

Create a supply/procurement and risk management function for a **New Zealand electricity retailer**



What we were asked to do	<p>We were commissioned to create a supply/procurement and risk management function for an electricity retailer formed by the separation of a state-owned vertically integrated generator retailer. This coincided with the establishment of a wholesale market, so staff were faced with two cultural changes – the change to arm's length procurement, and trading in a wholesale market. The change included developing staff who are engaged and competent in the new approach they will be taking to electricity supply and risk management.</p>
How we approached the project	<p>Any electricity retailer has to carry out some core functions and carry them out well if they are to succeed. These can be summarised as:</p> <ul style="list-style-type: none">• Develop a culture that supports the business strategy and operating model• Understand the physical and financial markets• Have systems, processes and structures in place that enable effective business practices and sound governance• Ensure IT capability in particular is fit-for-purpose.• Upskill staff and attract additional staff to run the department and, in particular, manage the risks between the vagaries of the wholesale market and the fickleness of retailing electricity• Meet rule requirements• Comply with requirements on state-owned enterprises, and• Provide strategic guidance on key issues such as the rule change processes or an environmental strategy. <p><i>continued over</i></p>

Our findings

The operation has been a commercial success. The retail organisation has traded successfully and procured supply at a competitive cost. It has ensured that the rules work in their favour and that they have taken advantage of every opportunity and have been ahead of the market strategically.

The work was carried out over a period of one year from July 2005 – July 2006. We were retained to complete a number of projects following the commencement of the wholesale market. This included advising on an energy risk management policy for the incoming Board, and wholesale procurement options.

