

Your feedback on the Electricity Authority's funding for 2025/26

User:

Submitted: 12/12/2024 5:07:49 pm

Reference: 893da215-a63e-4e35-b765-b2440044115a

Summary of information submitted

Who are you submitting as?

Industry participant

First name

Irene

Last name

Clarke

Email

[REDACTED]

1. Which of the proposed funding options do you support for our Electricity Industry Governance and Market Operations appropriation?

Option 3

2. Which of the Authority's activities are top priority for you, and which other activities do you think should be traded off against these priority activities?

See attached submission

5. If you have any other comments on the Authority's levy consultation, please add those here

See attached submission

Written submission and/or supporting documentation



Powerco Submission to EA, Levy appropriations 2025-26, 12 Dec 2024.pdf

Last modified 2024-12-12 16:59:43 pm, file size 139.06 KB

The Authority intends to publish all submissions. Are you happy for the Authority to publish your submission?

Yes

12 December 2024

Electricity Authority
Via EA online information portal

Tēnā koe,

Levy-funded appropriations 2025/26 – a work plan with priorities and pace

The Authority's uplift with preferred option 3 is a 6.8% increase of the total governance and market operations appropriation¹. We support the Authority adapting its work programme to move on priorities at pace. **Option 3 levy increase is supported.** Our feedback is outlined below.

Option 3 – delivering more work faster

- We support an appropriate increase in funding to enable the Authority to deliver the work plan, while minimising cost increases to consumers by prioritising work.
- Option 3, including a \$7.8 million increase for operating costs for 2025/26 is a significant increase but appears reasonable. We recognise that costs are increasing, and timely investment is critical for the energy transition.

Focus and pace for the priorities on the ground

- The Authority must be evidence-based, collaborative, and timely in addressing regulatory pressures. The role of the Authority is heightened to support energy security and a growing economy as New Zealand electrifies and we Grow To Zero². To achieve its purpose, the Authority must direct resources to competently focus on the key priorities for the electricity system on the ground. The GPS³ effectively outlines these priorities providing an ongoing point of reference for the Authority's work plan.
- We endorse the Authority's regulatory strategy to guide priorities and effort. Principle 1 *we deliver better outcomes through clear and proportionate actions* and Principle 3 *our decision making is transparent, evidence-based and understood* are particularly important for directing effort and funding. For example, more resourcing of evidence to support connections pricing reform would have demonstrated that less regulation (and less levy spend) could achieve the outcome sought.
- We are very concerned that both option 1 and option 2, would scale down distribution sector work⁴ including distribution regulatory reform, pricing reform, and settings to support DG and non-network solutions. The pace of this work must be improved.

¹ Appendix C – increase of \$7.7 million to operational appropriations (although summary information refers to \$7.8 million).

² <https://www.powerco.co.nz/news/industry-insights/grow-to-zero>

³ Government Policy Statement on electricity issued October 2024.

⁴ Consultation paper Appendix B

Delivering priority activities in FY26

- We agree with the key items identified for delivery in FY26 through option 3,⁵ and see these items as broadly aligned with the GPS. We endorse the Authority
 - We note in our view some of the specific priorities in FY26 include implementing recommendations of MDAG, implementation tools and code changes for common quality, and access to MEP information. Additional priorities not referenced in the document include vehicle to grid settings, aligning with Australian review of market settings, and work programmes to support sector agreed priorities in the Energy Transition Framework.⁶
 - We endorse the Authority to *drive efficiencies in its operations through enhanced project management, financial management, and contract management of service providers*⁷, for all levy options, consistent with the Authority's statutory objective.
 - We query the proposition that even a no increase levy option would involve lowering performance for evolving cyber security risks⁸. System operator security, including cyber security, should be a priority in all levy options.
 - Areas where spending could be reduced include consumer education campaigns (as the Authority has already made good information and tools available) and the Power Innovation Pathway (limit to low-cost regulation support, particularly during the initial phase).
-

Transparency in work plan, funding, delivery

- We acknowledge the work plan breakdown in Appendix A with the differences in work plan shown across levy options 1, 2 and 3. Transparency in additionality of levy increases is something Powerco has sought in previous levy consultations. We recommend information be further broken down by the five items in the work programme to clarify relative resourcing of activities and changes over time⁹.
- The format of the work plan activities in Appendix A provides a useful structure for reporting¹⁰ on progress, changes in priorities and costs/benefits of initiatives. We strongly recommend greater alignment in presentation of work plan priorities, and other reporting on progress during the year¹¹.
- Work programme changes may affect external parties such as electricity distributors which are part of successful delivery of initiatives. If changes will impact others this needs to be clear. For example, the Authority may need to engage with the Commerce Commission about cost recovery and efficiency if there are implications for electricity distributor activities.

⁵ Discussion document para 3.32

⁶ Energy sector and government Energy Transition Framework developed 2022-24, the Authority is a government member.

⁷ Discussion document para 3.25 – noted as necessary for the no change levy option, but relevant for all options.

⁸ Discussion document page 27 option 1 funding restraint would reduce system operator ICT investment

⁹ For example, EECA and GIC provide work programme funding breakdown and changes over multiple periods.

¹⁰ Including for quarterly updates and for consultation on levy proposals in the following year.

¹¹ The published consultation calendar (now priority work programme) and quarterly updates provide significant benefit. The published calendar, corporate reporting (eg quarterly report) and the work programme presented in this consultation all follow different structures in presenting the Authority's activities.

If you have any questions regarding this submission or would like to talk further on the points we have raised above, please contact Irene Clarke [REDACTED]. This submission does not contain any confidential information and may be published in full.

Nāku noa, nā,



Emma Wilson

Head of Policy, Regulation and Markets

POWERCO