

24 February 2020

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

by email: strategy@ea.govt.nz

Feedback on Strategy Development-Working Draft Emerging Themes Discussion Paper

1. Orion New Zealand Limited (Orion) welcomes the opportunity to comment on the Electricity Authority's (the Authority) discussion paper (the paper) on its strategy development and emerging themes from that.
2. The appendix to our submission covers our responses to your specific questions.
3. We applaud the Authority for seeking stakeholder and participant views early in the refresh and development of your strategy. We also believe the emerging themes, in principle, are relevant.
4. Orion commenced its own review of our business strategy during 2018. It is pleasing that the Authority's emerging themes for New Zealand align well with Orion's strategic themes¹, and we hold similar views on challenges facing our industry.
5. The Authority should ensure that the strategy engenders regulatory certainty for stakeholders given that your capability transition will require some lead time and so that sector resources are used efficiently.
6. We would like to understand more about areas of focus the Authority is contemplating under the Net-Zero Aotearoa theme. It is important that the Authority maintains clarity around the extent of its role.
7. A key observation we have regarding your emerging themes is whether the existing statutory objective may hinder the Authority's ability to deliver on the strategic focus areas. Within our strategy, decarbonisation translates to an eye on sustainability (both internally and in partnership with our community), along with evolving our operational processes and systems. It may be difficult for the Authority to be accountable for its sustainability functions if the statutory objective does not reflect this accountability and role of the Authority. A disparity may develop with the

¹ Our strategic themes include being a driver of sustainability, transforming industry capability, being a leading platform operator, and being most trusted in our region as well as our licence to operate requirements of delivering both a resilient and reliable system and world class health and safety along with maintaining a financially sustainable business.

Authority at odds with government advocacy on decarbonisation, at the highest level, and business activity in pursuit of this by stakeholders.

Concluding remarks

Thank you for the opportunity to provide this feedback. We do not consider that any part of this feedback is confidential. If you have any questions please contact Dayle Parris (Regulatory Manager), DDI 03 363 9874, email dayle.parris@oriongroup.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Jamieson', written in a cursive style.

Rob Jamieson
Chief Executive

Appendix A- Format for feedback

Submitter	Orion NZ Limited
Question 1: Is the role of our strategy clear, particularly in relation to our statutory objective and functions?	Expanding on points made in our covering letter, we believe the Net-Zero Aotearoa emerging theme may need to be linked more explicitly to the electricity industry. We suggest that a broader theme of ‘sustainable electricity ecosystem’ would be more enduring beyond the 2050 Net-Zero target. The link then to the existing functions of the Authority becomes more seamless. This aligns strongly with the concept of kaitiakitanga.
Question 2: Are each of the key outcome themes appropriate? Have we missed any?	<p>Net-Zero Aotearoa- see response to Q1 above. From a distributor point of view recasting this theme, as suggested, acknowledges that there are multiple players that contribute to delivering the statutory objective. We are concerned that the important role of distribution as an enabler, in connection and delivery of two-way flows that will support electricity markets, is often overlooked.</p> <p>Consumer centricity/Trust and confidence- We agree with these outcome themes. They align well with our own strategic thinking. These themes are also fundamental to the licence to operate particularly, from our perspective, quality of supply (reliability) and provision of a robust system (resilience) that can support the community in times of need. This aligns strongly with the concept of manaakitanga and whanaungatanga.</p>

