



20 September 2016

Submissions  
Electricity Authority

Via email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

### **Reorienting the Electricity Authority's Advisory Groups**

Mercury welcomes the opportunity to provide a submission to the Authority regarding its proposed reorientation of the current advisory groups.

Mercury agrees that reorientation is timely given the on-going evolution of the electricity sector, particularly the emergence of new technologies.

We are excited by the opportunities new technologies will provide for our customers to enjoy electricity in new and different ways. We want to ensure all New Zealanders are able to access new technologies at competitive prices and with the features and services that they want. We consider the best way to ensure this is to enable as many providers of these services as possible to compete on price, service and quality. New technologies also evolve rapidly so it is important that consumers are not locked-in to a particular model or features that may quickly become obsolete.

Mercury agrees with the Authority that a whole of industry approach is important to ensure appropriate oversight of industry change. However, in our view the Authority's suggested structure of two advisory groups could potentially work against this objective.

Given the wider constitution of the proposed Innovation and Participation Advisory Group (IPAG) there is potential for highly divergent and oppositional viewpoints, particularly where participants have strong commercial drivers to favour particular frameworks or models. It is unclear to Mercury from the discussion document how such tensions are proposed to be resolved but we consider this an important first order issue to address. The risk is that the IPAG is unable to reach a supportable consensus on proposals and provide clear direction to the Authority or the Market Development Advisory Group (MDAG).

We note that in comparison to the IPAG the structure of the MDAG will be constituted by more traditional industry participants. The immediate potential conflict we envisage is that MDAG will be requested to consider implementation for proposals they have had no oversight or input into developing (assuming the IPAG is able to reach a consensus). This has the potential to undermine the implementation process.

To address these issues, Mercury would support the Authority considering implementation a single, widely constituted advisory panel, effectively a steering committee model. The membership of the panel would comprise parties that will have a primary role in implementing any supported changes. We consider it would be appropriate to constitute this group with more senior level individuals but for efficiency this could include representatives from consumer and industry associations.

Underneath the advisory panel a number of working groups could be established to provide advice to the panel on new innovations and consumer engagement models and identify any perceived barriers that might need to be addressed. This group could be constituted with individuals with greater levels of technical and operational knowledge. This would provide the senior stakeholder steering committee with more deeper

technical, operational and practical knowledge of issues. Further issue specific sub groups could be formed and utilised if required.

Mercury would advocate for the inclusion of metering companies within the steering committee structure and working groups. With the development occurring within of the industry, metering providers are likely to play an ever increasingly active role in industry initiatives and customer innovation.

Shifting to a steering committee model is likely to mitigate the risk of participants reverting to a very narrow focus on commercial outcomes. The steering committee would also be best placed to ensure appropriate control of theoretical or unsupported assessments. There is also a potential for initiatives assessed by the working group to be seen as having endorsement by a government authority or industry body. The steering committee would also be able to provide consistent support for product implementation and operate without competitive conflict.

In order to ensure the process is transparent, any individual or bodies with interest in the development of the industry should be able to attend in the capacity of observers. If meetings are limited to members and invitees it further creates a potential for perception of competitive advantage. Our view is that it is also likely to diminish industry engagement in the development process particularly from smaller or new entrant participants. It may also provide the Authority and industry a potential "succession plan" for fresh representatives when incumbents' terms of tenure expire.

Given the pace of change in the sector, Mercury supports an increase in the meeting schedules. Where there is a need to meet more often, there should be flexibility in the ToR to allow this to happen. This would include any subgroups required. In other jurisdictions Mercury has observed sub groups meeting monthly with steering committees meeting quarterly.

Please contact me on 09 308 8276 with any questions on the above.

Yours Sincerely,



Andrew Robertson

**Regulatory Adviser**



Format for submissions: Reorienting advisory groups

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| Submitter | Mercury |
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| Question                                                                                                                               | Comment                                                                                                                                                                                                                                                        |
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| Q1. What feedback do you have on the proposed IPAG, including its purpose and scope?                                                   | Mercury supports the IPAG purpose and scope however our view is that a single, widely constituted advisory panel structure would be more effective. This would be more of a steering committee model with expert working groups established.                   |
| Q2. What are your views on the membership of IPAG, and how to engage the sorts of parties that will ensure it can achieve its purpose? | We consider it would be appropriate to constitute a single advisory panel with more senior level individuals but for efficiency this could include representatives from consumer and industry associations. Membership should also include metering providers. |
| Q3. What are your views as to how the IPAG might operate, so as to best achieve its purpose?                                           | Underneath the advisory panel a number of working groups could be established to provide advice to the main advisory group on new innovations and consumer engagement models and any perceived barriers that might need to be addressed.                       |
| Q4. What feedback do you have on the proposed MDAG, including its purpose and scope?                                                   | As above, Mercury would supports the purpose of the MDAG however feels it should be included under a single advisory panel with a number of working groups.                                                                                                    |
| Q5. What are your views as to the membership of the MDAG, and how it should operate?                                                   | As above, we consider it would be appropriate to constitute a single advisory panel with more senior level individuals and form a number of working groups to provide advice to a single panel                                                                 |
| Q6. Do you agree with the Authority's proposal to:                                                                                     |                                                                                                                                                                                                                                                                |
| a) introduce new terms of reference for the IPAG and MDAG, subject to the feedback provided under Q1 - Q5                              | Yes but have a single advisory panel with working groups formed                                                                                                                                                                                                |
| b) replace the current terms of reference for the SRC in its entirety, with an updated and streamlined version                         | Yes                                                                                                                                                                                                                                                            |
| c) replace the current version of the charter in its entirety, with an updated and streamlined version?                                | Yes                                                                                                                                                                                                                                                            |
| Q7. Do you agree with the Authority's assessment of its proposals? If not, what alternative assessment would you make and why?         | Partially. Mercury agrees with the proposal of reorientation of the current advisory groups but supports a single group having a view of initiatives, improvements and implementation.                                                                         |



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| <p>Q8. Are there alternatives to either of the Authority's proposals that you consider would better meet their respective objectives? If so, please describe the alternative and why it would be preferable.</p> | <p>As outlined. A single steering committee of senior industry leaders with appropriate sub groups would be supported by Mercury..</p> |
| <p>Q9. Do you have any specific comments on the drafting of the proposed new versions of the Charter and terms of reference for the SRC, IPAG, and MDAG?</p>                                                     | <p>No.</p>                                                                                                                             |

