

6 November 2017

Lindsay Cowley
Chair
Innovation and Participation Advisory Group

Dear Lindsay

Innovation and Participation Advisory Group work plan for 2017/18 – request to undertake *Equal access framework* project

Following consideration by the Authority Board, the Authority requests the Innovation and Participation Advisory Group (IPAG) to include the *Equal access framework* project on the IPAG's 2017/18 work plan.

This is a new, high priority project we recently added to the Authority's 2017/18 work programme following submissions on our *Enabling mass participation in electricity markets* (EMP) consultation.

***Equal access framework* project**

In May 2017, the Authority published its EMP consultation paper. The objective of the EMP consultation was to understand whether there were gaps in the Authority's work programme relating to facilitating technology change and business innovation in the electricity industry. The consultation paper identified a lack of an effective open or equal access framework as a potential gap, while recognising the cross-agency responsibility (the Ministry of Business, Innovation and Employment, the Commerce Commission and the Authority) for providing an effective open or equal access framework.

Many respondents to the EMP consultation indicated (with well thought through arguments) an effective open or equal access framework for electricity networks is critical to enable consumers to benefit from technology changes and business innovation. We decided this issue was sufficiently important to initiate the *Equal access* project.

The access regime has to be effective to deliver long-term benefits to consumers. Importantly, a key part of an effective access regime is actual and potential users and suppliers of the network having *confidence* that the regime is effective. We have detected a lack of confidence in the existing access arrangements. This could deter investment and participation in activities to offer services and products that provide long-term benefits to consumers. Submissions to the EMP consultation also revealed that barriers to access to electricity networks could lie across the Electricity Industry Act 2010 (the Act), the Commerce Act 1986, the Electricity Industry Participation Code 2010, or in the way (ie, practice) that the Commerce Commission regulates networks.

We consider the reasons provided in submissions for the lack of confidence are credible and well-founded, and warrant further investigation. Therefore, we request the IPAG to consider and report on:

- whether the operation of the existing equal access framework for transmission and distribution networks is sufficiently effective at promoting competition, efficiency and reliability for the long term benefit of consumers. This may involve, for example, establishing the current feasibility for competitive supply of network support services
- potential options to strengthen the equal access framework to further promote competition, reliability and efficiency in the provision of electricity and electricity related services, including network support services
- the design, costs and benefits of any changes (regulations and/or market facilitation measures) identified to strengthen the equal access framework (including arrangements for exchange of network support services).

The 'rulebook', market facilitation measures and practices that relate to the equal access framework extend beyond the responsibilities of the Authority. They also cover the responsibilities of the Commerce Commission. It also comprises Part 3 of the Act.

Accordingly, the scope of the project includes assessing the effect of, or problems with, all aspects of the framework. The scope of the project also provides for the IPAG to identify changes to strengthen the equal access framework by the Authority or Commission or by amendments to the Act.

Multiple trading relationships project

The Authority also expects to release a consultation paper on its *Multiple trading relationships* (MTR) project in December 2017. The purpose of the consultation is to prompt discussion and obtain information on the costs and benefits of introducing multiple trading relationships. Subject to considering submissions, the Authority intends to formally request the IPAG to provide advice on the MTR project.

I look forward to the IPAG agreeing to undertake the *Equal access framework* project as per the scope outlined above.

Yours sincerely



Carl Hansen
Chief Executive