	<p>Thriving competition- We suggest that the Authority be much more explicit about what competition means in delivering the statutory objective. At its highest level we think this means affordably enhancing the lifestyles of New Zealanders, and the economic efficiency and productivity of New Zealand businesses. We are concerned that the role of platforms is not central to the Authority’s thinking. Platforms, be they distribution systems or coordination systems and processes or the energy market, facilitate and create potential for competition. Platforms undone will significantly reduce New Zealand’s options and the loss of competition will seem minor compared to this.</p> <p>Innovation flourishing- We agree with this theme. It aligns well with our role in developing and undertaking our network transformation as a platform operator, an enabler.</p> <p>The Productivity Commission’s January 2020 draft report, on Technology adoption by firms- technological change and the future of work, stated that “There is not too much technological change and adoption in New Zealand; there is too little.” Further, the report says that “specific areas where policy action by government would encourage technology adoption by firms include:...- strengthening the national innovation system;...”</p> <p>We think the Authority has a stronger role to play here. We challenge the Authority to consider how they can work to encourage the uptake of new technology and innovations across the system. For example, how can the Authority facilitate stakeholder access to government innovation programs like the R&D tax credit, Callaghan or EECA opportunities? Perhaps, there is a role for the EA to act as an interlocuteur for the sector into the government innovation system alongside EECA.</p> <p>When considering customer centricity and innovation, as a balancing factor, we note there is a significant group of consumers that don’t necessarily want to engage. These consumers just want simplicity and value for money. A drive for intervention, engagement and innovation may undermine both these desires, of this group, adding complexity and cost. In this regard, the Authority’s role should be to facilitate and provide for innovation, not to drive it through at all cost.</p>
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<p>Question 3: Are any of the outcomes higher priorities than any other?</p>	<p>As currently cast we would see Trust and Confidence followed by Consumer Centricity as the top two priorities that underpin the others. Prioritisation is challenging because we see the outcomes as interrelated and hard to separate.</p>
<p>Question 4: Do you agree with the emerging themes on our role? Should we consider any more?</p>	<p>We are highly supportive of the stated themes for the Authority's role.</p> <p>We especially agree that the Authority should be the voice and champion for electricity. The Authority needs to stay true to this theme, advocating, providing the narrative of the future, building buy-in for that future and generating understanding about the short-term sacrifices that may be needed to achieve this. This is especially important with the general public.</p> <p>On this we seek clarity about the role of EECA versus the Authority when it comes to championing decarbonisation through electrification.</p> <p>Clear articulation of the boundaries between regulators and other organisations such as EECA are required to ensure clarity of messaging and cohesion. In addition, deep knowledge about activities that transition across regulators is important if rule, guideline, system and process changes are to seamlessly and cohesively keep up with the changing external environment.</p> <p>An additional couple of themes to consider are;</p> <ul style="list-style-type: none"> (a) 'we leverage our knowledge and access to data to share risks and provide insights about electricity, and the systems and markets that support delivery.' Providing transparency and full information is critical to having a well-functioning market. (b) 'we take a principle based, outcome focussed approach to rules and guidelines that support our other key roles'

<p>Question 5: Are there any other key organisational capabilities we should focus on developing?</p>	<p>The organisational capabilities described in Section 7 of the discussion paper signal the need for a transformation in people capability and organisational model within the Authority. At the Christchurch strategy session, on the 17 February, it was suggested that ‘Deep Knowledge’ is an additional important capability. This points to the need to both retain important institutional knowledge present within the Authority while marrying this with more diverse thinking and growth mindset.</p> <p>As a participant, transparency about the relevant touch points within the Authority, depending on topic, would make addressing issues and sharing insights more efficient and productive.</p>
<p>Question 6: Which do you think are the most important capabilities we should prioritise development of?</p>	<p>We encourage development of;</p> <ul style="list-style-type: none"> (a) transformative thinking and committed culture- you need some lead time on these and we see them as ‘hand-in-hand’. Any change of this nature takes time and needs to occur at a pace that is manageable while continuing to focus on ‘business as usual’ (b) purposeful connections and deep empathy- building connections and understanding about consumers will support impactful delivery which is where outcomes will be measured. Also, understanding that the industry has common goals or objectives, as indicated by our strategic alignment with the Authority. Look to listen to the contribution distributors make and leverage the consultation they do with community.
<p>Question 7: Are there any further key shifts you would suggest we make?</p>	<p>We seek deeper clarification of who the Authority considers are its stakeholders (Households? Market Players? Electricity Retailers?).</p>
<p>Question 8: Which are the most critical shifts of those listed above?</p>	<p>From our perspective the following five shifts listed are most critical;</p> <ul style="list-style-type: none"> (a) increased diversity in expertise, approach and thought (b) demonstrating clear listening, understanding and response to stakeholders

	<ul style="list-style-type: none">(c) clarity of process, including early engagement on draft ideas(d) increased rigour and transparency of prioritisation(e) swifter and more agile delivery, focusing on pragmatism and completion <p>From a customer perspective, we think the following five shifts listed are most critical;</p> <ul style="list-style-type: none">(a) deeper understanding of and engagement with customers(b) industry leadership and advocacy(c) generating and publishing insights from the wealth of data available(d) clarity of process, including early engagement on draft ideas(e) swifter and more agile delivery, focusing on pragmatism and completion
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