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## **SUBMISSION ON 2014/15 APPROPRIATIONS AND WORK PROGRAMME**

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the “2014/15 Appropriations, Authority Work Programme and EECA Work Programme” consultation paper (the **paper**) released by the Electricity Authority (Authority) in September 2013.

### **Introduction**

- 2 Our submission on the paper is brief, and limited to the Authority work programme. In part it draws on what we submitted on the comparable Authority paper last year. Overall, we remain of the view that the Authority is seeking to do too much, too quickly and without sufficient attention to the likely benefits (or downside) of projects, the detrimental impact on participants or the interaction of the various projects either with those others on the go, or those previously completed.

### **Comments**

- 3 We note a change, compared to previous years, in the way the paper presents the projects. Specifically, the Authority has previously ranked each project according to its size and net public benefit, but this ranking is now being done at the programme level (for example at the bottom of page 18 for the “Competition in retail markets” programme). We submit that this is a step backwards as it reduces the ability of stakeholders to assess the merits of individual projects, and it effectively means *any* new project added can be deemed to have a high net public benefit because it is part of a programme that is deemed to. This clearly cannot be correct. Indeed, there are projects in the programmes that, only

last year, had a low or medium benefit, but which are now effectively deemed to have a high benefit. If this is a response to concerns expressed last year that some of the low benefit projects should not be progressed, it is not the response we had in mind. Moreover the “Notes to the programme information...” on page 17 suggest that the public benefit assessment is still part of the project process, but this is contradicted by the way the projects are presented later in the paper.

4 We agree that the work programme needs to be flexible so that the Authority can be responsive to market developments. However the ability for new projects to appear without any clear scope or an initial assessment of likely benefits and costs is worrying, not to mention the residual impact on us. It does not promote regulatory certainty. Some examples:

- “(C4) Improving transparency of consumer electricity charges” may have morphed a little, but it is still a topic that has been done to death over many years. Yet the Authority is carrying on. Last year, when this was called “Breakdown of customer billings” it was categorised as a low-cost, low-benefit project. After a further round of consultation on a paper from the RAG, which largely covered old ground, it is still low-benefit but no longer low-cost.
- “(C8) Improving access to retail data” is a recent addition, but looks to be a very major piece of work. The Authority seems to have identified a problem, but it is not clear to us what it is. The Authority’s June 2013 work programme update noted that the first stage of this project is a plan and a cost-benefit analysis, and that certainly seems a prudent first step. However the paper seems to assume the project will proceed as it describes it in some detail, and indicates on going activity for the following two years as well. If the Authority does proceed with this project, we hope it will reflect on the very poor conception and execution of the standard distributor tariff codes project. The retail data project appears considerably more complex, and with even more risk of stifling innovation. We urge extreme caution.
- “(C19) Review of barriers to group switching and mass market aggregation”. Again it would appear that a problem has been identified, but again we are not sure what it is. There is group switching (eg buying groups such as CRT, ATS, government agencies) and mass market aggregation (eg the recent Grey Power Electricity deal). We are not sure what if any threshold is being applied by the Authority in deciding whether a topic is worthy of project status, but it would appear to be a very low one.
- “(E2) Research project: efficiency of distribution company arrangements” is a project that cropped up in last year’s comparable paper. In relation to that, we suggested that the scope was very unclear, which made comment difficult. The scoping was to be completed in 2012/13. As far as

we know it wasn't. The Authority's June 2013 work programme update (which confusingly codes this as "D8") had this on hold with work (presumably the draft scope?) due to start later in 2013. Now the paper implies work on this will not start until 2014/15, and the description of the project has been reduced to a statement of the general legislative context for such reviews. How can something be a key project when no one is clear what it is? We submit this is insufficient information on which to base a project, let alone seek an appropriation for it. Moreover, the legislative reference is to sections of the Electricity Industry Act (s 45 and 46) that imply intrusive, comprehensive and quasi-judicial information gathering. This might be appropriate, but given the lack of clarity about what is being contemplated, it seems worryingly specific.

### **Concluding remarks**

- 5 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions please contact Bruce Rogers (Pricing Manager), DDI 03 363 9870, email [bruce.rogers@oriongroup.co.nz](mailto:bruce.rogers@oriongroup.co.nz).

Yours sincerely



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