

# Summary of Submissions and Electricity Authority Responses

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2021/22 Levy-funded appropriations

2 February 2021



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## Executive summary

The Electricity Authority (the Authority) consults annually on our proposed appropriations (i.e. the level of funding we receive). The feedback from this consultation is included with our request for funding to the Minister of Energy and Resources (the Minister). We would like to thank all submitters for their feedback on our proposed appropriations. Where feedback was not specific to our appropriations, we will use it to inform our 2021/22 planning.

### **Feedback on the proposed appropriations**

The key points relating to our appropriations have been summarised below.

Section 4 includes feedback from five submissions on the *Electricity Industry Governance and Market Operations* appropriation amount for 2021/22. The submissions are mixed in terms of their level of support for the proposed appropriation level:

- three submissions support the proposed appropriation, with two specifying areas of the appropriation where they would like to see funding prioritised
- one submission raised concerns about the proposed increase to the appropriation
- one submission did not comment in support or opposition, but noted the increase was in line with inflation.

Section 5 includes feedback from two submissions on the proposed *Managing the Security of New Zealand's Electricity Supply* appropriation for 2021/22. Both submissions support the proposed appropriation.

Section 6 includes feedback from one submission on the proposed *Electricity Litigation Fund* appropriation for 2021/22. This submission supports the proposed appropriation.

### **Conclusion**

We have considered all submissions and conclude the 2021/22 appropriation levels we are requesting are appropriate. These appropriation levels will ensure we can continue to perform our statutory functions effectively, operate in a financially sustainable manner for the long-term benefit of consumers.

### **Next steps**

The submissions received on this consultation inform the development and finalisation of:

- our appropriations request to the Minister
- our 2021/22 SPE, to be published in June 2021

## 1 Introduction

- 1.1 The Authority is required to consult on proposed appropriations for the coming year before seeking appropriations from the Minister. We have prepared this report to support the process of reporting to the Minister with our recommended appropriations.
- 1.2 The Authority consulted on the proposed 2021/22 appropriations from 10 November 2020 to 8 December 2020.

## 2 List of respondents

- 2.1 We received five submissions on the proposed 2021/22 appropriations:
  1. Independent Retailers combined submission:
    - Ecotricity NZ (Ecotricity)
    - Electric Kiwi Limited (Electric Kiwi)
    - Flick Electric Co. (Flick)
    - Pulse Energy Alliance Limited (Pulse)
    - Vocus Group (Vocus)
  2. Major Electricity Users Group (MEUG)
  3. Transpower New Zealand (Transpower)
  4. Vector Limited (Vector)
  5. Powerco Limited (Powerco)

### 3 Submissions on engagement

3.1 We received two submissions to Question 1, relating to our engagement with stakeholders.

| Q1. What kind of engagements have you or your organisation had with the Authority?   |                       |  |
|--|-----------------------|--|
| Key points from submissions  | Submitters            | Authority comment  |
| Various forms of engagement with the Authority, both formal and informal, across a range of areas of the Authority's operation.                                | Vector                | We acknowledge and appreciate the engagement with these stakeholders over the past year. We will continue to refine our approach to stakeholder engagement to ensure we engage more effectively and more widely with interested parties and consumers. |
| Have engaged across a range of reforms, specifically the Electricity Pricing Review recommendations, and look forward to continuing engagement in these areas. | Independent Retailers |  |

## 4 Submissions relating to the *Electricity Industry Governance and Market Operations* appropriation

4.1 All submissions received provided a response to Question 2. The key points from these submissions are summarised in the table below

