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6 December 2016

John Rampton  
General Manager Market Design  
Electricity Authority

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

Dear John

## 2017/18 Levy-funded appropriations and strategic priorities

We appreciate the opportunity to submit to the Authority's 2017/18 *Appropriations and strategic priorities* that was published 25 October 2016<sup>1</sup>.

We support the funding level sought by the Authority through appropriation that is to be recovered via levy. In addition, we:

- discuss the changed approach of the Authority to its work programme consultation
- outline our support for the proposal to improve the electronic dispatch facility
- request that unresolved questions relating to the Authority's disconnection power be addressed.

## Input on projects and prioritisation

In prior consultations on appropriations the Authority has outlined the main projects under each of the programmes of work or strategic areas.

For this consultation, and for the first time, the Authority has not outlined any projects for the 2017/18 year. Instead we assume that the 2016/17 projects are the basis, subject to an evaluative step for *strong strategic fit and value proposition*.<sup>2</sup> We are unsure whether the Authority is requesting our view on strategic fit and value proposition at this point but, in any case, consider that the Authority should have made an attempt at this first.

The invitation to *...input on the priority, timing and scope for work we should undertake to deliver our strategic priorities*<sup>3</sup>...is a new approach from the previous *propose / respond* model. We suggest the changed approach could benefit from a different consultation format, for example, utilising interactive and/ or collaborative mediums such as workshop. A workshop forum could allow:

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<sup>1</sup> We understand this is the first time the Authority has consulted separately on its own programme and not for EECA although the reason for the change has not been explained.

<sup>2</sup> Section 2.26

<sup>3</sup> Section 2.25

- discussion and challenge as the means to derive rationale and support for particular projects or workstreams
- sharing ideas for example how to assess (ex-ante) the value proposition of regulatory intervention
- an opportunity for Authority presentation of how / where the Authority has spent levy funds.

Of course this suggestion is likely to be too late in the process for it to be effective this time round.

## Our priorities

Our priorities are listed below. We support:

- greater focus on ensuring consistency and coherency across different Authority pricing workstreams (in particular network, energy market, distributed generation).
- operational and market arrangements to facilitate smooth and efficient integration of emerging technologies into the power system
- the system operator improving its dispatch facility (see below)
- development of policy and procedure on the Authority for its disconnection direction power (see below)
- strategic focus on operational efficiencies particularly in reducing cost of compliance and seeking opportunities to improve delivery of delivery of the regulated product.

## Support a levy increase for upgrading the dispatch facility

We support the change made by the Authority to the System Operator Service Provider Agreement (SOSPA) that supports greater industry engagement on service provider proposals for service enhancement. We consider the use of this appropriations paper to be an effective and appropriate way to consult on the potential increase in service provider costs on levy payers.

As detailed in the consultation paper and at appendix B, we are proposing a service enhancement project to upgrade the current Electronic Dispatch Facility. We developed the scope of the upgrade through a series of four stakeholder workshops to ensure industry needs were taken into account.

The upgrade will provide alternate communications protocols to the current GENCO system (support for which expires in 2020), a web services testing facility, and configuration changes. The result will be a more accessible and less costly means to receive dispatch instruction so that a greater range of participants can contribute to setting wholesale electricity prices.

We consider our proposal to be closely aligned with the Authority's strategic priorities, supporting both:

- evolving technologies and business models through enabling new competition in the wholesale market (programme A)
- operational efficiencies, through removing technical barriers to market participation (programme E).

In light of the Authority's priority to introduce dispatch-based real time pricing market, which necessitates changes to existing market tools, we view the proposed upgrade project as timely and pertinent.

## **We request Authority consultation on its disconnection direction power**

In our submission in November 2015<sup>4</sup> to the Authority's 2016/17 appropriations and work programme we pointed out that the programme did not include the Authority's planned consultation for policy for disconnection of direct purchasers. We note that the 2016/17 work programme did then include a project albeit at lowest priority (project # 3.7 Review of trader default arrangements for 'direct consumers').

However, the project description<sup>5</sup> appears to make the project a compliance issue instead of the policy issue that the promised consultation requires.<sup>6</sup> The project does not appear to cover the development of policy and procedure on the Authority in its potential exercise of its power to direct us (and other lines companies) to disconnect 'direct consumers'. Without this development we consider there is a risk that the default provisions (shortened or otherwise) may not be effective in the manner intended. We append at Appendix B our previous letter to the Authority (April 2015) that outlined our concern with this lack of development. This concern remains.

Please contact me if you have any questions about this submission

Yours sincerely



Micky Cave  
**Senior Regulatory Analyst**

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<sup>4</sup> <http://www.ea.govt.nz/about-us/corporate-projects/201617-planning-and-reporting/consultation/#c15604>

<sup>5</sup> Target for project: Achieve assurance that the necessary disconnections are in place and practical, or identify any necessary amendments to the Code to enable this assurance to be achieved. Consider and make decisions on any applications for a shortened post-default exit period. Review the post-default exit period provisions (this will only be undertaken once at least one application has been considered). <http://www.ea.govt.nz/about-us/strategic-planning-and-reporting/our-work-programme/>

<sup>6</sup> The Authority intends to undertake consultation early next year to seek further views on disconnection procedures for direct connect consumers that purchase their electricity from the clearing manager <http://www.ea.govt.nz/dmsdocument/16798>

## Appendix A Specific work programme comment

We have copied the submission format document provided by the Authority<sup>7</sup> to enable its 'tick-box' assessment for level of support. We also support the idea for obtaining response to the Authority's effectiveness but consider this should be able to be provided anonymously as is the case with Commerce Commission surveys. This would, in our view, enable stakeholders to provide feedback freely and frankly.

### 1. Your overall level of support

	Support
Our strategic priorities (part 2 of the consultation paper)	yes
Our programmes (part 2 of the consultation paper)	yes
Our proposed appropriations (part 3 of the consultation paper)	yes
The system operator proposed service enhancement projects	yes

### 2. Authority appropriations (part 3 of the consultation paper)

	Positive
Electricity governance and market operations	Yes
Security management	Yes
Electricity litigation fund	Yes

### 3. Strategic priorities and programmes (part 2 of the consultation paper)

Programme	Positive
A: Evolving technologies and business models	Yes
B: Consumer choice and competition	Yes
C: Pricing and cost allocation	Yes
D: Risk and risk management	Yes
E: Operational efficiencies	Yes
F: Compliance	Yes
BAU: Monitor, inform and educate	Yes

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<sup>7</sup> <http://www.ea.govt.nz/about-us/corporate-projects/201718-planning-and-reporting/consultations/#c16218>

## **Appendix B Letter to Authority April 2015, Disconnection policy**

Please see attachment [Disconnection\\_Policy\\_Clause 14\\_49 response\\_1stApril2015](#)