

Appendix 2: Guiding Principles (v1.1) – prepared for CEO Forum to engage with CEO Designate of the Electricity Authority

Statutory objective for the Electricity Authority is to promote competition in, reliable supply by, and the efficient operation of the electricity industry for the long term benefit of consumers.

1. Better regulation, less regulation . commitment from the Electricity Authority
 - a. Introduce new regulation only when we are satisfied that it is required, reasonable and robust.
 - b. Review existing regulation in order to identify and remove requirements that are unnecessary, ineffective or excessively costly.
2. Promote competition: The Code should:
 - a. Establish an environment in which prices are discovered through competitive interaction of buyers and sellers.
 - b. Establish an environment that supports effective hedge markets.
 - c. Establish appropriate pricing arrangements (transmission, distribution and retail) that will support the competitive interaction of buyers and sellers.
 - d. Facilitate switching of end use customers between competing retailers.
 - e. Enable the entry of new participants (buyers, sellers, asset owners etc) on unbiased terms.
3. Reliable supply. The Code should:
 - a. Specify the resource adequacy and operating security standards.
 - b. Allow participants to identify and take responsibility for managing risks.
 - c. Facilitate the provision of necessary information.
4. Efficient operation. The Code should:
 - a. Minimise the transaction costs of trading, reconciling electricity and switching customers [ie. operating under the industry participation codes].
 - b. Ensure availability and transfer of, in a timely manner, accurate information as required by processes defined in the codes, model agreements, or guidelines.
 - c. Include model/benchmark agreements or guidelines should not provide for bias towards any person.
 - d. Be robust and enforceable.
 - e. Ensure effective monitoring whilst minimising compliance costs.
5. Standards of Authority analysis, including advice received, and consultation material
 - a. Purpose: objective of analysis, advice, and consultation is clearly stated.
 - b. Problem definition: policy problem, including the underlying causes, size and materiality of issues are identified and supported by data or other evidence.
 - c. Accuracy: all material facts are present and accurate, based on reliable research or evaluation findings or other appropriate information. Known gaps

that could significantly affect the conclusions are identified and the range of uncertainty given.

- d. Options: a range of options is presented that provides clearly differentiated choices and these are rigorously evaluated against the analytical framework. Costs, benefits, consequences and risks/opportunities of the options are assessed as part of the analysis. Where it is not appropriate to use a range of options the reasons are clearly stated.
- e. Practicality: issues of implementation, technical feasibility, practicality and timing are considered within the New Zealand context and advice accurately identifies compliance costs, transitional, legal or other issues or risks that will require management by the Electricity Authority or participants.
- f. Expert advice: external advisors are identified and conflicts of interest noted.

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