

## **Submission on the Electricity Authority's The future operation of New Zealand's power system Consultation paper''**

Set out below is my submission on Questions 8 and 9 of the Electricity Authority's (EA) consultation paper. For context I note:

- many of the matters raised in the consultation paper are ones that do require consideration now, as part of the planning for the transition away from fossil fuel use to a more electrified future. The paper raises many issues which are relevant and need industry consideration
- the industry and the EA should take advantage of the work being undertaken internationally on managing power systems during and for this transition. But the unique nature of New Zealand's power system, generation capabilities and the size and geographical isolation of the country, as well as the small scale of the New Zealand economy, must be reflected in the strategy to be adopted that will support the needed changes
- my submission is provided as a former Transpower System Operations Manager (for 8 years until 2017), and the views expressed are entirely my own.

Q8. Do you think there are significant conflicts of interests for industry participants with concurrent roles in network ownership, network operation and network planning? Please provide reasons for your answer.

On the face of things, there are inevitably conflicts of interest between the various industry and regulator parties which together deliver the New Zealand power system. In the paper the EA has noted how these conflicts are managed - primarily through the Commerce Commission expenditure and performance approval process and its high-level oversight of the operational performance of distributors and Transpower as grid owner, and the EA's contract with Transpower for the system operator service and oversight of Transpower as a grid owner industry participant.

From my experience of many interactions with the EA since its inception, right up to December, the EA seems to have had a long held, almost ingrained concern about the existence and impact of a conflict between Transpower's roles as grid owner and system operator. These roles are established by legislation and are further defined in the Code (in its various forms). Notwithstanding the issue of conflict being regularly raised by the EA, in my time as System Operations Manager and during subsequent time working in Transpower's governance team up to the end of 2024, I was not aware of any specific allegation of conflict raised by any industry participant. In my experience, conflicts of interest between Transpower in its two roles was a matter well known to be of interest to industry participants, especially generators (they periodically told Transpower so), but no explicit issues were ever raised by them. My very strong impression was that the industry knew about but accepted the existence of the potential for conflict and was comfortable with how Transpower behaved. I believe industry participants would have felt no qualms in raising conflict issues if they believed they existed.

On the other hand, the EA has regularly raised the issue of Transpower's internal conflict, and at considerable cost to Transpower and itself, attempting to 'manage' its concerns which in my view were much more apparent than real. It is of course proper for the EA as a regulator to take an interest in such matters, even though the EA is itself conflicted (by legislative construct) in its

statutory roles as the developer of and enforcer of the Code, as well as appointer of the Rulings Panel to which it is also the party prosecuting breaches, including from time to time those alleged against Transpower.

But overwhelmingly, the EA's legitimate and real concerns with Transpower have had little to do with conflicts. Rather, they have, quite properly, revolved around operational failures that were not born from a conflict of roles. The EA has played an important role in exposing several operational failures (such as the 2017 AUFLS event) which have in turn led to operational improvements, benefiting the industry.

The EA's consultation paper comes back yet again to the supposed issue of conflict between Transpower's roles as grid owner and system operator, suggesting (even if only by implication) there may be a need to separate the roles currently recognised by and established in the Electricity Industry Act 2010 (and also earlier legislation). There seems to be a deep-seated belief that the roles should be separated to make the system operator an independent business. Notably, the EA does not seem to ask the question: should its own role as regulator be separated from its enforcement role - as is the case in Australia. In my view, the current arrangements – Transpower's dual role and the EA's multiple roles (it designs the Code, enforces the Code, appoints the Rulings Panel) necessarily reflect New Zealand's small size and the limited resources, experience and capabilities available to run the power system as a whole.

To establish the system operator as a truly independent business would require substantial new funding (currently not needed because of Transpower's ability to share resources across its two roles), considerable duplication of effort and result in reduced efficiency, all at a time when managing the system continues to grow in complexity. Accommodating these changes will need more funding and people resources, all of which will be much better applied to resolving the future energy transition rather than trying to solve a non-existing conflict problem.

Q9. Do you have any further views on whether this is a good time for the Authority to assess future system operation in New Zealand, and whether there are other challenges or opportunities that we have not covered adequately in this paper? Please provide reasons for your answer

It is important for the industry and the EA to consider future system operations, and to do so now. However, the EA should abandon its focus on conflict of interest within Transpower as that issue has drained the attention of too many people for too long, with little if any benefit, and cost far too much money, at the expense of much more pressing matters.

It is time for the EA to move on from this matter.