannot be presumed to have technical expertise, that is not their role. So when forming a group to advise the Authority on policy making, particularly technical policy, it is unfair to ask consumer advocates to help design technical policy solutions.

The Authority includes consumer voices in a number of ways through:

- Its own work and insights, including consultation processes.
- Policy expertise drawn in through the Minister of Business, Innovation and Employment.
- Government organisations like the Consumer Advocacy Council and Energy Hardship Expert Panel.
- Non-government organisations like FinCap, Consumer NZ and others.

Each of these organisations bring their own points-of-view to the table. Establishing a new EAAG also requires answering how these various voices are included in the process. Namely, whether the EAAG members are there to express their own independent view or are there to represent their organisation's view.

Finally, if the EAAG is meeting on an ad hoc basis, this risks losing accountability for progress. To mitigate this risk, ERANZ recommends there is regular reporting and transparency, even if the group goes through periods of a light workload. MDAG been very proactive engaging with stakeholders, and this is a good model, but their proactive nature was partially due to their individual drive for progress.

Changes to the Code amendment request process

The proposed changes appear sound, particularly the better transparency for those proposing Code changes about whether they will happen or not.

ERANZ support Authority's comments:

"It is not the Authority's intention to undermine general consumer and stakeholder engagement, as this continued dialogue is critical to the regular maintenance and operationalisation of the Authority's functions. The reason for this change is the need to streamline the Authority's engagement process and strengthen the efficacy of these engagements with its stakeholders, facilitating an improved system for all parties involved."

ERANZ sees there are arguments for and against a bespoke process for Transpower to manage and update the Code affecting their work. On balance, this may work if Transpower is responsible for much of the work utilising its own policy-making and consultations processes.

However, particularly given any privileged ability of Transpower to progress its priorities, ERANZ supports making the Authority's prioritisation process very transparent. Specifically, ERANZ recommends the Authority publish all Code change applications it receives, regardless of whether they are agreed to or not, so all participants can see where identified issues lie.

Documents incorporated into the Code by reference

ERANZ supports a streamlined process for consultation and early involvement of the Authority in change processes.

However, the Authority should retain overall responsibility and oversight. There is potential for changes to place considerable burdens on participants and so, therefore, proposals with major impacts should go through the Code change process with appropriate consultation.

Conclusion

ERANZ would like to thank the Authority for its ongoing efforts to improve its consultation processes. We are happy to provide any further information on this submission as required.

Yours sincerely



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