

Ministerial Briefing Recommended levy-funded appropriations 2026/27

Date	20/02/2026	Priority	High
Security classification	Budget - Sensitive	Electricity Authority reference number	BR-26-0006

Action sought – the Minister is asked to agree to the Authority’s proposed 2026/27 levy-funded appropriations.		
	Action	Deadline
Hon Simon Watts Minister for Energy	Note advice provided in this briefing Approve recommendations 1.4 – 1.6	5/03/2026
Appendices included	Appendix A – Electricity Authority levy-funded appropriation request 2026/27 Appendix B – Electricity Authority 2026/27 levy-funded appropriations consultation	
cc Hon Shane Jones , Associate Minister for Energy		

Contact for telephone discussion if required			
Name	Position	Email / Telephone	1st Contact
Sarah Gillies	Chief Executive	withheld under s 9(2)(b) of the Official Information Act 1982	✓
Iona Mylek	General Manager, Strategy and Organisational Delivery		

Drafter	Billy Brokenshire	Position	Acting Manager – Strategy, Planning and Performance
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The following departments/agencies have been consulted
The Ministry of Business, Innovation and Employment (MBIE) was consulted on this funding request. Officials have expressed support, in principle, for our recommended appropriation funding.

- Minister’s office to complete**
- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister’s notes | <input type="checkbox"/> Withdrawn |

Comments

Briefing purpose

This briefing seeks your agreement to the Electricity Authority's proposed 2026/27 levy-funded appropriations, for submission to the Budget 2026 process. The Authority's recommendation incorporates feedback from consultation carried out from 18 November to 16 December 2025.

Summary

- As outlined in the consultation, the Authority recommends a net funding uplift of \$0.3 million for 2026/27, to pay for contractual inflation-linked increases for third party service providers. This is equivalent to an increase of about three cents per year on the average household bill.
- The net uplift comprises an increase to the permanent baseline of the Electricity Industry Governance and Market Operations (GMO) appropriation of \$0.8 million, offset by \$0.5 million due to the phasing of funding for the System Operator's real time pricing project.
- To ensure value for money for levy payers, we do not propose to increase the Authority's own operating funding. Instead, we propose to absorb significant (\$3.2 million-plus) internal cost pressures through ongoing efficiency initiatives and organisational improvements, including through the Board-commissioned organisational review of the Authority.
- We propose that the remaining two contingent appropriations – Managing the Security of New Zealand's Electricity Supply and the Electricity Litigation Fund – remain unchanged.
- Submissions to the consultation showed substantial support for these funding proposals, with all but one submitter supporting the proposed approach (Transpower opposed, calling for a larger uplift to our operational funding), and with broad support for our proposed work programme for 2026/27.
- *Appendix A: Electricity Authority levy-funded appropriation request 2026/27* contains a high-level summary of submissions, supporting evidence, and rationale for the recommended appropriations.
- The Authority intends to submit an In-Principle Expense Transfer (IPET) request of approximately \$3.5 million from 2025/26 to 2026/27 (\$2.5 million) and 2027/28 (\$1.0 million). This is to align funding with the timing of expenses related to delayed expenditure by and for third party service providers.
- We also intend to work with MBIE officials to expand the scope of the Electricity Litigation Fund from 2027/28, to reflect the Authority's strengthened enforcement responsibilities.

Recommended action

Hon Simon Watts, Minister for Energy

It is recommended that you:

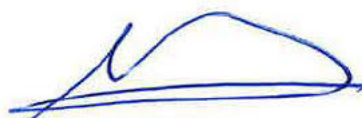
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|-----|--|--------------|
| 1.1 | note that the Authority has completed consultation on its proposed appropriations for 2026/27 under section 129 of the Act and has considered all submissions | Noted |
| 1.2 | note that appropriations are recovered via an industry levy up to actual expenditure and are fiscally neutral to the Crown's operating balance and net debt | Noted |
| 1.3 | note that the funding proposal remains unchanged from consultation and the net impact is an increase of \$0.3 million to overall funding | Noted |

- | | | |
|------|---|-----------------------|
| 1.4 | agree to a \$0.8 million permanent baseline funding increase to the GMO appropriation for 2026/27 to meet contractual inflation-linked increases for third-party service providers, bringing the total GMO appropriation to \$120.0 million. This is set out in recommended option A below and in the appended appropriation request | Agree/Disagree |
| 1.5 | agree to maintain the current funding level for <i>Managing the Security of New Zealand's Electricity Supply</i> appropriation (\$6 million over five years) | Agree/Disagree |
| 1.6 | agree to maintain the current funding level for the <i>Electricity Litigation Fund</i> appropriation (\$1.5 million) | Agree/Disagree |
| 1.7 | note that your decisions on the Authority's 2026/27 appropriations will be progressed for Budget 2026 | Noted |
| 1.8 | note that this briefing will be published on the Authority's website after Budget Day 2026 | Noted |
| 1.9 | note that the Authority will publish the submissions to the consultation on its levy-funded appropriations on its website | Noted |
| 1.10 | note that the Authority intends to work with MBIE to expand the scope of the <i>Electricity Litigation Fund</i> from 2027/28, to reflect the Authority's strengthened enforcement responsibilities | Noted |
| 1.11 | note that the Authority intends to submit an IPET request of approximately \$3.5 million for 2025/26, with a \$2.5 million transfer to 2026/27 and \$1 million transfer to 2027/28. This is to align approved funding with the timing of related expenses. | Noted |



