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Submissions
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Structuring the Electricity's Authority approach to compliance

Powerco welcomes the opportunity to submit on the development of the Electricity Authority's (EA) new compliance strategy where it looks to structure its compliance approach and focus its resources on the most serious and highest-priority risks. Powerco is one of Aotearoa's largest electricity distributor, supplying around 340,000 (electricity) urban and rural homes and businesses in the North Island. Electricity distributors are a key part of getting safe and reliable energy to the kiwi consumer's door and some of this activity falls under the EA's oversight.

We support the EA's direction for its compliance strategy framed in the draft compliance strategy document. It's an easy read and a pleasure to engage with. We have a few observations which are linked to some of the commentary in the document:

- *"Transparent and predictable enforcement of rules builds trust and confidence that all participants are held to the same standard solidifying regulatory confidence"* (p 3). We support this, though in practice it should be aligned to the approach to risks ie consistency is more important when the impacts are material. A principle-based approach provides the EA flexibility in their decision-making to tailor their approach in a bespoke, proportionate manner.
- *"We take a proactive problem-solving approach to addressing risks. Sometimes, a pattern of non-compliance will have an underlying cause and addressing that cause will solve the problem of non-compliance. We are open to exploring ways of addressing the underlying issues"* (p 5). One of the tools that could be in the kit from this analysis is to support or inform Code changes. For example, until recently, the Code required 4-yearly testing frequency of some relays which was misaligned with modern relay capabilities. Tools for addressing non-compliance could include updating the Code or relegating operational detail to an industry standard or guideline.
- *"We think it is important to focus on competition, reliability and efficiency but we also believe we need to focus on the biggest risks"* (p 6). To firm up regulatory transparency and give confidence in the approach we suggest the EA publish their assessments of risk magnitudes/likelihoods.
- *"The Authority will introduce compliance-specific forums focused on improving overall industry performance"* (p 9). This is a good idea. They should include a focus on the Authority's role in performance eg interpretations and application of the regulatory framework. We would also welcome updates on the approach taken to non-compliance situations and alignment with the compliance strategy.

If you have any questions about this submission, please contact me at Andrew.Kerr@powerco.co.nz.

Yours sincerely



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