

## RightLight electricity efficiency information programme

During 2008 the Commission surveyed the lighting industry on the availability of information on efficient lighting alternatives. Feedback strongly indicated that a lack of quality information represented a significant barrier to the uptake of efficient lighting in New Zealand.

RightLight has been developed by the Commission to provide practical advice on efficient lighting options, enabling consumers to make informed choices for their homes and businesses. The information is now available online at [www.rightlight.govt.nz](http://www.rightlight.govt.nz) and is supported by a targeted communications campaign to raise awareness of the resource.

Residential consumers living in an average size home can save around \$170 a year by replacing their existing lighting with energy efficient options. Further, if every household used efficient lighting, New Zealand could reduce its annual energy consumption by as much as 1,200 GWh, which is equivalent to the total electricity usage in Waitakere and North Shore cities for one year, or over \$278m per year in residential power bills.

Fifty per cent of residential lighting is used over peak periods when electricity is at its most expensive. Therefore, energy savings achieved at this time are particularly efficient.

Conservatively, the Commission is projecting an additional 100 GWh of savings per annum from this programme, achievable after three years, based on converting an additional 5 per cent of inefficient lamps to more efficient alternatives in each year of the programme. At a cost of less than 1c per kw/h, this compares very favourably to the long-run marginal cost of new generation, at around 8.5c.

During the first month following the launch in early June, RightLight received 26,000 visits, almost 23,000 of which were from first time visitors.

See [www.rightlight.govt.nz](http://www.rightlight.govt.nz)



## Single electricity and gas complaints resolution scheme closer

The Commission and the Gas Industry Co have been working together to achieve the goal of a single, industry-based complaints resolution scheme that meets the principles of accessibility, independence, fairness, accountability, efficiency, effectiveness and community awareness.

In March 2009 the Commission and the Gas Industry Co proposed to approve the Electricity and Gas Complaints Commission scheme (the EGCC scheme) as our preferred nationwide scheme for gas and electricity-related complaints. There is strong support for the EGCC scheme from consumer and community organisations, distributors and other dispute resolution bodies, and there is some support from energy retailers.

In June, five retailers agreed to a common set of key principles for a single industry-based complaints resolution scheme. The Commission is pleased with the consensus and we are reassured by the progress. The next step is for the industry to agree on whether the EGCC scheme can be amended to incorporate these principles in a way that is acceptable to all parties.

We look forward to achieving a consensus on a single joint independent electricity and gas complaints resolution scheme.

See [www.electricitycommission.govt.nz/opdev/retail/consumercomplaints](http://www.electricitycommission.govt.nz/opdev/retail/consumercomplaints)

“We look forward to achieving a consensus on a single joint independent electricity and gas complaints resolution scheme.”

Since the Electricity Commission was formed in 2003, stakeholder engagement and consultation has been an integral part of our approach. Successive Government Policy Statements on Electricity Governance (GPSs) have called for the Commission to work with stakeholders including consumers, market participants and Government agencies.

Although the updated GPS in May 2009 no longer requires the use of advisory groups, the Commission sees value in continuing to draw input from across the industry and consumer interests. In recent years a number of issues regarding the structure, role and operation of advisory groups have been raised by stakeholders and within the Commission. This feedback, and the changing needs of the Commission, led to a review of advisory groups earlier this year. This has resulted in the disestablishment of the five previous advisory groups, and four new advisory groups being established (see *New advisory groups formed*). We are grateful to the members of past advisory groups for their valuable contribution and look forward to continuing to progress the Commission's workplan with input from the new advisory groups.

The Market Development Programme (MDP) is now established as the Commission's key focus for the coming year. To provide a context for the priority projects in the MDP, the Commission has developed an MDP overview paper for the new advisory groups to consider. This explains

### MDP context – strategic priorities

	Market design review	2008 winter review	Commerce Commission investigation
Strengthen competition			
Improve investment/supply signals			
Improve market monitoring			

MDP needs to reflect the Electricity Commission's strategic priorities as reinforced by recent reviews

how these projects will improve the operation and efficiency of the wholesale and retail markets.

Although the major elements of the MDP programme can be considered in the separate contexts of security of supply, wholesale and retail competition, the seamless

nature of the electricity supply chain means that all the MDP elements need to be considered in an integrated way. For example, a revised transmission pricing methodology could affect the design of locational hedge products, which in turn would affect retail competition. It is vital that the MDP elements fit together as a coherent package based on a common design philosophy.

The Commission is mindful that there will be a number of consultation papers arising from the MDP. The release of consultation papers will occur progressively from the latter part of this year and into early next year. Consultation will be supported by workshops and presentations to facilitate stakeholder understanding of the issues and the linkages between projects. The new advisory groups will meet for the first time in August. Meanwhile, we will work with the sector to avoid overload, especially during the Christmas and New Year period.

David Caygill

**Electricity**  
Te Kōwhiri Hiko  
Commission

Electricity Commission  
Level 7, ASB Bank Tower, 2 Hunter Street  
PO Box 10041, Wellington 6143, New Zealand  
Tel +64-4-460 8860  
Fax +64-4-460 8879  
Email [info@electricitycommission.govt.nz](mailto:info@electricitycommission.govt.nz)  
[www.electricitycommission.govt.nz](http://www.electricitycommission.govt.nz)

[newzealand.govt.nz](http://newzealand.govt.nz)

## About the New Zealand Electricity Sector

A copy of the Commission's publication *About the New Zealand Electricity Sector* has been enclosed with this edition of *Notes from the Chair*. It provides an end-to-end perspective – physical components, how the system works, and major participants – for a wide readership from industry insiders to interested onlookers. Limited additional copies are available and we would be pleased to provide you with further copies if these would be useful. Jessica Norman [jessica.norman@electricitycommission.govt.nz](mailto:jessica.norman@electricitycommission.govt.nz) (04 460 8844) is the contact for requests. It is also available in PDF format at [www.electricitycommission.govt.nz/publications](http://www.electricitycommission.govt.nz/publications).