Sarah Gillies
Chief Executive
Electricity Authority

20 / 02 / 2026



Hon Simon Watts
Minister for Energy

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- 4 MAR 2026

cc Hon Shane Jones, Associate Minister for Energy

1. Background

- 1.1. The Electricity Authority Te Mana Hiko (Authority) is funded by the Crown through three appropriations. The Crown recovers costs of this funding, up to the level of actual expenditure incurred, through a levy on electricity industry participants, which is passed through to consumers' electricity bills (around 0.5% of a typical household bill).
- 1.2. Under section 129 of the Electricity Industry Act 2010, the Authority is required to publicly consult each year on its proposed appropriation request, reflecting the costs intended to be recovered through the levy, and to report the outcomes and its recommendations to you. The Authority completed this consultation in December 2025.

2. Options

Option A: \$0.8 million increase to permanent baseline funding (\$0.3 million net increase to levy) – recommended

- 2.1. The consultation paper presented proposals for each of the Authority's three appropriations, including a small net increase of \$0.3 million to the Electricity Industry Governance and Market Operations (GMO) appropriation, and no change to the Managing the Security of New Zealand's Electricity Supply and Electricity Litigation Fund appropriations.
- 2.2. The net uplift to the GMO appropriation comprises a \$0.8 million increase to baseline to fund contractual inflation-linked increases for third-party service providers. This is offset in 2026/27 by a \$0.5 million step down in the front-loading of spend (FLoS) funding related to the System Operator real time pricing project.¹ The net effect of the permanent baseline increase, less the FLoS, is a \$0.3 million increase in total GMO appropriation for 2026/27.
- 2.3. The proposed 2026/27 levy-funded appropriation request, and its impact on consumers, is set out in tables 1 and 2 below. The proposed changes will result in an average household impact of approximately three cents per year, reflecting our continued focus on affordability.

Table 1: Proposed 2026/27 levy-funded appropriations funding

	Appropriation 1: Electricity Industry Governance and Market Operations (GMO)	Appropriation 2: Managing the Security of New Zealand's Electricity Supply	Appropriation 3: Electricity Litigation Fund
Proposed change	Net increase of \$0.3 million ²	No change	No change
Current appropriation funding	\$119.7 million	\$6 million over five years (2022/23 to 2026/27)	\$1.5 million
Total proposed appropriation funding	\$120.0 million	\$6 million over five years (2022/23 to 2026/27)	\$1.5 million

¹ The step-down occurs because the FLoS funding profile was front-loaded, with higher funding budgeted early in the project. However, the recovery paid to the System Operator under the real time pricing project has remained flat and extends into 2027/28. This has created a mismatch between the timing of the funding and the actual expenditure and payment.

² This comprises \$0.8 million increase in the permanent baseline to fund contractual inflation-linked increases for third-party service providers, less a \$0.5 million step down in FLoS funding (from 2024/25) related to System Operator recovery for real time pricing.

Table 2: Impact of proposed funding increase on consumers³

	Proposed levy increase	Proposed increase to average bill per annum	New average levy per annum
Householders	0.14%	\$0.03	\$24.11
Commercial	0.26%	\$0.34	\$132.32
Industrial	0.28%	-	-

- 2.4. The consultation proposal noted that the Authority intends to absorb significant internal cost increases relating to its own inflation-related pressures and the implementation of proposed level playing field measures, if these are introduced. These costs are expected to total approximately \$3.2 million in 2026/27. The proposal also noted that the Authority will likely face increased monitoring and compliance costs arising from the Government's commitment to strengthen its enforcement powers.
- 2.5. To ensure value for money for levy payers, we intend to manage these additional costs through ongoing efficiency initiatives and organisational improvements, including through ongoing digital and AI improvements, and the outcome of the Board-commissioned organisational design review of the Authority. This is consistent with your recent Letter of Expectations for the Electricity Authority.
- 2.6. Consultation feedback showed strong support for the Authority's proposed funding approach, with 89% of submitters supporting the proposed GMO appropriation increase, and 100% supporting maintaining the current funding for the two contingent appropriations (Managing the Security of New Zealand's Electricity Supply and the Electricity Litigation Fund). The only submitter not to support the proposed GMO funding level was Transpower in its capacity as System Operator, who called for a larger uplift in the Authority's operating funding.
- 2.7. The recommended funding will enable delivery of the Authority's ambitious proposed work programme for 2026/27, focused on ensuring consumers have access to affordable and reliable electricity, delivered through a competitive and efficient electricity system.
- 2.8. New Zealand's electricity sector faces significant challenges in coming years. Electrification is increasing demand for electricity alongside a rapidly changing generation mix, with more intermittent supply from solar and wind requiring more flexible and firming back-up. Declining domestic gas supply and hydro dry year risk is impacting both price and security of supply. Advances in technology have enabled innovation and decentralisation, allowing consumers to interact with the system in new ways, while also increasing the complexity of the system.
- 2.9. Our 2026/27 work programme addresses these core challenges. We are stepping up our compliance, monitoring and enforcement as a result of the Government's commitment to strengthen our powers. We have proposed pro-competition reforms to the wholesale market which are proposed to come into effect in 2026/27, including mandatory non-discrimination obligations for the gentailers and updated market making arrangements. We are supporting security of supply and system resilience through proposed rule changes to make it easier for batteries to operate in the market, and by establishing an Emergency Reserve Scheme.

