



TRANSPOWER

Waikoukou
22 Boulcott Street
PO Box 1021, Wellington
New Zealand
www.transpower.co.nz
Telephone +64-4-590 7309
micky.cave@transpower.co.nz

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John Rampton
General Manager Market Design
Electricity Authority
By email: submissions@ea.govt.nz

Dear John

2018/19 Levy-funded appropriations and focus areas

We appreciate the opportunity to submit on the *2018/19 Levy-funded appropriations and work programme focus areas*, published 21 November 2017.

Communication about efficiency and for transparency

We consider this consultation on funding for the Authority's operations provides opportunities for the Authority to consider improvements in the transparency of its operating budget decisions. We consider it important, for industry and consumer confidence, for there to be evidence of continuous improvement leading to efficient and effective expenditure. We would welcome increased information disclosure during the year focussing on programme coordination and prioritisation.

Efficient operation: We consider there is a risk the Authority may spread itself thinly across too many projects. Having a high number of projects in the work programme can be difficult to manage, and can result in project delays or disruption impacting industry certainty.

Having a tightly focussed set of priorities and workplan may improve progress. The approach adopted by the Authority with the section 42 matters under the Electricity Industry Act is a successful precedent. Section 42 listed seven matters as priorities, and provided the Authority with a twelve-month deadline. The consequence was that the Authority made considerable progress in addressing the issues.

We suggest the Authority could adopt a similar approach for its work programme by:

- identifying, say, ten projects that it will prioritise and work on in the next financial year
- only adding a new project when a top ten project has been completed or paused
- signalling the prioritisation of the remaining (or emerging) projects, how this prioritisation has been applied, and commencement dates for each project.

In our submission last year, we requested "greater focus on ensuring consistency and coherence across different Authority pricing workstreams (in particular network, energy market, distributed generation)" and "operational and market arrangements to facilitate

smooth and efficient integration of emerging technologies into the power system”.¹ Our view is that focus on these items remains a priority.

Transparency: We see benefit in the Authority adopting a greater level of transparency and reporting each year on its work programme and high priority individual projects. This transparency could include start dates, key milestones and consultation timeframes as well as updates during the year including comparisons of actual spend to date and budgeted costs for major projects.

Assignment of funds: We support the Authority explaining how the cost of Financial Trading Rights (FTR) was absorbed within its existing budget and would like to see the Authority continue to explore and communicate efficiencies. We would also like greater visibility of how levy-funded appropriations are assigned to projects, such as a breakdown of market operations expenditure across the six distinct programmes.

Policy decisions that require funds for analytical support should be accounted for in the Authority’s budget, and accordingly, be levy funded.

Interaction between different regulatory agencies and processes

As the energy market evolves, government bodies and regulators need to collaborate effectively to ensure better and more efficient policy and regulatory outcomes. Our view is that efficient collaboration could also reduce regulatory impost on regulated entities.

We support the work of MBIE on its energy charter “to promote active and cohesive management of the energy markets regulatory system” for the government and its regulators.² We would also like to see the Authority and Commerce Commission work towards regulatory settings that provide consistent incentives to improve efficiency and reduce costs.

Please contact me if you have any questions about this submission.

Yours sincerely



Catherine Jones
Regulatory Affairs and Pricing Manager

¹ Transpower, 2017/18 Levy-funded appropriations and strategic priorities, 6 December 2016.

² Electricity Authority, the Commerce Commission, the Gas Industry Company, and the Energy Efficiency and Conservation Authority. From the [Briefing to Incoming Minister](#) October 2017

Appendix A: Responses to the consultation questions

Q1. What is your view on the Authority's proposed 2018/19 Electricity industry governance and market operations appropriation amount of \$74.270 million?

While there is a high degree of detail for the System Operator, Service Provider and facilitating consumer participation expenditure, little information is provided for the Authority's expenditure for market operations. We would like to see greater transparency and breakdown of the Authority's proposed appropriation for its operations across the work programmes.

Policy decisions that require funds for analytical support should be accounted for in the Authority's budget, and accordingly, be levy funded.

Q 2. What is your view on the continuation of the What's My Number campaign in 2018/19?

The type of information provided to the Commerce Committee on the What's My Number campaign for 2015 would assist stakeholders in assessing whether the Authority should continue the campaign.³ For example measuring the contribution advertising is making, if any, to improved customer switching.

Q 3. What is your view on the areas of focus for the Authority's 2018/19 work programme?

In our submission on this matter last year, we requested "greater focus on ensuring consistency and coherence across different Authority pricing workstreams (in particular network, energy market, distributed generation)" and "operational and market arrangements to facilitate smooth and efficient integration of emerging technologies into the power system".⁴ Our view is that focus on these items remains a priority.

Q4. Do you support the appropriation increases the Authority would require from 2021/22 and out-years to implement real-time pricing?

We were pleased to see the Authority provide an advanced projection of the costs for implementing real-time pricing beyond 2018/19. This is consistent with our position that it would be a good idea for the Authority to provide a break-down of its expenditure for its high priority projects.

Q5. What is your view on the Authority's proposal to keep the Managing the security of New Zealand's electricity supply appropriation unchanged for 2018/19?

We support the Authority's proposal.

Q6. What is your view on the Authority's proposal to seek up to \$1.000 million for the Electricity litigation fund appropriation in 2018/19?

It is not clear why increasing the litigation fund to \$1 million is needed. The Authority has the option of applying for further appropriation on an as needs basis. A priority of the Authority should be to lower the risk of litigation by ensuring it runs its policy development processes well, particularly on contentious matters, and/or where policy decisions have substantial financial implications for market participants.

³ Commerce Committee 2015/16 annual review questions 103 – 107 to the Electricity Authority Response provided: 13 December 2016, response to question 103.

⁴ Transpower, 2017/18 Levy-funded appropriations and strategic priorities, 6 December 2016.