



MAJOR ELECTRICITY USERS' GROUP

20th September 2016

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

Dear John

Re-orienting advisory groups

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper, Reorienting advisory groups, 9th August 2016.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. In this submission MEUG:
 - a) Suggests the terms of reference for the Market Development Advisory Group (MDAG) include facilitating effective consumer participation in monopoly cost allocation and pricing processes.
 - b) Interprets the terms of reference silence on whether advisory group members can circulate agenda papers ahead of advisory group meetings as allowing them to do so. MEUG suggests use of confidential agenda papers be kept to a minimum.
4. Responses to questions in the consultation paper follow:

Question	MEUG response
1. What feedback do you have on the proposed IPAG, including its purpose and scope?	Agree with proposed scope of the Innovation and Participation Advisory Group (IPAG) as illustrated in Figure 1 and the need for this new advisory group because “the electricity industry faces potentially far-reaching changes from evolving technologies”. ²

¹ URL <http://www.ea.govt.nz/dmsdocument/20822> at <http://www.ea.govt.nz/development/work-programme/risk-management/wholesale-market-information-clause-13-2-and-fuel/consultation/#c16099>.

² Consultation paper paragraph 2.2.2.

Question	MEUG response
2. What are your views on the membership of IPAG, and how to engage the sorts of parties that will ensure it can achieve its purpose?	A larger, more diverse membership than the current advisory groups with flexible engagement to maximise opportunities for IPAG members to contribute as proposed is appropriate. ³
3. What are your views as to how the IPAG might operate, so as to best achieve its purpose?	See response to Qu. 2 above.
4. What feedback do you have on the proposed MDAG, including its purpose and scope?	<p>Apart from one potentially new aspect, the proposed scope for MDAG is appropriate.⁴</p> <p>The possible new aspect that MDAG could cover is consumer participation in the pricing and cost allocation of monopoly services under the strategic priority “Improve price signals”.</p> <p>Consumer participation in relation to the existing and emerging competitive business models is covered in the proposed scope of IPAG. IPAG does not cover consumer participation for monopoly services and the pricing of those services. Consumer participation for pricing of monopoly services is ad hoc. For example:⁵</p> <ul style="list-style-type: none"> • Part 12A of the Code requires consultation by distributors with traders on proposed changes to tariff structures but not directly with consumers.⁶ There is no requirement on traders in turn to consult with consumers. • The Commerce Commission EDB Information Disclosure Determination requires distributors to have sought the views of consumers on pricing methodologies.⁷ <p>MEUG suggests MDAG explicitly include in its scope the promotion of efficient consumer participation in cost allocation and pricing for monopoly services. A suggested change to the terms of reference for the MDAG is set out in response to Qu. 9 below.</p>
5. What are your views as to the membership of the MDAG, and how it should operate?	Apart from considering any adjustment for the response to Qu. 4 above in relation to consumer participation for monopoly pricing and cost allocations, the proposed membership and operation of MDAG is appropriate. ⁸

³ Ibid paragraphs 2.4.6 to 2.4.15.⁴ Ibid paragraphs 2.5.3 to 2.5.7.⁵ This is not an exhaustive list.⁶ Code cl. 12A.7.⁷ Electricity Distribution Information Disclosure Determination 2012, cl. 2.4.1 (4).⁸ Consultation paper paragraphs 2.5.8 to 2.5.10.

Question	MEUG response
<p>6. Do you agree with the Authority's proposal to:</p> <ul style="list-style-type: none"> a) introduce new terms of reference for the IPAG and MDAG, subject to the feedback provided under Q1 - Q5 b) replace the current terms of reference for the SRC in its entirety, with an updated and streamlined version 	<p>Agree.</p> <p>Agree.</p>
<p>c) replace the current version of the charter in its entirety, with an updated and streamlined version?</p>	<p>Agree.</p>
<p>7. Do you agree with the Authority's assessment of its proposals? If not, what alternative assessment would you make and why?</p>	<p>The proposed changes, assuming the EA considers the comments of MEUG in the responses above, are reasonable and likely to promote better outcomes than the two alternatives in paragraph 4.2.1 of the consultation paper. MEUG has no other suggested alternative means to reorient the advisory groups to meet the EA's objectives.</p>
<p>8. Are there alternatives to either of the Authority's proposals that you consider would better meet their respective objectives? If so, please describe the alternative and why it would be preferable</p>	<p>See response to the question above.</p>
<p>9. Do you have any specific comments on the drafting of the proposed new versions of the Charter and terms of reference for the SRC, IPAG, and MDAG?</p>	<p>MEUG has one suggested drafting change to the terms of reference for MDAG and one commentary on when advisory group agenda papers can become public.</p> <p>First the suggested drafting change. As noted in response to Qu. 4 above MEUG suggest a change to the terms of reference for MDAG (new text underlined):</p> <p style="padding-left: 40px;">cl. 2.2 (a) (ii) "improving administered prices and cost-allocation methods such as distribution pricing, distributed generation pricing principles, cost allocation of ancillary services <u>including facilitating effective consumer participation in monopoly cost allocation and pricing processes</u>.</p> <p>Second the publication of advisory group agenda papers. The terms of reference are silent on whether advisory group members can circulate non-confidential agenda papers ahead of an</p>

Question	MEUG response
	<p>advisory group meeting. MEUG interprets this as allowing members to circulate non-confidential agenda papers in whole or part at their discretion to allow those members in acting in his or her personal capacity to improve their contribution to advisory group meetings. In other words there is no prohibition of non-confidential agenda papers becoming public ahead of meetings.</p> <p>If it is not the intention of the terms of reference that advisory group members can circulate non-confidential agenda papers ahead of a meeting then clauses should be included in the terms of reference to that effect. We think drafting such enforceable restrictions on circulation of non-confidential agenda papers as infeasible in this instance.</p> <p>This raises the question of how the EA can enforce advisory group members not circulating confidential agenda papers within their affiliated organisations. MEUG suggest the inclusion of confidential papers in advisory group agenda papers be kept to a minimum because of the problem of the EA's weak ability to enforce selected parties and affiliated organisations having access to information before other parties in the market.</p> <p>Finally MEUG suggests if advisory group agenda papers are or could in effect be widely available before an advisory group meeting (because there is no prohibition on members circulating papers) then they should be published as soon as practicable after they have been circulated to members. That is non-confidential agenda papers should be published before a meeting. This view was submitted by MEUG to the EA in the prior review of advisory group administrative arrangements in 2013.⁹</p>

5. We look forward to the establishment of the IPAG and MDAG.

Yours sincerely



Ralph Matthes
Executive Director

⁹ Refer MEUG to EA, Consultation Paper – Review of advisory group administrative arrangements, 16th April 2013, response to Qu.7, pp3-4, found at <http://www.meug.co.nz/node/532>