³ These levy calculations are based on estimated current volumes and may vary over time. Industrial consumers vary widely in electricity use so we have not included average bill figures.

- 2.10. We are also incentivising necessary network investment while reducing overall power system costs borne by consumers by reducing barriers to connections, facilitating flexibility and ensuring efficient transmission and distribution pricing. And we will continue to give consumers more choice, more control and better value by implementing simplified bills, standardising data and information, and promoting and enhancing our new AI-enabled comparison and switching service.⁴
- 2.11. Funding this work programme will support the Government's priorities as set out in the Letter of Expectations: enhanced monitoring and enforcement capabilities to improve market competition and give participants confidence in a level playing field, keeping the lights on through incentives for efficient investment in a secure and affordable electricity supply, and driving efficiency in distribution businesses through flexibility, pricing and processes.⁵ Ultimately, it will enable the Authority to continue to improve the electricity system so that it delivers reliable electricity at lowest possible cost to consumers.

**Option B: maintain current baseline funding (\$0.5 million net decrease to levy)
– not recommended**

- 2.12. Delivery of this work programme in 2026/27, and the outcomes it supports, would be at risk if the Authority were not to receive the increase in funding to cover inflation-linked costs for third-party service providers. This would entail a net decrease of \$0.5 million in our operating funding, and the need to absorb \$0.8 million in cost increases additional to the approximately \$3.2 million we already propose to absorb.⁶
- 2.13. Taken together with the additional costs associated with delivering on the Government's planned legislative changes to strengthen the Authority's enforcement capability, these costs are likely to be substantially larger than previous underspends in the Authority's budget and would be highly challenging to manage without impacting delivery of our regulatory work. This would likely affect the scope and timing of planned work, and require the Authority to prioritise delivery of some regulatory changes over others.
- 2.14. Submitters to our November consultation raised some concerns about whether our proposed work programme would be deliverable given the scale of costs we proposed to absorb; this would be even more difficult if we had to absorb further cost increases for service providers. As mentioned, Transpower argued for a higher level of funding than proposed, citing the risk that the Authority may not be able to deliver its full work programme under this option.
- 2.15. We want to build on the Authority's increased pace and scale of delivery to ensure affordable, reliable electricity for New Zealand consumers – while ensuring value for money for levy payers by managing our own costs well. We do not think the option of maintaining current baseline funding achieves this balance, and as such do not recommend this option.

3. Engagement with MBIE officials

- 3.1. MBIE officials were consulted on the Authority's proposed appropriations in November 2025 and expressed support, in principle, for the recommended levy-funded appropriations for 2026/27 and proposed approach to managing additional cost pressures. MBIE officials will also provide their own advice to you as part of the Budget 2026 process.

⁴ All measures in our proposed work programme for 2026/27 are subject to consultation and Board decisions.

⁵ We ensure our work programme meets our statutory objectives, has regard to the Statement of Government Policy, and is informed by the Ministerial Letter of Expectations, as well as the expectations of communities and consumers.

⁶ This decrease would result from the step-down in front-loading-of-spend (FLoS) funding associated with the System Operator's real time pricing project, as set out in paragraph 2.2 above.

4. Additional matters

- 4.1. The Authority is seeking to work with MBIE to expand the scope of the Electricity Litigation Fund from 2027/28. This will help ensure the Authority can meet its strengthened monitoring and enforcement responsibilities, including in relation to proposed level playing field measures, which are likely to lead to greater litigation-related activity.
- 4.2. The Authority intends to submit an In-Principle Expense Transfer (IPET) request to carry forward approximately \$3.5 million of funding from 2025/26 to 2026/27 (\$2.5 million) and 2027/28 (\$1.0 million). The IPET request relates to specifically identified funding and would, if approved, align the timing of funding to the expected receipt of actual expenditure. The IPET request has three components but the majority (\$2.5 million) relates to the timing of capital recovery by the System Operator, which is outside the Authority's control.

4.3.

withheld under s 9(2)(b) of the Official Information Act 1982

4.4.

- 4.5. We are discussing the IPET request with MBIE officials and intend to submit this request with the March Baseline Update.

5. Next steps

- 5.1. The submissions to the consultation on our proposed levy-funded appropriations will inform the Authority's business planning and further development of its 2026/27 work programme. The Authority will continue to engage with industry participants and consumers as we solidify this work programme over the coming months.
- 5.2. You will receive the Authority's draft Statement of Performance Expectations 2026/27 by 30 April 2026, with the final version provided to you by 30 June 2026.
- 5.3. The Authority will continue to work with MBIE officials to submit an IPET request with the March Baseline Update. You will have the opportunity to consider this request then.

6. List of appendices

- 6.1. The following appendices are attached to this briefing:

- **Appendix A** Electricity Authority 2026/27 levy-funded appropriations request
- **Appendix B** Electricity Authority 2026/27 levy-funded appropriations consultation

Appendix A Electricity Authority 2026/27 levy-funded appropriations request

Electricity Authority 2026/27 levy-funded appropriations request

19 February 2026

Executive summary

The Electricity Authority Te Mana Hiko (Authority) seeks Ministerial agreement to its 2026/27 levy-funded appropriations, following consultation between 18 November and 16 December 2025.