| Q2. The Authority is proposing that the operational appropriation for <i>Electricity Industry Governance and Market Operations</i> in 2021/22 is \$78.157 million. (Note that the \$3.221 million funding for RTP per year for 2021/22 and outyears was approved in February 2019 and we are not seeking feedback on RTP in this process). Do you support the Authority’s proposal for funding of \$78.157 million? |                       |  |
|---|-----------------------|--|
| Key points from submissions   | Submitters            | Authority comment  |
| 1. Support  | Powerco               | <p>We note the mixed level of support expressed for the proposed appropriation level.</p> <p>The proposed increase of up to \$1.221million for the 2021/22 year is to support the delivery of recommended initiatives in the timeframe required, while also continuing to deliver on existing projects and meeting our statutory obligations. It includes the \$3.000 million funding for the implementation of Real-Time Pricing project (RTP) approved by the Cabinet Economic Development Committee in February 2019.</p> |
| 2. Support with focus on the Enforce Compliance function of the appropriation.  | Independent retailers | <p>We note and appreciate the concerns expressed around the impacts of COVID-19 on consumers and household disposable income.</p> <p>The evolving COVID-19 situation is a priority in our current work programme and will continue to be a focus in our planning for 2021/22.</p> <p>There are several ongoing projects that deliver benefits to consumers. We anticipate that efficiencies gained in 2021/22 will have additional benefits for consumers.</p>   |
| 3. Support with focus on completing initiatives related to EPR recommendations, and prioritisation of technical changes to the Code.  | Transpower            | <p>We also note the specific projects that some submissions highlighted as key areas for focus in 2021/22.</p> <p>We are in the early stages of planning for 2021/22, including to ensure we use the funds in the best way possible. This includes continuing the implementation of our refreshed strategy and introducing greater discipline in prioritisation and resourcing decisions. We will take these submissions into consideration as part of this work.</p>  |
| 4. Do not support as unconvinced that an increase is justifiable with ongoing COVID-19-related impacts for consumers and the economy.   | MEUG                  |  |
| 5. No comment but note a relatively flat year-on-year levy profile when accounting for inflation.   | Vector                |  |

## 5 Submissions relating to *Managing the Security of New Zealand’s Electricity Supply* appropriation

5.1 Two submissions (Powerco and Vector) included a response to Question 3. Both submissions support the proposed appropriation, which the Authority notes.

## 6 Submissions relating to the *Electricity Litigation Fund* appropriation

6.1 One submission (Powerco) included a response to Question 4. The submission supports the proposed appropriation, which the Authority notes.

## 7 Submissions relating to further comments on the 2021/22 funding

7.1 While no submitters explicitly answered this question, there were two submissions that provided further comments on our proposed 2021/22 funding.

| Q5. Would you like to provide any other comment on the Authority’s proposed 2021/22 funding?   |           |  |
|--|-----------|--|
| Key points from submissions  | Submitter | Authority comment  |
| 1. Take the following into account when considering impacts on security of supply: <ul style="list-style-type: none"> <li>(a) Impacts of COVID-19</li> <li>(b) Industry resilience</li> <li>(c) Integration of DERs into the grid</li> <li>(d) Cyber security</li> </ul> | Vector    | We note the suggestions for the ‘ <i>Managing the Security of New Zealand’s Electricity Supply</i> ’ appropriation, while also reiterating the appropriation is limited by its scope of emergency events (actual or emerging). A new multi-year appropriation for the period 1 July 2022 – 30 June 2027 will be requested in 2021/22. This feedback will be taken into consideration at that time. |
| 2. 81% of the increase for market operations is to meet terms and conditions of the System Operator Service Provider Agreement (SOSPA). System Operator should attest that this increase is required.  | MEUG      | We note the concerns of the MEUG. While the year on year operating expenses of the System Operator are higher, the capital-related expenses are lower. This shift is to cover the related expenses of the System Operators’ IT upgrade to software as a service (SAAS). The overall System Operator expenses are estimated to be \$84k lower in 2021/22.   |

## 8 Other feedback included within the submissions

8.1 In addition to the above summary there were several other themes raised in the submissions of this consultation, including:

| Themes                           | Issues Raised  | Authority Response   |
|----------------------------------|--|--|
| Electricity Pricing Review (EPR) | <ul style="list-style-type: none"> <li>a) Three submissions support the Authority’s focus on implementing the recommendations from the EPR.</li> <li>b) One submission highlighted the importance of the EPR recommendations on the Authority’s strategic ambition of “thriving competition.”</li> <li>c) One submission highlighted concern with merging the Authority’s ‘What’s my Number’ and Consumer New Zealand’s ‘Powerswitch’ websites into a single website (EPR recommendation C1).</li> </ul>   | <p>We acknowledge the general support for the EPR recommendations.</p> <p>There are several projects underway to address the recommendations from the final report, which will continue into 2021/22.</p> <p>We note the concerns raised regarding merging What’s my Number with Powerswitch. We agree with the EPR recommendations and Government response, to create a single independent website. Consideration was given in the EPR final report to an open tender process, but the reviewers believed this would unduly delay the new website’s launch, disadvantaging consumers. As per the EPR recommendation, our contract provides for periodic retendering to ensure efficiency.</p> |
| 2021/22 work programme           | <ul style="list-style-type: none"> <li>a) Two submissions highlighted a desire for the Authority to provide more visibility over its work programme, including project milestones and consultation dates.</li> <li>b) One submission encouraged a focus on a work programme that delivers tangible benefits for consumers, or that aligned with the Authority’s strategic ambitions.</li> <li>c) Another submission highlighted that project planning is critical for the Authority’s intention to “work more quickly, and...engage differently.”</li> </ul> | <p>Planning for 2021/22 will begin in early 2021. As part of this planning, we will consider the feedback received from these submissions.</p> <p>We acknowledge there is a desire for increased visibility of our existing work programme. We currently publish our work programme, including our annual deliverables and status reports every four months. Both the work programme and status reports are available on our website.</p>  |



