

Retail Advisory Group Work Plan

21 August 2013

Note: This paper has been prepared for the purpose of the Retail Advisory Group. Content should not be interpreted as representing the views or policy of the Electricity Authority.

1 Recommendation

- 1.1.1 It is recommended that the Retail Advisory Group (RAG):
- a) note progress with current projects
 - b) note the indicative topics for discussion at upcoming meetings
 - c) note the update on other Authority projects.

2 Update on progress with current projects

2.1 Consumer switching: a review of options for promoting retail competition by increasing consumers' propensity to compare and switch retailers

- 2.1.1 Progress with the consumer switching project is outlined in Table 1.

Table 1: Consumer switching: a review of options for promoting retail competition by increasing consumers' propensity to compare and switch retailers

Activity	Dates	Progress
Project briefing paper – scope and approach	30/08/12	Complete
Consideration of draft discussion paper	24/10/12	Complete
Request approval to release discussion paper	28/11/12	Complete
Consideration of Board feedback and of reformulated scope	20/02/13	Complete
Request approval to release discussion paper	February/March (offline)	Complete
Release of discussion paper for 8 weeks' consultation following feedback from Authority Board	09/04/13	Complete
Submissions received	04/06/13	Complete
Consideration of options/next steps	17/07/13	Complete
Request approval of recommendation to EA Board	21/08/13	
Present recommendation to EA Board	September 2013	

2.2 Review of domestic contracting arrangements

2.2.1 Progress with the review of domestic contracting arrangements is outlined in Table 2.

Table 2: Review of domestic contracting arrangements

Activity	Dates	Progress
Project briefing paper – scope and approach	30/08/12	Complete
Consideration of draft issues paper	24/10/12	Complete
Request approval to release issues paper	20/02/13	Complete
Release of discussion paper for 8 weeks' consultation following feedback from Authority Board	16/04/13	Complete
Submissions received	11/06/13	Complete
Consideration of options/next steps	17/07/13	Complete
Request approval to release second discussion paper	21/08/13	
Release second discussion paper for 6 weeks' consultation following feedback from Authority Board	October 2013	
Submissions received	December 2013	
Consideration of submissions and draft recommendation	February 2014	
Request approval of recommendation to EA Board	March 2014	
Present recommendation to EA Board	April 2014	

2.3 Improving transparency of consumers' electricity charges

2.3.1 Progress with the Improving transparency of consumers' electricity charges project (previously known as disclosure of bill components project) is outlined in Table 3.

Table 3: Improving transparency of consumers' electricity charges

Activity	Dates	Progress
Project briefing paper – scope and approach	17/04/13	Complete
Consideration and approval of draft discussion paper	15/05/13	Complete
Release of discussion paper for 6 weeks' consultation following feedback from Authority Board	09/07/13	Complete

Submissions received	20/08/13	
Consideration of submissions and options/next steps	18/09/13	
Request approval to release 2 nd discussion paper	16/10/13	
Release second discussion paper for 8 weeks' consultation following feedback from Authority Board	November 2013	
Submissions received	January 2014	
Consideration of submissions and draft recommendation	February 2014	
Request approval of recommendation to EA Board	March 2014	
Present recommendation to EA Board	April 2014	

3 Upcoming meetings - indicative topics for discussion

3.1.1 The indicative topics for discussion at upcoming meetings are set out below. The RAG's discussion of potential new projects at the meeting on 21 August 2013 will establish priorities for these new projects, which will inform the forward agenda.

18 September 2013

- Improving transparency of consumers' electricity charges – submissions and options/next steps

16 October 2013

- Improving transparency of consumers' electricity charges – approval of 2nd discussion paper

20 November 2013

- Domestic contracting arrangements – submissions on 2nd discussion paper and consideration of draft recommendation to Board

February 2014

- Improving transparency of consumers' electricity charges – submissions on 2nd discussion paper and consideration of draft recommendation to Board

March 2014

- Improving transparency of consumers' electricity charges – approval of recommendation to Board

4 Update on other Authority projects

4.1 Wholesale Advisory Group projects

4.1.1 The WAG has made the following progress on its projects:

- a) Review of options to improve pricing efficiency in the spot market during periods when generators are net pivotal*

The discussion paper was released on 28 May 2013 and submissions closed on 9 July 2013. The WAG considered a summary of the submissions at its 30 July 2013 meeting.

- b) Review of options to improve real-time spot price signals, especially during periods of system stress*

The discussion paper was released on 9 July 2013 and submissions close on 23 August 2013.

- c) Review of the potential for developing a national instantaneous reserves market*

The WAG presented its recommendations to the Authority at the 7 August 2013 Board meeting. The recommendations paper will be published shortly.

4.2 Other projects

4.2.1 This section contains a brief update on other Authority projects potentially of interest to the RAG:

- a) Managing retailer default situations*

Submissions on the Authority's consultation paper outlining draft amendments to the Code to give effect to a process for managing a retailer default situation are due on 20 August 2013.

- b) Strategic directions*

The Authority's strategic directions for market development were published on 6 August 2013. Hard copies were posted to members and an electronic version is available on the Authority's website at: <http://www.ea.govt.nz/our-work/plans-and-reports/2013-16/>.

- c) Investigation into the Value of Lost Load (VOLL) in New Zealand*

On 23 July 2013, the Authority published a technical report describing the key findings of the investigation into the value of lost load in New Zealand, along with a guideline for conducting a VOLL survey. The documents are available on the Authority's website at:

<http://www.ea.govt.nz/our-work/programmes/transmission-work/investigation-of-the-value-of-lost-load/>.

The Authority considers that the use of robust estimates of the VOLL by regulators and industry participants will provide long-term benefits for consumers by leading to more efficient decisions about security and reliability standards, network investment, and cost allocation and pricing. The potential for further research to occur and for the survey-based approach to be adopted depends on actions by the Authority, the Commission, Transpower and distributors. Further work by the Authority at this stage is desirable, but is not essential, given the Authority's work priorities and limited ability to require industry to undertake further VOLL research and to adopt the survey-based approach. The Authority is discussing the VOLL work with other parties, including the Commerce Commission, distributors and others.

d) *Grid configuration arrangements*

The Authority recently consulted on a Code amendment proposal to enable Transpower to make a temporary change to the grid configuration without notice if requested by the system operator or a participant subject to the change achieving a net benefit. The purpose of the proposal is to provide the system operator with a tool to manage security of supply. The Authority received eight submissions and is considering a response.

e) *Initiatives affecting the slow instantaneous reserves (SIR) market*

The Authority is considering alternative reserve product(s) (ie fast and/or very fast reserves) as part of a project to review under-frequency management arrangements this financial year. This work includes identifying how the current fast instantaneous reserves (FIR) and SIR markets should be changed to accommodate such new reserve product or products, should they be viable. Any potential changes to the SIR market will become clearer as this work is progressed (perhaps towards mid-2014).