Overall, the proposed net funding uplift from 2025/26 is \$0.3 million, to pay for contractual inflation-linked increases for third-party service providers. This comprises an increase to the permanent baseline of the Electricity Industry Governance and Market Operations (GMO) appropriation of \$0.8 million, offset by \$0.5 million due to the phasing of funding for the System Operator’s real time pricing project.

We propose that the remaining two contingent appropriations – Managing the Security of New Zealand’s Electricity Supply and the Electricity Litigation Fund – remain unchanged.

Submitters showed strong support for the proposed approach, including 89% support for the \$0.3 million uplift to the GMO appropriation and 100% support for maintaining both contingent appropriations. Only one submitter – Transpower – disagreed with the proposed approach, calling for a larger uplift to our operational funding.

For 2026/27, the Authority recommends no increase to its own operating funding. The Authority will continue to absorb significant internal cost pressures through ongoing efficiency initiatives and organisational improvements. However, inflation-related contractual obligations for third-party service providers necessitate a small increase to the GMO appropriation.

The recommended change results in a levy impact of less than 0.3% across all consumers, equivalent to an increase of about three cents per year on the average household bill.

The proposed appropriations and estimated levy impacts are summarised below. Further detail is provided in section 2: Summary of proposed appropriations.

Table 1: Proposed 2026/27 levy-funded appropriations funding

	Appropriation 1: Electricity Industry Governance and Market Operations (GMO)	Appropriation 2: Managing the Security of New Zealand’s Electricity Supply	Appropriation 3: Electricity Litigation Fund
Proposed change	Net increase of \$0.3 million ¹	No change	No change
Current appropriation funding	\$119.7 million	\$6 million over five years (2022/23 to 2026/27)	\$1.5 million
Total proposed appropriation funding	\$120.0 million	\$6 million over five years (2022/23 to 2026/27)	\$1.5 million

¹ This comprises \$0.8 million increase in the permanent baseline to fund contractually obligated inflation adjustments for our third-party service providers, less a \$0.5 million step down in front-loading of spend (FLoS) funding (from 2024/25) related to the System Operator recovery for the real time pricing project.

Table 2: Impact of proposed funding increase on consumers²

	Proposed levy increase	Proposed increase to average bill per annum	New average levy per annum
Householders	0.14%	\$0.03	\$24.11
Commercial	0.26%	\$0.34	\$132.32
Industrial	0.28%	-	-

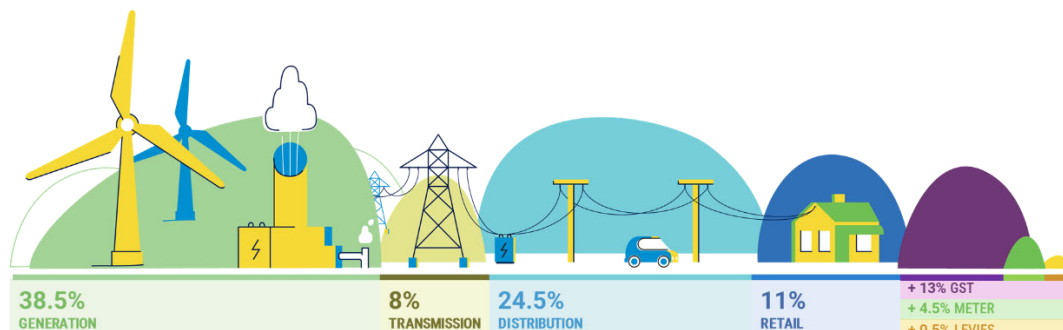
² These levy calculations are based on estimated current volumes and may vary over time. Industrial consumers vary widely in their electricity use, so we have not included average bill figures.

Contents

Executive summary	2
1. Introduction	5
2. Summary of proposed appropriations	6
3. Our work plan	8
4. Consultation showed broad support for the Authority’s proposed levy-funded appropriations	11
5. Appropriation 1: Electricity Industry Governance and Market Operations	14
6. Appropriation 2: Managing the Security of New Zealand’s Electricity Supply	16
7. Appropriation 3: Electricity Litigation Fund	17

1. Introduction

- 1.1. The Authority is funded by the Government through a levy on electricity industry participants, which is passed on to consumers through their electricity bills.
- 1.2. This levy forms approximately 0.5% of the average consumer's power bill. A breakdown of the other contributors to the bill is provided below.



- 1.3. We receive this levy via three appropriations, each of which has a different purpose:
 - (a) **Appropriation 1:** Electricity Industry Governance and Market Operations (GMO)
 - (b) **Appropriation 2:** Managing the Security of New Zealand's Electricity Supply
 - (c) **Appropriation 3:** Electricity Litigation Fund
- 1.4. Each year, under the Electricity Industry Act 2010 (Act), we are required to consult on our funding and invite feedback on our proposed appropriations. This consultation gives industry participants, who are liable to pay the levy, and other representatives who may be significantly affected by a levy, a chance to provide feedback – including consumers who are ultimately charged for the levy through their electricity bills. The Authority consulted on its proposed levy-funded appropriations for 2026/27 from 18 November to 16 December 2025.
- 1.5. The consultation submissions have informed our funding recommendations to the Minister for Energy for the Authority's three levy-funded appropriations for the 2026/27 financial year. The key themes and feedback on our work programme from these submissions will also inform our upcoming business planning process.
- 1.6. This paper outlines how the recommended funding levels support the Authority's strategy and enable our proposed ambitious work plan to deliver affordable, reliable electricity for consumers now and in the future.
- 1.7. The *Levy-funded appropriations 2026/27 consultation paper* has been appended for reference.

