



MAJOR ELECTRICITY USERS' GROUP

22 October 2013

Androula Dometakis
General Manager, Corporate Services
Electricity Authority
By email to submissions@ea.govt.nz and info@ea.govt.nz

Dear Androula

Consultation paper – 2014/15 appropriations

1. This is a submission by the Major Electricity Users' Group on the consultation paper¹ "2014/15 levy-funded appropriations, Electricity Authority Work Programme, and EECA Work Programme", dated 10th September 2013. This submission is only on the EA work programme. MEUG is submitting separately to EECA.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. Using the format for submissions in the companion template², comments follow:

Item	MEUG comment
<p><u>Authority appropriations</u></p> <p>1. The overall proposed Electricity Authority appropriations as set out in table 1 of the consultation paper</p>	<p>MEUG supports the overall level of appropriations proposed.</p> <p>On 17th June MEUG wrote to Ministers and, inter alia, stated³</p> <p>"A well resourced, independent and innovative regulator is necessary to balance the interests of customers with the interests advocated by the well resourced and highly motivated monopolies."</p> <p>The above quote applies equally to the over-whelming resource and information advantage of large suppliers.</p>

¹ Document <http://www.ea.govt.nz/dmsdocument/15705> found at <http://www.ea.govt.nz/our-work/consultations/corporate/2014-15-appropriations/>

² <http://www.ea.govt.nz/dmsdocument/15706>

³ MEUG to Ministers, Improving productivity in the electricity sector, 17th June 2013, p9, found at <http://www.meug.co.nz/includes/download.aspx?ID=128750>

Item	MEUG comment
	<p>In referring to both the Commerce Commission and the Electricity Authority, Ministers in their reply to MEUG stated⁴:</p> <p>“Given the regulators’ pivotal role, we absolutely agree that it is important to ensure that they are adequately resourced, independent and innovative in order to provide balance to the interests of consumers and those of regulated suppliers.”</p> <p>One of the other themes in our letter to Ministers of 17th June 2013 was the need to improve customer participation in implementation of Part 4 of the Commerce Act and Code development. Engagement with customers has improved and we encourage the Authority to continue to innovate in this area. One tidy up issue the Authority should consider is the change to the consultation charter⁵ in December 2012 where new sub-paragraph 2.1 (e) under the heading “General consultation principles” was included:</p> <p>“interested parties can not complain if they do not avail themselves of the opportunity to provide feedback.”</p> <p>While this may be consistent with case law where individual interested parties have resources to manage their own property rights; this is an unrealistic principle for most customers.</p> <p>A review by the EA as to the parties that have responded to consultation papers over the last year split into sectors (eg generator, transmission, distribution, retailer and consumer) might provide some insight into improvements that may be able to be made to the consultation process.</p>
2. The proposed changes to Authority appropriations	The intention of the Authority to keep its own costs constant nominal is welcome.
3. Other key matters relating to the Authority’s overall appropriations that you consider the Authority should address	<p>MEUG is encouraged by progress of discussions between the Authority and System Operator to make SOSPA work better⁶.</p> <p>MEUG continues to support a change to the Act to allow the Authority to charge fees for specific services that would allow, for example, FTR market participants to pay FTR market costs rather than those being socialised in general levies.</p>

⁴ Minister of Commerce and Minister of Energy and Resources letter to MEUG, 26th August 2013, p3

⁵ <http://www.ea.govt.nz/dmsdocument/14243> found at <http://www.ea.govt.nz/about-us/documents-publications/foundation-documents/>

⁶ Refer discussion paragraphs C.9 to C.11 of the consultation paper

Item	MEUG comment
<p><u>Proposed Authority work programme⁷</u></p> <p>4. Your level of support for the overall work programme as outlined in the consultation paper</p>	<p>MEUG supports the overall work programme. Last year MEUG suggested a review of distribution pricing should have a higher priority. We welcome the Authority lifting the priority on that work this year and following through into next year.</p>
<p>5. Comments on the overall programme</p>	<p>No further comments</p>
<p><u>Comments on specific programmes</u></p> <p>“Increasing compliance”</p>	<p>MEUG notes that the draft work programme in the appropriations consultation paper is in effect an early draft and therefore does not list all work programmes to allow complete alignment with all of the 2013/14 work programmes⁸. This approach is reasonable. The comments below therefore are only on the details set out in the draft appropriations paper.</p> <p>The phrase “increasing compliance” is used in paragraph c.4.2 and figure 4 describes a key operational programme. That phrase can be interpreted as meaning 100% compliance no matter what the cost. MEUG suggests achieving 100% compliance no matter what the cost is a less desirable outcome than having an optimal or efficient level of compliance. Describing the programme as say “efficient compliance” recognises that compliance requirements for different parts of the Code and implementation of those by participants, service providers and the Authority can be at various stages of maturity and expectations of what is optimal or efficient may not be for an absolute level of 100%.</p>

Yours sincerely



Ralph Matthes
Executive Director

⁷ Appendix C of the consultation paper

⁸ 2013/14 Work Programme, June 2013, <http://www.ea.govt.nz/dmsdocument/15241> found at <http://www.ea.govt.nz/about-us/documents-publications/work-programme/>