

Appendix 3: Consideration against objectives and outcomes

Objectives and Outcomes under section 172N of the Act and GPS	Response
The Commission's principal objectives are as follows:	
<ul style="list-style-type: none"> • To ensure that electricity is produced and delivered to all classes of consumers in an efficient, fair, reliable, and environmentally sustainable manner; and • To promote and facilitate the efficient use of electricity. 	The proposed changes will assist with providing efficient, fair and reliable market processes which facilitate delivery to consumers.
The Commission's specific outcomes are as follows:	
a. energy and other resources are used efficiently;	Proposed changes have no impact.
b. risks (including price risks) relating to security of supply are properly and efficiently managed;	Proposed changes have no impact.
c. barriers to competition in the electricity industry are minimised for the long-term benefit of end-users;	The proposed changes will reduce generation settlement cost, and certification and audit barriers.
d. incentives for investment in generation, transmission, lines, energy efficiency, and demand-side management are maintained or enhanced and do not discriminate between public and private investment;	Proposed changes have no impact.
e. the full costs of producing and transporting each additional unit of electricity are signalled;	The proposed changes will ensure that volumes are allocated accurately and equitably to buyers and sellers, and this will assist with accurate electricity prices signals.
f. delivered electricity costs and prices are subject to sustained downward pressure; and	Delivers small improvement in administrative efficiency.
g. the electricity sector contributes to achieving the Government's climate change objectives by minimising hydro spill, efficiently managing transmission and distribution losses and constraints, promoting demand-side management and energy efficiency, and removing barriers to investment in new generation technologies, renewables, and	Delivers small improvement in administrative efficiency.

Appendix 4: Reconciliation Rules 2006 Assessment

Statement of proposal

- 1 Sections 172E and 172F of the Electricity Act 1992 (Act) set out the requirements on the Electricity Commission (Commission) regarding consultation on, and assessment of, a rule before recommending, to the Minister of Energy (Minister), that an amendment to the Electricity Governance Rules 2003 (Rules) be made.⁸
- 2 As the proposal constitutes a rule amendment the process set out in the Act must be followed.
- 3 The Commission has revised the statement of proposal prepared and published for the purposes of consultation under section 172E(2)(b)(ii), having regard to the submissions received on both the initial and second round consultation papers. The revised statement of proposal is set out below.

The proposal

- 4 The objective of the proposed rule amendment (an integrated package of a number of rule changes) is to enhance and maintain the quality of the data in the reconciliation process and achieve more visible and accountable industry processes and procedures. This objective is expected to improve the efficiency and effectiveness of the reconciliation process, thereby more accurately allocating electricity volumes to purchasers and ensuring that purchasers face the true cost of electricity.
- 5 Overall the changes to the reconciliation process proposed are substantial, the recommendations seek to create a comprehensive, well-integrated and easily understood set of rules that reflect best practice reconciliation processes in a cost effective manner. These changes are reflected in amendments to Parts A, D, E, G, and H of the Rules and the creation of a new Part J.
- 6 There are four key changes. These are the removal of incumbency, the facilitation and treatment of embedded generation data processing, the development of a compliance regime, and the grouping of GXPs for reconciliation. Each of these is briefly covered below:
 - a. **Elimination of Incumbency:** the ECRPT proposal is for the submission of consumption data by all retailers (including the incumbent retailer), to the reconciliation manager. The inclusion of incumbent retailer data in the balancing process means that the residual quantity of electricity not

⁸ Section 172H(3) of the Act provides that if the Minister makes, or the Commission recommends, a rule for a purpose for which an electricity governance regulation may be made, the Minister and the Commission must comply with the same conditions and process that would apply under section 172D(3), section 172E, or section 172F if they were making recommendations on that electricity governance regulation, and those sections apply (with all necessary modifications) accordingly.