

12 December 2014

Submissions
Electricity Authority
By email: submissions@ea.govt.nz

2015/16 Electricity Authority appropriations

Meridian welcomes the opportunity to provide feedback on the Electricity's Authority's proposed levy-funded appropriations and work programme for 2015/16.

We have the following comments on the Authority's proposed work programme:

1. We support "**Research project: effects of low fixed charges**". Meridian considers the low user regulations are poorly targeted, create significant administration costs, and stifle innovation in retail tariffs. We support the Retail Advisory Group (RAG) investigating these issues.
2. We support "**Offer and dispatch: review of gate closure**". Meridian considers reducing gate closure will improve the efficient operation of the wholesale market by allowing participants to respond to changing market conditions closer to real time.
3. We support the Authority's ongoing work on the **transmission pricing investigation**. We consider there to be significant inefficiencies with the current Transmission Pricing Methodology (TPM). In Meridian's view, these inefficiencies can only be fully addressed through changes to the TPM Guidelines. We support the Authority continuing its investigation of alternative allocation approaches in accordance with its statutory objective.
4. We welcome the addition of the project "**Wholesale market information: fuel disclosure**". Information is critical to the functioning of the wholesale and hedge markets. In particular, we support investigations into making more thermal fuel price, contract and storage information available.
5. We support the projects to develop **national markets for frequency keeping and instantaneous reserves**. We encourage the Authority to work closely with industry on these projects, given implications for changes to participants' system and processes. We recommend formation of an industry working group to assist with development of these markets.
6. With respect to the project "**FTR Allocation Plan 2015**", we note that there have been a number of significant recent developments in the FTR market, most notably the addition of three additional trading notes. We support a period of stability in the FTR

market so that these recent changes can “bed in” and then be evaluated, before further revisions to the FTR market are considered.

7. We note the Authority’s comments that it works closely with the System Operator to develop an agreed timetable and process for managing joint initiatives. We encourage the Authority to consider consulting with industry on priorities agreed under the **Joint Development Programme**. Market participants could provide useful information on which initiatives are of greatest urgency and on associated costs for participants.
8. With retail-related work continuing to be an important area of focus, we consider active steps should be taken by the Authority to further **develop its knowledge of the way retailers meet the needs and preferences of their customers**. Greater knowledge of retailers’ current approaches will assist with ensuring any interventions are well designed and maximise value to consumers. One way this could be achieved would be to meet with all retailers regularly to discuss how their retail offerings are evolving and future plans for innovation.
9. We support the project “**Consumer education programme**”. We consider there will be significant benefits from improving consumers’ understanding of the electricity market, and ensuring they are able to appropriately engage in regulatory processes. Reviewing international best practice in this area may be one way of identifying areas for improvement in our own approach.
10. With respect to the appropriation to the **Electricity Litigation Fund** (\$0.444 million in 2015/16), does this fund accumulate over time or is it refunded if not used in any given year?

Please contact me if you have any questions regarding this submission.

Yours sincerely,



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