

6 December 2016

Carl Hansen  
Chief Executive  
Electricity Authority  
PO Box 10041  
Wellington 6143  
New Zealand

**RE: Authority 2017/18 Appropriations and Strategic priorities**

Dear Carl,

This letter is in response to the Electricity Authority's 25 October 2016 consultation on its proposed 2017/18 levy-funded appropriations and strategic priorities.

ENA members appreciate the opportunity to provide feedback to the Authority, and we respectfully draw the Authority's attention to the following submission points.

1. Strategic focus - Promote market development

The ENA acknowledges the Authority's focus on efficient pricing, and that more efficient transmission and distribution pricing will continue to be an important strategic goal in 2017/18. The Authority's Programme C appears to have four work streams that are targeted at ensuring prices are cost-reflective and service based.

ENA members are concerned that the Authority may be underestimating the engagement and support, and hence the resource requirements, that the Authority will need to ensure that the distribution pricing work stream is successful. Members believe that the Authority needs to allocate sufficient resource/budget to support the EDBs' own efforts to reform distribution pricing. Members are committed to moving distribution pricing arrangements forward to meet market needs and better reflect costs, but they consider that the Authority must actively support their efforts.

Members consider that leadership of the type of pricing change that is being talked of is a "whole of sector" responsibility which includes EDBs, retailers and regulators. The Authority needs to ensure that it budgets appropriate resources to support industry's role.

## 2. Strategic focus – Operate the electricity system and markets

ENA members generally support the Authority's strategic approach of ensuring a fit-for-purpose market services strategy and that high-standard services are delivered to stakeholders. Members note there are various work programmes that contribute to this strategic focus which, to a greater or lesser degree, involve ENA members. One high priority work programme that has a direct impact on members, and that members do not support, is the development of a centralised extended reserves' manager. In the context of this submission, members have concerns about the scale of the budget and resources that are being allocated to this programme.

Members are aware of the development costs that have been required for this work to date and they urge the Authority to reconsider whether allocating further budget of that magnitude is appropriate. This is especially important given that there is a better alternative, which is proposed in recent ENA submissions to the system operator and NZX on extended reserves.

In those submissions, ENA members asked the system operator to empower EDBs to develop and provide a four-block AUFLS scheme on a dynamic basis. Members also proposed that no further work be carried out by NZX to develop a centralised selection process. As such, members consider that no further appropriations should be allocated to these aspects of the extended reserves' development project.

## 3. Priorities

ENA members are concerned at the ongoing allocation of high priority to work programmes that are consuming resources which should be allocated elsewhere. Projects such as TPM, DDA and ER have consumed large quantities of industry resource over several years but have failed to make meaningful headway. Reducing the priority of these projects (or even stopping further work) will result in levy reductions and allow the Authority to focus on value-add forward looking initiatives. It is also important to ensure that money spent on projects that shore up the centralised industry model do not prejudice emerging alternatives.

Thank you again for the opportunity to submit on your proposals.

Yours faithfully



Graeme Peters  
Chief executive

The Electricity Networks Association makes this submission with the support of its 27 members, listed below.

Alpine Energy  
Aurora Energy  
Buller Electricity  
Centralines  
Counties Power  
Eastland Network  
Electra  
EA Networks  
Horizon Energy Distribution  
Mainpower  
Marlborough Lines  
Nelson Electricity  
Network Tasman  
Network Waitaki  
Northpower  
Orion New Zealand  
Powerco  
Powernet  
Scanpower  
The Lines Company  
Top Energy  
Unison Networks  
Vector  
Waipa Networks  
WEL Networks  
Wellington Electricity Lines  
Westpower.