2. Summary of proposed appropriations

- 2.1. Most of the Authority's funding is allocated through Appropriation 1: Electricity Industry Governance and Market Operations (GMO). Of this, approximately 62% funds our third-party service providers, with the remaining 38% covering the Authority's work programme and operating costs.
- 2.2. Appropriation 1 is split into components to show that the Authority's own operating expenses remain unchanged and that the net \$0.3 million uplift for 2026/27 relates to service provider contracts (set out in Table 3 below).
- 2.3. The net uplift comprises a \$0.8 million increase to permanent baseline to fund contractually obligated inflation increases for our third-party service providers. However, the amount is offset in 2026/27 by a \$0.5 million step down in the front-loading of spend (FLoS) funding related to the System Operator's real time pricing project.³ The net effect of the permanent baseline increase, less the FLoS, is a \$0.3 million increase in total GMO appropriation.
- 2.4. We propose that our two contingent appropriations remain unchanged.

Table 3: Summary of proposed appropriations

		Final appropriation 2024/25 (\$m)	Budgeted appropriation 2025/26 (\$m)	Proposed appropriation 2026/27 (\$m)
Operational appropriation	System Operator contract expenses	49.4	55.1	55.2
	Other service provider contract expenses*	18.1	19.1	19.3
	Authority operating expenses	39.1	45.5	45.5
	Total appropriation 1 Electricity Industry Governance and Market Operations (GMO)	106.6*	119.7**	120.0***
Contingent appropriations	Total appropriation 2 Managing the Security of New Zealand's Electricity Supply <i>1 Jul 2022 to 30 Jun 2027</i>	6.0 <i>over five years</i>	6.0 <i>over five years</i>	6.0 <i>over five years</i>
	Total appropriation 3 Electricity Litigation Fund	1.5	1.5	1.5
	Notes			
<ul style="list-style-type: none"> *We received an increase of \$10.9m for 2024/25 to pay for increased service provider costs to operate the electricity system and markets and enable the Authority to keep pace with the rate of change required to support an orderly low-emissions transition and better serve all consumers. ** We received an increase of \$7.8m for 2025/26 to keep pace with inflation. While we will continue to prioritise and make trade-offs within our work programme, this uplift will enable us to fund the activities which deliver significant value to consumers and maintain our current service level. *** We request an increase of \$0.8m to permanent baseline for 2026/27 to meet contractual inflationary cost pressures on the Authority's service provider contracts. This is partially offset by a reduction of \$0.5m in FLoS funding (from 2024/25) related to the timing of cost recovery by the System Operator for the real time pricing project – see section 5 for more information. 				

³ The step-down occurs because the FLoS funding profile was front-loaded, with higher funding budgeted early in the project. However, recovery paid to the System Operator under the project has remained flat and extends into 2027/28. This has created a mismatch between the timing of funding and actual expenditure and payment.

- 2.5. We intend to absorb significant internal cost pressures related to the Authority's own inflation pressures and implementation of the proposed level playing field measures – approximately \$3.2 million – through efficiencies and improvements, including from the Board-commissioned organisational review currently underway.
- 2.6. We also intend to absorb additional costs associated with the Government's planned legislative changes to strengthen the Authority's monitoring and enforcement responsibilities. However, we are contractually obligated to meet inflation-linked cost increases for our third-party service providers, which will require a small increase to the GMO appropriation.

3. Our work plan⁴

New Zealand's electricity system is undergoing a once-in-a-generation transformation

- 3.1. As the country electrifies, demand for electricity is expected to grow. At the same time, the generation mix is shifting, with more intermittent sources such as wind and solar being added.
- 3.2. New technologies are driving innovation and allowing new participants, including households, to participate in the system in different ways. This means the electricity system must adapt, creating new challenges that the rules need to address.

The Authority must adapt and make regulatory changes to ensure the system keeps pace with the transformation underway

- 3.3. As the regulator, with responsibility for making and enforcing rules for the industry, the Authority must accelerate regulatory reform, lift market performance, and improve outcomes for consumers.
- 3.4. Guided by our strategic outcomes of affordability, security and resilience, we have reshaped the Authority to be more consumer-focused, data-driven, and equipped to enforce a clearer and more robust set of standards. Our ambitious programme of work for 2026/27 builds on these changes to deliver greater choice, security and affordability for consumers.

We have made and are planning further changes to drive competition and improve consumer outcomes

- 3.5. Our Consumer Care Obligations, which came into force on 1 April 2025, are already helping New Zealanders stay connected and manage their power bills.
- 3.6. Our consumer mobility roadmap outlines further proposed changes in 2026 to simplify billing, improve comparison tools, and support easier switching. The new AI-enabled comparison and switching service, to be launched shortly, will give consumers greater choice and control over their energy costs.
- 3.7. The transition is highlighting challenges within the system which need to be addressed. In response to winter 2024, when fuel shortages caused wholesale prices to spike, we established the Energy Competition Task Force jointly with the Commerce Commission. Together, we are working on changes to encourage faster investment in new generation, boost competition, enable consumers to better manage their own power use and costs, and put downward pressure on prices.
- 3.8. We have already introduced a new 'super-peak' hedge contract, a key risk management tool for independent generators and retailers. We will be making decisions on proposed mandatory non-discrimination obligations proposed to come into effect in July 2026. These will further support competition by levelling the playing field between independent retailers and gentailers, reinforced by proposed

⁴ All measures in our proposed work programme for 2026/27 are subject to consultation and Board decisions.

updated market making rules. All large retailers will also be required to offer time-of-use pricing plans, giving consumers more control over their costs.

