



MAJOR ELECTRICITY USERS' GROUP

29 November 2010

Lisa DuFall
Electricity Commission
By email to submissions@ea.govt.nz

Dear Lisa

Submission on consultation paper - Statutory objective

1. This is a submission by the Major Electricity Users' Group on the Electricity Authority consultation paper "Interpretation of the Authority's statutory objective" published 8th November 2010¹.
2. Consultation on this paper and the companion papers on advisory groups and consultation charter is welcome. Final decisions on these matters will be helpful to interested parties such as MEUG members when proposing Code changes, considering changes proposed by others and assessing decisions made by the Authority.
3. Ideally we would have liked to have seen the initial Statement of Intent (SOI) for the Authority and proposed metrics for measuring performance to understand how that dimension of the statutory objective will be implemented. Because of compressed timetables that isn't possible this year. Perhaps next year when consumers, suppliers and the Authority have gained experience with the SOI there may be value in a short review of the Statutory Objective paper.
4. Comments follow ordered in sequence as mentioned in the consultation paper.
5. "*Promoting competition*" is interpreted (paragraph A.14) as meaning the Authority "*exercising all of its powers and functions.*" The same reference is used for promoting reliable supply in paragraph A.31 and promoting efficient operation in paragraph A.49. For clarity we suggest the first mention of the Authority "*powers and functions*" have a footnote with a reference to s.16 of the Electricity Industry Act titled "Functions of Authority." That section of the Act covers all the powers and functions the Authority can use.
6. For the objective of reliable supply by the electricity industry (paragraph A.21) the Authority interprets this to cover "*the actions of all parties in the electricity industry, including generators, transmission and distribution networks and electricity consumers.*" We agree with this all inclusive interpretation of the electricity industry. However *Industry Participants*

¹ Refer <http://www.ea.govt.nz/our-work/consultations/corporate/statutory-objective/>

as defined in s.7 of the Electricity Industry Act does not include all end consumers; rather it only includes grid connected consumers. Apart from not including all non-grid consumers, the statutory definition of Industry Participants does not include other parties relevant to the objective of the Authority such as ASX and parties involved in trading futures and options such as financial institutions. It is not clear in reading the consultation paper where references are made to "*electricity industry*" whether that refers to a broader view or the narrower Industry Participants list in the Act. Perhaps "*electricity industry*" is likely to be viewed as referring to the supply side and or upstream only and another term should be used such as "*electricity sector*"?

7. Paragraph A.30 could be strengthened by adding a new final sentence: "*To the extent the Authority may decide certain "realities" preclude first-best arrangements; then the Authority will clearly articulate what those "realities" are so consumers and suppliers can assess the robustness of those decisions.*" This will ensure transparency and therefore improve accountability about Authority decisions where first-best solutions are not chosen.

Yours sincerely



Ralph Matthes
Executive Director