



ENERGY TRUSTS OF NEW ZEALAND INC.

P O Box 109626

Newmarket

Auckland 1149

Phone: (09) 978 7673

www.etnz.org.nz

22 December 2017

Dr Helen Brookes
Chairman
Waitaki Power Trust

}

Via : Fay Ormandy
Secretary
Waitaki Power Trust:

Sharon Crosbie
Chairman
Electra Trust

}

→ waitakipt@gmail.com

Ian Martella
Chairman
Marlborough Electric Power Trust

}

Dear Helen, Sharon & Ian

Recent changes to the Electricity Authority's work plan

Karen Sherry has asked me to respond to your joint letter of 30 November. I apologise for the delay, since you wrote there has been a fair bit of discussion among the ETNZ executive team on the EA's role and proposed activities, and on the related topic of the government's forthcoming electricity review.

There is general agreement within the executive that the EA treats distribution (and trust) interests as peripheral to its central theme of promoting the efficiency of the energy market. Your concerns about the emergence and membership of the IPAG are shared, as are your concerns about the EA's quasi-regulatory role expanding into areas where trust governance could be undermined.

There has been some ETNZ lobbying of key MPs about these issues, and the executive has been developing strategies aimed at communicating our concerns to the Ministers most involved, and to the Commerce Commission, early in the New Year. In particular I've been asked to suggest to the Commerce Commission that the EA's work programme is extending into areas that the Commerce Act specifically assigns to the Commission – I'll forward my letter to the Commission to you later in December once it has had sign-off from Karen and others.

Karen is proposing to approach the Energy and Environment Ministers in the New Year, as well as other MPs, suggesting that the EA's aspirations to abolish the avoided cost of transmission (ACOT) payments to distributed generators be put on hold, and that no further EA work be done on the Transmission Pricing Methodology (TPM), pending a more fundamental review of the purpose and impacts of the transmission pricing regime. At this stage we are reasonably confident that the group being selected by the government to review the electricity sector will be tasked with looking at the broad spectrum of activities covered by the EA but we'll be looking hard at that group's terms of reference when it emerges.

If the pending review does lead to the TPM work, in particular, being frozen then it will be interesting to see how the EA reacts. We may find that the relevance of the current two-regulator regime is called into question, or that a much clearer dividing line is drawn between the roles of each regulator.

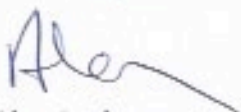
You also raised the issue of the very apparent conflicts of interest apparent among the members of the IPAG. This is especially worrying given the EA's power's to effectively formulate and impose regulations, without any higher legislative oversight. If the government's 2018 review has the broad mandate we expect then this is another issue to be highlighted in submissions to that group. At this stage I suspect that the EA itself would ignore any calls for reconstituting the IPAG and that Ministers would be reluctant to give much attention to this ahead of the review.

When the Electricity Commission took over the primary market development role that the M-co/NZEM structure had been carrying out, it was stressed that the new advisory group structure would not have the same programme management role that the original 'M-co working groups' had, and instead would simply provide informed advice to the Commission (now the EA) which would have the real decision-making power and the appropriate expertise. While I'm sure most ETNZ members would dispute whether this is how the current arrangements work, we could expect the EA to defend its selection process by saying that it's done on the basis of individual's industry knowledge and that the oversight process is there to ensure that any personal bias is discouraged or set aside.

We'll certainly keep trustees informed on ETNZ activities in this area.

In the meantime very best wishes for Christmas and the New Year.

Warm regards



Alan Jenkins
Executive Officer, ETNZ
Ph 0274 57 5758