We are supporting security of supply now and in future, while driving long-term system change

- 3.9. We are proposing rule changes to make it easier for batteries to operate in the market, and will establish an Emergency Reserve Scheme as an extra layer of protection against unplanned disconnections for households and businesses in periods of system stress.
- 3.10. Preparing for the long term, we will update common quality requirements in the Code to help maintain system security as the generation mix changes. New connection rules will streamline processes, improve pricing signals and reduce overall system costs borne by consumers.

A strong regulator is critical for delivering and enforcing these changes

- 3.11. 2026/27 will mark a significant increase in our compliance, monitoring and enforcement activity through the Authority's strengthened powers due to be introduced in the coming months. We will also focus on increasing the visibility of market information to ensure greater transparency and competition in the market.

Delivering operational efficiency and value for levy payers remains a core focus

- 3.12. In addition to regulatory delivery, we continue to strengthen our internal systems and processes to support a fit-for-purpose Authority and ensure value for money for levy payers. In 2026/27, this will include implementing improvements recommended through the Board-led organisational design review. These improvements will allow us to operate more efficiently and support an increased pace of work.

We are developing an ambitious work plan for 2026/27 to support reliable supply of electricity to consumers at least cost

- 3.13. The 'Electricity Authority plan on a page 2026/27' (below) included in the levy consultation received broad support from submitters.
- 3.14. A more detailed work programme will be set out in the Statement of Performance Expectations 2026/27. It will incorporate submitter feedback, have regard to your 2026/27 letter of expectations, and be updated for any market developments since the levy consultation.

Electricity Authority plan on a page 2026/27*

Our vision: Consumers have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper



Affordable

Consumers have easy access to affordable electricity, and many choices of electricity supplier to meet their needs



Secure and resilient

New Zealand's electricity supply is reliable, secure and recovers quickly from shocks

OUTCOMES

WORK PROGRAMMES

We are delivering affordable electricity for consumers through:

- **Giving consumers more choice, more control, and better value through changes set out in our consumer mobility roadmap:** our new comparison and switching service, simplified bills, and standardised data
- **Supporting vulnerable consumers with further protections,** building on the Consumer Care Obligations
- **Implementing pro-competition reforms to the wholesale market to unlock investment and boost market confidence,** including mandatory non-discrimination obligations on the gentailers, updated market making arrangements, and strengthened trade in the new super-peak hedge product
- **Reducing overall power system costs borne by consumers,** including by removing non-price barriers to network connection, improving network visibility and facilitating flexibility services
- **Reducing costs to consumers over time by promoting incentives for efficient investment and use of the electricity network** through more efficient distribution and transmission pricing

We are delivering a reliable power system through:

- **Supporting security of supply** through rule changes to make it easier for batteries to operate in the market, developing new security products including a standardised flexibility product and Emergency Reserve Scheme by winter 2026, and reviewing power system security standards
- **Supporting investment and risk management decisions through enhanced monitoring and increased visibility of information,** including market reviews and trading conduct reports, as well as our investment generation pipeline, thermal fuels and wholesale market trends dashboards, and future security & resilience indicators
- **Promoting the future security and resilience of the electricity system** by ensuring common quality requirements in Part 8 of the Code are fit for purpose to maintain power quality and recovery from faults, ensuring stable system operation

These outcomes are delivered by an **efficient and competitive electricity market** that works for the long-term benefit of consumers

We take a whole-system view to carrying out our work, which we deliver through our regulatory functions:

Monitor, inform & educate; operate the electricity system & markets; enforce compliance; promote market development; protect the interests of small electricity consumers.

- **Strengthened compliance, market monitoring and enforcement powers**
- **More efficient and effective Code-making powers**
- **Direct support for innovators through our Power Innovation Pathway**
- **Deliver on our long-term roadmap for the System Operator and market operation service providers**

Everything we do is enabled by our **organisational support** functions. This includes ongoing work to ensure value for money for levy payers through continuous improvement and operational efficiencies, including implementing recommendations from the Board-led organisational review of the Authority .

* This plan on a page is intended to deliver on the Authority's Statement of Intent 2024-28 and Statement of Performance Expectations 2025/26. The proposed work programme is subject to Authority Board decisions and feedback on consultations.

4. Consultation showed broad support for the Authority's proposed levy-funded appropriations

- 4.1. The Authority's 2026/27 levy-funded appropriations consultation ran from 18 November to 16 December 2025 to gather stakeholder feedback on our proposed levy for 2026/27.
- 4.2. We received 10 submissions from a range of stakeholders, including distributors, industry bodies, generators and retailers.

