

Electricity Authority
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Transpower feedback: Electricity Authority's Strategy development

We appreciate the opportunity to provide feedback to the Authority's Strategy Development: Working Draft Emerging Themes discussion paper, published 7 February 2020. We support the direction signalled for the Authority's strategy refresh.

The emerging themes presented in the paper of Outcomes for New Zealand, and Organisational Capabilities required to meet them, have arisen from the Authority's own thinking and engagement with stakeholders including Transpower. We attended the Wellington and Auckland workshops held by the Authority and appreciated the opportunity to hear from and debate with other stakeholders before providing feedback. The discussion paper signals a welcome commitment from the Authority to canvass a greater diversity of views and a stronger focus on consumer-centricity and stakeholder engagement. Our responses to the Authority's consultation questions are provided in the Appendix.

We welcome the Authority's emerging themes

The Authority's strategic settings and direction are critical for the electricity industry to play its part in delivering a low-emissions future for New Zealand. Our Te Mauri Hiko work has outlined that electrification has a critical role to play in decarbonising our economy. We believe that consideration of decarbonisation should be a central pillar of the Authority's strategy to reflect the recognition that achieving net-zero carbon is a bipartisan policy priority for New Zealand.

We agree with the Authority's sentiment that achieving the desired outcomes for New Zealand is not the responsibility of any one party and that co-operation and collaboration will be needed. We, like the Authority, have reviewed our strategic priorities to ensure they are orientated to supporting New Zealand's net zero goal. Consequently, our strategic priorities are well aligned with the Authority's signalled direction.¹ We have acknowledged we need to step up to the challenge and do better to help enable the country and economy's transformation. We're seeking change in several areas including our customer connections process, information provision and customer focus.

¹ Refer Transpower's [Statement of Corporate Intent](#) 2019/2020

We consider clarifying how the Authority and the Commerce Commission will collaborate and co-ordinate on strategic matters could be an area for improvement.

[We support review of the interpretation of the statutory objective](#)


We consider the Authority's decision to review its interpretation of its statutory objective is timely. We agree the context for our industry and the role it is expected to fill for New Zealand's future has changed materially since the Authority last considered its interpretation. The Authority's strategy and interpretation of its statutory objective are key foundations that need to work together as the Authority plans and delivers its work plan in practice.

The Electricity Price Review Panel recently reviewed the Authority's statutory objective, including considering whether it should be amended to include environmental and fairness goals.² The Panel concluded "We think adding to their existing objectives could pull them in too many directions, require difficult trade-offs between competing objectives and blur their accountability." In its Final Report the Panel stated that the Government "could issue a government policy statement on its carbon reduction objectives so [the Authority and the Commerce Commission] have regard to these objectives when carrying out their functions."³ The Panel also stated that the Authority, "in interpreting its statutory objective, should consider wealth transfers when evaluating, for example, changes to transmission and distribution pricing." New Zealand's climate change commitments have subsequently been enacted into law through the Zero Carbon Act, providing greater certainty of the wider policy environment for New Zealand's response to climate change. The Authority has correctly recognised the importance of this contextual shift for its strategic and operational direction.

The strategic context will also affect our role as grid owner and system operator. Specifically, as system operator we are required to assist the Authority to give effect to its statutory objective. We will need to understand any impacts to policies, processes and tools to continue delivering our services to the industry.

We look forward to future engagement by the Authority as it reviews its interpretation of its statutory objective.

Finally, while transformation and culture change will take time, we are eager to see the signalled shift in approach quickly reflected in the Authority's decision-making, work planning and approach to engagement with consumers, participants and other stakeholders.



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² [Electricity Price Review Hikohiko Te Uira, Options Paper, February 2019](#), Option F3: Give regulatory environment and fairness goals

³ [Electricity Price Review Hikohiko Te Uira, Final Report, May 2019](#), F2: Give the Electricity Authority an explicit consumer protection function

Appendix – Response to questions

Q1. Is the role of our strategy clear, particularly in relation to our statutory objective and functions?

Yes, we consider the strategy refresh will service the Authority's statutory requirements for its Statement of Intent and the Statement of Performance Intentions, both due to the Minister by 1 May 2020, and also to support the Authority to achieve its [Minister's](#) expectations from July 2020. The strategy goals and requirements are aligned appropriately to the Authority's delegated authority.

We note that strategy may not easily fit to fixed timeframes and agree that periodic review is necessary (the Authority indicates at least annually) to ensure it remains relevant to an external environment that is rapidly changing and evolving.

