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Submission on the Proposal to Amend the Requirement for Advisory Group Chairs to be Independent

Introduction

1. This is Vector Limited's (Vector) submission on the Electricity Authority's (the Authority) *Proposal to amend requirement for advisory group Chairs to be independent*, issued on 22 January 2019.
2. Vector does not support the Authority's proposal, which we consider to be a departure from good governance. We set out our reasons and make some suggestions below.
3. No part of this submission is confidential. Vector's contact person for this submission is:

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Supporting good governance

4. Vector does not support the Authority's proposal to remove the requirement for advisory group chairpersons to be independent. In our view, this would be a departure from good governance.
5. A chairperson is charged with providing leadership to advisory group members, and harnessing their insights and expertise so the group can provide the best advice to the Authority's Board on specific issues. A chairperson's independence ensures that:
 - a. actual or perceived 'conflicts of interest' that could undermine the integrity of an advisory group's recommendation or decision are avoided;
 - b. multiple and conflicting viewpoints are discussed and assessed in a balanced manner based on evidence;
 - c. an advisory group's recommendations and dissenting views are presented to the Authority's Board fairly and comprehensively;
 - d. industry participants, potential market entrants, and consumers have confidence that issues are considered by advisory groups in a fair manner. This minimises or avoids stakeholder complaints about any advisory group recommendations; and
 - e. more generally, stakeholder trust in regulatory decision-making processes that are informed by advisory group recommendations is fostered.

6. Section 6.1 of the Authority's *Terms of Reference for the Security and Reliability Council and other advisory groups*, reproduced below, set out the key functions of the advisory group chairperson.
 - 6.1 The key functions of the advisory group chairperson include:
 - (a) managing the group's activities to facilitate delivery of the group's work plan
 - (b) facilitating discussions between group members in a manner that will stimulate robust debate on issues and encourage effective contribution from members
 - (c) guiding relevant and effective discussions while also ensuring genuine disagreements and conflicts are not aired and, if possible, resolved
 - (d) ensuring that the minutes of each group meeting are correct
 - (e) ensuring that the views of the group are accurately represented in papers to the Authority
 - (f) attending Authority Board meetings, as required, to present the group's advice
 - (g) approving annual reports to the Authority regarding the group's progress against its work plan
 - (h) regularly report to the Authority's Chief Executive on the group's progress against its work plan, including highlighting any concerns about progress
 - (i) approving and signing on behalf of the group any other communications the group wishes to have with the Authority or other parties.
7. The above functions suggest that a chairperson performs a leadership and facilitating role, rather than a purely technical role. As such, we do not agree that there is a limited pool of competent men and women in New Zealand (or Australia) who could competently perform the above functions for the Authority's advisory groups.

Widening the search pool

8. Vector encourages the Authority to widen its search for chairpersons and not confine it to, say, the energy and telecommunications/IT sectors. For example, the Authority can consider the following sources in its search for potential chairpersons:
 - a. the transport sector, given the increasing impact of electric vehicles and intelligent mobility on energy systems;
 - b. data-intensive sectors such as banking, digital payments services, and electronic retailing/trading, given the increasing importance of data in better managing energy systems and providing greater choice for consumers over their use of electricity;
 - c. former senior policy makers or government officials, including from local economic development authorities;
 - d. former senior business executives in the energy or above sectors; and
 - e. independent consultants with expertise in innovative markets or cross-sector governance.
9. Our experience with the Gas Industry Company's (GIC) search for an "independent facilitator" for the Gas Transmission Access Code workshops in 2018 showed that it is not extremely challenging to find a suitable independent chairperson. We suggest that the

Authority engage with the GIC on this matter, if necessary, considering the interrelationships between the electricity and gas markets.

Calling for nominations prior to every selection round

10. To ensure that the Authority's pool of nominees is refreshed on a regular basis, we further suggest that the Authority make a call for nominations prior to every selection round to replace an advisory group chairperson or member who is resigning or whose term is about to expire. It is reasonable to assume that some qualified candidates would become available/independent in between nomination rounds.

Concluding comment

11. We are happy to discuss this submission with the Authority.

Yours sincerely
For and on behalf of Vector Limited

A handwritten signature in blue ink, appearing to read "Richard Sharp".

Richard Sharp
Head of Regulatory and Pricing