Vast majority of submitters supported the proposed funding level

- 4.3. Of the remaining nine submissions, eight (89%) supported the proposed funding for the GMO appropriation (see table 4). Submitters generally endorsed:
 - (a) the Authority's decision not to increase its own operating funding, and to instead absorb approximately \$3.2 million of internal cost pressures through efficiencies and prioritisation
 - (b) a net \$0.3 million increase to the total GMO appropriation to meet contractual inflation obligations for third-party service providers.
- 4.4. Transpower, in its capacity as System Operator, was the only submitter not to support the proposed GMO funding. Instead, it suggested we should seek a larger funding increase as essential to "maintain progress and expertise for existing and upcoming challenges". While acknowledging our efficiency efforts, Transpower argues that absorbing approximately \$3.2 million of internal cost pressures, and limiting the funding increase, risks underfunding critical parts of our proposed work programme.
- 4.5. We acknowledge this feedback. However, given the baseline uplifts received in recent years and our focus on consolidating costs and driving efficiencies, we remain confident we can deliver our proposed work programme within the recommended funding level.
- 4.6. All submitters supported maintaining the existing levels for the Security of Supply Fund and the Electricity Litigation Fund.

The Authority observed strong alignment across submitters

- 4.7. Four consistent themes came through submissions, which are detailed in table 5. The Authority will consider this feedback as part of 2026/27 business planning and in the development of its Statement of Performance Expectations 2026/27.
- 4.8. Overall, the consultation demonstrated strong support for the Authority's 2026/27 levy-funded appropriations. Submitters endorsed our value-for-money approach, including absorbing internal cost pressures, and supported the proposed \$0.3 million net increase to the levy for service-provider inflation.

Table 4: Levy-funded appropriation consultation 2026/27 summary of submissions

Submitter	Appropriation 1, 2 and 3			Work programme feedback provided
	Support to an increase to the GMO appropriation by \$300k	Support to maintain the Security of NZ Supply appropriation	Support to maintain the Litigation Fund	
PowerCo <i>Distributor</i>	Y	Y	Y	Y
Vector <i>Distributor</i>	Y	Y	Y	Y
Electricity Engineers' Association (EEA) <i>Industry membership body</i>	Y	Y	Y	Y
Entrust <i>Private trust</i>	N/A	N/A	N/A	Y
Nova <i>Generator and retailer</i>	Y	Y	Y	Y
Transpower <i>System Operator</i>	N	Y	Y	Y
Major Electricity Users' Group (MEUG) <i>Industry membership body</i>	Y	Y	Y	Y
Electricity Retailers' and Generators' Association of New Zealand (ERGANZ) <i>Industry membership body</i>	Y	Y	Y	Y
Bluecurrent <i>Metering</i>	Y	Y	Y	Y
Electricity Networks Aotearoa (ENA) <i>Industry membership body</i>	Y	N/A	N/A	Y
Of responses, % of support	89%	100%	100%	100%

Table 5: Key themes in submissions

Theme	Summary
<p>Support for the proposed funding with conditional expectations</p>	<p>Submitters expressed broad support for the three proposed appropriations. Almost all submissions sought stronger transparency and reporting. Themes included:</p> <ul style="list-style-type: none"> • clearer reporting on GMO and Litigation Fund expenditure • increased scrutiny and reporting of Market Operation Service Provider (MOSP) performance • more visibility and updates on how the Authority will deliver and track \$3.2m of absorbed internal cost pressures • requests for a more detailed work programme • concerns about deliverability given internal cost absorption.
<p>Concerns regarding pressure on the industry</p>	<p>Submitters recommended the Authority prioritise high-impact initiatives and adopt a “quality over quantity” approach in its work programme – citing concerns about the pace of change, workload pressures, compliance burdens, and participant fatigue.</p> <ul style="list-style-type: none"> • Submitters noted that many significant changes are being progressed at the same time, creating pressure across the sector. • Several participants expressed concerns that the pace of regulatory activity is too fast, increasing the risk of rushed decisions and reducing the time available for effective engagement. • Participants highlighted growing compliance obligations and consultation workload, with smaller participants noting disproportionate time and resource impacts. • Many asked the Authority to prioritise the most impactful initiatives, ensure changes are evidence-based, and allow adequate time for consultation, implementation and industry adjustment.
<p>Desire for increased alignment with other electricity industry regulators within New Zealand and internationally</p>	<ul style="list-style-type: none"> • Submitters recommended improved coordination across government agencies and regulators to reduce duplication and improve sequencing of regulatory change, so decision making and timelines are more aligned. • Feedback suggested more collaboration should be done with other electricity regulators overseas to see what does/does not work – for example Ofgem’s (UK) current Distributed Energy Resources operator licencing proposal.
<p>Requesting consistency within our work programmes year-to-year</p>	<p>Submitters expressed a desire for:</p> <ul style="list-style-type: none"> • clearer visibility of planned work across years • fewer instances of workstreams changing between planning cycles • improved communication on timelines and expectations • more consistent scheduling to maintain confidence and make resourcing less difficult for industry.

5. Appropriation 1: Electricity Industry Governance and Market Operations

About this appropriation

- 5.1. The Electricity Industry Governance and Market Operations (GMO) appropriation is the Authority's primary operational appropriation, accounting for approximately 95% of total levy-funded appropriations. The two other appropriations are contingent and represent only a small portion of total funding.
- 5.2. The GMO appropriation covers the Authority's operations and third-party contracts essential for electricity system and market functions. It supports our statutory objectives and regulatory responsibilities under the Electricity Industry Act 2010.
- 5.3. In 2025/26, approximately 62% of GMO funding supports third-party service providers, with the remaining 38% funding the Authority's work programme and operating costs.
- 5.4. This appropriation is limited to:
 - (a) formulating, monitoring and enforcing compliance with the regulations and the Code governing the electricity industry and other outputs in accordance with the statutory functions under the Act
 - (b) delivery of core electricity system and market operation functions, carried out under service provider contracts.