Q2. Are each of the key outcomes themes appropriate? Have we missed any?

We support the process described in the paper that has led to the outcomes themes being surfaced. The themes - as outputs of the engagement process - are only as robust as the diversity of inputs to that process. However, for the electricity industry we might have expected more explicit statement of outcomes for system security and reliability and recognition of the Energy Trilemma (the trade-off between sustainability, reliability and affordability).

Q3. Are any of the outcomes higher priorities than any other?

Yes, (Net) zero carbon Aotearoa; an overarching focus on NZ's commitment to Climate Change targets should frame all other outcomes.

Q4. Do you agree with the emerging themes on our role? Should we consider any more?

We largely agree with the emerging themes for the role and purpose of the Authority (section 6)⁴, except for the fourth theme that describes the Authority as "...the voice of electricity (the advocate), we build trust, we co-ordinate and collaborate, and take a leadership role in cross-agency discussions..."

While we agree with the leadership, co-ordination and collaboration intent, we consider the Authority is an important voice [not '**the**' voice] alongside many qualified voices that exist in the industry. The statement could be alternatively expressed as e.g. "we are a trusted and

⁴ We recognise our and electricity's role in enabling progress, wellbeing and prosperity for New Zealand; our core responsibility is the execution of our statutory functions, for example running and developing the market; we have consumers at our heart and take a long-term view of how electricity regulation will need to evolve to deliver benefit; we are the voice of electricity (the advocate), we build trust, we coordinate and collaborate, and take a leadership role in cross-agency discussions; we set the narrative around key long-term balances and trade-offs between sustainability, reliability and affordability.

confident voice for the electricity sector, we collaborate and take a leadership role in cross-agency discussions.”

Q5. Are there any other key organisational capabilities we should focus on developing?

What we suggest below may be more related to behaviours than capabilities, but:

- to be an approachable and engaged regulator, curious about the diverse experiences and incentives of those impacted by the Authority’s role
- to play an active role in fostering, trialling and funding new concepts and approaches with industry, to kick start the creation of new frameworks and services

Q6. Which do you think are the most important capabilities we should prioritise development of?

Attention to *deep empathy* and *purposeful connections*. However, we consider *empathy* could be replaced with *listening* as we consider that as a key attribute of genuine consultation with electricity industry stakeholders (consumers, generators, networks and other regulators). Greater diversity in voices supports wider discussion and generates broader options. No-one should feel like they are not being heard.

For the other capabilities:

Committed culture conveys a higher-level value statement to underpin capabilities, rather than a core capability of itself. The Authority should aim to be viewed as a preferred employer.

Transformative thinking perhaps transformative *action* rather than solely thinking; the Authority needs to be agile and responsive to the changing environment (as well as being able to lead changes to the environment), while also ensuring a consistent approach to market change to ensure investor certainty and investment appetite.

Impactful delivery the Authority’s work plan can be quite demanding leaving the staff over-stretched, potentially at the expense of quality and risk of non-delivery. The changed strategy would focus on delivery.

The growing mandate on the Authority could risk it trying to do it all itself, but we encourage greater reliance on industry expertise and capability both in thinking and delivery.

Q7. Are there any further key shifts you would suggest we make?

Make the shifts achievable while still being aspirational.

Reflect on developments on forward thinking in other jurisdictions: the UK regulator OFGEM’s decarbonisation plan⁵ is an example, as is the thought piece Redesigning Regulation from London’s Imperial College⁶.

⁵ Ofgem, [Decarbonisation Action Plan](#), 3 February 2020

⁶ Sandys, Hardy, Rhodes and Green, [ReDesigning Regulation](#), December 2018

Q8. Which are the most critical shifts of those listed above?

The paper identifies many (eleven) shifts⁷ required to move from the current state to future state. In our view, the most critical shifts are:

- demonstrating clear listening, understanding and response to stakeholders
- clarity of process, including early engagement on draft ideas
- more cooperation and collaboration
- swifter and more agile delivery, focussing on pragmatism and completion
- increased diversity in expertise, approach and thought.

⁷deeper understanding of and engagement with consumers; demonstrating clear listening; understanding and response to stakeholders; industry leadership and advocacy; more cooperation and collaboration; horizon-scanning and proactivity; boldness and decisiveness; increased rigour and transparency of prioritisation; swifter and more agile delivery, focussing on pragmatism and completion; clarity of process, including early engagement on draft ideas; generating and publishing insights from the wealth of data available; increased diversity in expertise, approach and thought.