## Market compliance

Part of the Commission's overall market governance function is to investigate breaches of the Electricity Governance Regulations and the Electricity Governance Rules. A well-functioning compliance framework is critical for fairness and efficiency and to promote confidence among market participants.

The Commission has a small investigation team who assist with resolving the majority of lower level rule breaches by fast-tracking the information gathering process to allow quick decisions. Of necessity, complex and significant breaches tend to require more formal investigation, with other participants having an opportunity to be involved and agreeing a settlement for Commission approval.

Although the Commission has closed out 1,090 of the 1,176 breach cases raised since 2003, we are always looking for ways to improve the process.

In May the Commission consulted on the electricity market compliance framework review. The submissions have been published on the Commission's website, and will be further considered at a workshop in August.

One change made in response to earlier consultation is the publication of regular updates on decisions and related matters in the interests of the greatest possible transparency.

Updates can be found at [www.electricitycommission.govt.nz/rulesandregs/compliance/updates](http://www.electricitycommission.govt.nz/rulesandregs/compliance/updates)

For more information see [www.electricitycommission.govt.nz/submissions/subscompliance](http://www.electricitycommission.govt.nz/submissions/subscompliance)

“Although the Commission has closed out 1,090 of the 1,176 breach cases raised since 2003, we are always looking for ways to improve the process.”

## Advanced metering update

In June the Parliamentary Commissioner for the Environment issued her report *Smart electricity meters: how households and the environment can benefit*. The Electricity Commission welcomes the release of this valuable work. It's clear, an easy read, and an excellent introduction to an important subject.

The Parliamentary Commissioner's report includes a call for Government regulation of the industry's smart meter roll-out. This highlights a critical question: Is there common agreement on an international protocol for communications between meters, appliances and home display units? If the answer is 'yes', then the Parliamentary Commissioner is right to suggest that there should be greater speed of progress. However, if the answer is 'no' or 'not yet', as the Electricity Commission suspects, then it is entirely understandable that industry isn't rushing into the installation of smart meters and is limiting the capability provided. Indeed, it would be a mistake to do otherwise, because this could result in consumers being left with incompatible technology when moving home or seeking to change suppliers.

The roll-out of smart metering in New Zealand is currently being carried out voluntarily by the market and not at the expense of the consumer. Cost is a real issue, particularly while the technology is emerging and some aspects are not yet cost-effective.

Arguably, the current roll-out is providing consumers with a number of direct benefits:

- every invoice is based on an actual read, rather than an estimate;
- where meters are installed inside the house, there is no longer a need for meter readers to enter a consumer's premises – the meter can be read remotely;
- faster switching between retailers, because final meter reads can be obtained remotely;
- simple electricity tariffs as well as the capacity for more sophisticated tariffs that can be tailored to individual customer consumption patterns; and
- price and consumption information may (although typically it hasn't yet) become available from the meter to help consumers better manage electricity use.

By December 2009 the Commission is obliged to provide the Minister of Energy with a review of the legislative framework relating to the use of meters in the electricity industry. A key focus of the review is on how to ensure that the opportunities offered by this new technology are maximised.

The pace with which the technology is introduced needs to be measured against the interests of consumers, the industry, manufacturers and retailers.

As the Parliamentary Commissioner found, there is no doubt that smart metering will play a big part in our energy future, with potential gains for the consumer, the environment and the economy.

See [www.electricitycommission.govt.nz/opdev/retail/ami/index.html](http://www.electricitycommission.govt.nz/opdev/retail/ami/index.html)

## New advisory groups formed

The Electricity Commission has recently completed a review to clarify the processes by which the sector, consumers, Commission staff and the Board can make the best use of advisory groups. Submissions received were generally supportive of retaining a structure similar to the existing one and a number of suggestions were provided to address issues identified. We would like to thank all those individuals and organisations who contributed to the review.

The Commission has decided to:

- disestablish the five previous advisory groups, plus the Hedge Market Development Steering Group;
- establish four new advisory groups; and
- establish project teams for specific needs as they arise, primarily for very detailed or technical tasks.

The new advisory groups are:

- Investment Advisory Group. This group will take a broader investment perspective than the former Transmission Advisory Group, though its key focus will remain on transmission investment issues (Chair: Bill Heaps);
- Security Advisory Group. This group will continue with the work of the former Security Advisory Group, but may also have a role in some aspects of system operations work (Chair: John Scott);
- Market Design Advisory Group. This group will focus on wholesale market development, including dealing with tasks arising from the Commission's Market Design Review, and the Commerce Commission review (Chair: James Moulder); and
- Retail and Consumer Advisory Group. This group will have considerable focus on consumer issues such as customer switching and promotion of strong retail competition (Chair: Keith Tempest).

The new advisory groups will meet for the first time in August. The Commission is grateful to the members of past advisory groups for their valuable contribution and we look forward to continuing to progress our workplan with input from the new advisory groups.

See [www.electricitycommission.govt.nz/pdfs/advisorygroups/Explanatory-paper-Jun09.pdf](http://www.electricitycommission.govt.nz/pdfs/advisorygroups/Explanatory-paper-Jun09.pdf)

“The Commission is grateful to the members of past advisory groups for their valuable contribution and we look forward to continuing to progress our workplan with input from the new advisory groups.”