| Themes                                   | Issues Raised  | Authority Response  |
|--|--|---|
| Code amendments, regulation and guidance | <ul style="list-style-type: none"> <li>a) Two submissions noted the importance of an annual omnibus of Code amendments to ensure the Code remains current, with one submission suggesting a move to a six-monthly omnibus.</li> <li>b) One submission also highlighted the role industry and stakeholders could play in assessing proposed Code amendments.</li> <li>c) One submission highlighted the need for flexibility in the Authority’s regulatory approach to promote innovation in the industry, including a preference for guidelines over new Code requirements.</li> <li>d) This submission also recommended the abolition of the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 as part of the distribution pricing reforms.</li> </ul> | <p>We acknowledge the importance of the annual omnibus of Code amendments, and we are committed to providing a regular omnibus to maintain the Code as the industry evolves. This year’s omnibus was delayed to provide resources for the Authority’s response to the Electricity Pricing Review and then the COVID-19 response.</p> <p>We are evolving the way we interact with the industry and consumers when consulting on proposed Code amendments. We have already used industry workshops and online forums in addition to the traditional written consultations and intend to continue to encourage new forms of engagement with our stakeholders, where appropriate.</p> <p>The Authority agrees that good regulation, appropriately drafted, supports innovations, and will employ appropriate tools, including guidelines, in the long-term interests of consumers.</p> <p>We note the desire from some stakeholders to revoke the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (LFC Regulations). This feedback is consistent with the EPR recommendations.</p> <p>Administration of the Electricity Industry Act 2010 and its related regulations is managed by the Ministry of Business, Innovation and Employment (MBIE). MBIE has a project underway to consider phasing out the LFC Regulations, and the Authority is working to support that process.</p> |

| Themes                  | Issues Raised   | Authority Response  |
|-------------------------|---|---|
| Strategic ambitions     | <ul style="list-style-type: none"> <li>a) Two submissions highlighted support for the Authority’s refreshed strategy and strategic ambitions for the electricity sector, with one particularly highlighting the ambition of thriving competition.</li> <li>b) One submission highlighted a desire for greater engagement with stakeholders to develop ‘action plans’ to measure the success of the ambitions.</li> <li>c) One submission noted that the ambitions could not be achieved with “overly prescriptive regulation,” and recommended the Authority adopt “practical, flexible and innovative regulatory approaches...”</li> </ul> | <p>We acknowledge the support for the refreshed strategy and strategic ambitions for the sector.</p> <p>Work is underway to develop how the Authority measures progress in relation to each of the ambitions, which will be published in our updated Statement of Intent. Achievement of the ambitions requires collective effort and collaboration between the different parts of the sector.</p>  |
| Market related projects | <ul style="list-style-type: none"> <li>a) One submission encouraged the Authority to provide greater clarity on the project plans for market-related projects, including ACCES, the wholesale market and the spotlight on contestable services.</li> <li>b) This submission also encouraged the Authority to coordinate with working groups and other regulatory bodies in the energy sector on the open networks project, and for the wholesale market.</li> </ul>   | <p>The Authority acknowledges the interest that our stakeholders have in market-related projects and appreciate the engagement provided to date. Some of our projects have been paused to provide resources to implement the EPR recommendations and projects with statutory deadlines, including the ACCES and spotlight on contestable services projects.</p> <p>The Authority’s information disclosure review is working to increase transparency in the wholesale electricity market. We have concluded our review of thermal fuel information disclosure and will commence a review of hydro disclosure in 2021.</p> <p>We will continue to collaborate with the Gas Industry Co as needed as they progress their review of information disclosure in the gas sector.</p> <p>We recognise that technology and innovation impact many different stakeholder groups and will continue to liaise with our stakeholder groups that are working on implementing smart technology. As part of this, the Authority has been working closely with the Electricity Networks Association (ENA) and the ENA Smart Technology Working Group, with both groups presenting at Open Networks workshops.</p> |