Most submissions supported the proposed net \$0.3 million increase

- 5.5. We consulted on a small \$0.3 million net increase to the GMO appropriation to meet contractual inflation adjustments for service providers, while keeping our own operational funding flat and absorbing approximately \$3.2 million of additional internal cost pressures.
- 5.6. As noted in section 4, most submitters supported this increase. Transpower was the only submitter not to support it, recommending a larger increase to fully fund System Operator needs. While we acknowledge these concerns, we consider the risk manageable due to the substantial efficiency improvements currently underway, including the integration of AI- and digital-driven processes across our operational and regulatory functions. Baseline increases received over the past two years also help support this position.
- 5.7. In December 2025, the Board commissioned KordaMentha to lead an organisational design review in response to the Government's commitment to strengthen the Authority's monitoring and enforcement powers following the Frontier Economics report. This review will help ensure the Authority can incorporate additional responsibilities in a cost-effective way.

We propose a small net increase of \$0.3 million (\$0.8 million increase to baseline)

- 5.8. **We recommend a \$0.3 million net increase to the GMO appropriation for 2026/27 to meet contractual inflation for third-party service providers as supported by the majority of consultation submissions, bringing the total appropriation to \$120.0 million.**

- 5.9. **This comprises a \$0.8 million increase to permanent baseline funding to cover contractually obligated inflation increases for our third-party service providers.**
- 5.10. This amount is offset in 2026/27 by an \$0.5 million step down in FLoS funding related to the System Operator real time pricing project. The step-down occurs because the FLoS was allocated evenly across multiple years, but the actual spending was used more heavily at the beginning of the project, reducing the annual funding in later years. The net effect of the permanent baseline increase, less the FLoS is a \$0.3 million increase in total GMO appropriation.
- 5.11. The Authority will absorb internal cost pressures of approximately \$3.2 million and the costs associated with enhanced monitoring and enforcement capability.
- 5.12. This increase results in a levy impact of less than 0.3% across all consumers.⁵ For households, the impact is approximately three cents per year on an average annual bill of \$2466.⁶ Commercial consumers would have an increase of 34 cents per year, and industrial consumers an increase of approximately 0.28%,⁷ noting wide variability in industrial electricity use.
- 5.13. This appropriation will support the delivery of an ambitious work programme centred on our core strategic outcomes: affordable, secure and resilient electricity for New Zealand consumers.

⁵ These levy calculations are based on estimated current volumes as of November 2025 and may vary over time.

⁶ Based on MBIE statistics.

⁷ Industrial consumers vary widely in electricity use so we have included a percentage increase.

6. Appropriation 2: Managing the Security of New Zealand's Electricity Supply

About this appropriation

- 6.1. Managing the Security of New Zealand's Electricity Supply is a contingent, multi-year appropriation established for the period 2022/23 to 2026/27. It provides funding for the System Operator to respond to actual or emerging security of supply situations.
- 6.2. Use of the appropriation is limited to the System Operator's management of actual or emerging emergency events relating to the security of electricity supply.
- 6.3. The System Operator can request funding from this appropriation to:
 - (a) increase monitoring and management responsibilities in the event of an emerging or actual security of supply situation
 - (b) plan and run an official conservation campaign.
- 6.4. The appropriation is contingent and is not used in the normal course of operations. Levies are collected only to the level of actual expenditure. Only the System Operator may incur expenses under this appropriation.
- 6.5. The Authority's role is limited to assessing and approving requests from the System Operator to draw on the appropriation. Approval requires evidence of an actual or emerging event, the actions proposed, and how the use of funds will be monitored.
- 6.6. Under the System Operator service provider agreement, the System Operator may, acting in good faith, incur up to \$300,000 without prior approval when it is not reasonably practicable to seek that approval.

There was universal support for maintaining this appropriation at current levels

- 6.7. All submitters who commented on this appropriation supported maintaining the current funding level.

We propose no increase to this appropriation

- 6.8. **We recommend maintaining the Managing the Security of New Zealand's Electricity Supply appropriation at the current level of funding until 30 June 2027.**
- 6.9. The appropriation was established in Budget 2022 at \$6 million over five years. To date, \$100,000 has been incurred. Our levy consultation in late 2026 will consider funding for the next period.

7. Appropriation 3: Electricity Litigation Fund

About this appropriation

- 7.1. The Electricity Litigation Fund is a contingent appropriation that ensures the Authority can participate in litigation effectively and without delay. It covers litigation costs arising from the Authority's statutory functions under the Electricity Industry Act 2010, including:
 - (a) defending judicial review and appeal proceedings
 - (b) taking enforcement action under our compliance function.
- 7.2. The appropriation is used only when required and levies are collected only to the level of actual expenditure.

There was universal support for maintaining this appropriation

- 7.3. All submitters who provided feedback supported maintaining this appropriation at its current level.

We propose no increase to this appropriation

- 7.4. **We recommend maintaining the Electricity Litigation Fund appropriation for 2026/27 at its current level of funding of \$1.5 million.**