

2021/22

LEVY-FUNDED APPROPRIATIONS |
NGĀ TAHUA KUA UTUA E NGĀ MONI

CONSULTATION PAPER |
PEPA WHAKAWHITIWHITINGA

Submissions close: 5pm 8 December 2020

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EXECUTIVE SUMMARY

WHAKARĀPOPOTOTANGA WHAKAHAERE

Scope of consultation

This consultation paper sets out and seeks feedback on the Electricity Authority's (the Authority) appropriations for the forthcoming 2021/22 financial year.

Our updated Statement of Intent (SOI) sets out our strategic framework and reflects our long-term strategic intentions for the next four years. This includes our integrated framework (**Figure 1**) which highlights our five strategic intentions for the sector that guide the prioritisation of our work. The ambitions provide focus in both achieving our statutory objectives and our purpose – creating wider long-term benefit for New Zealand. We will focus on these five key ambitions to ensure the work we do achieves measurable results.

Strategy Development

As the regulator, we need to provide a stable regulatory framework which enables change whilst protecting New Zealand consumers. Resetting our strategy gives us the necessary foundation to meet new expectations and achieve better outcomes for New Zealand.

The strategy reset 2020 reflects a collective call for us to take a broader view and respond to the wider environment. Stakeholders have asked us to show sector leadership, listen more and set the narrative to move beyond electricity to energy and social outcomes. The strategy themes acknowledge the need to put the consumer at the heart of our decision-making and the importance of bringing a te ao Māori perspective to the future of electricity in New Zealand.

Five clear and interrelated outcome themes emerged from the development of our new strategy:

- Low emissions energy
- Consumer centricity
- Trust and confidence
- Thriving competition
- Innovation flourishing

The themes are a clear expression of our external environment and the context in which we have been working for some time. The strategy reset allows us

to focus our efforts on areas important to us and our stakeholders. It sets us up for the future and in the short term, informs improvement in the way we work and deliver initiatives that underpin our strategic ambitions.

We reset the strategy through a range of internal workshops with our staff and Board, and informal external engagement with many key stakeholders, including direct engagement with consumers. This was published in June 2020.

Responding to change in the interests of consumers

The electricity industry is responding to technological advancements, changing consumer expectations and increasing uncertainty. To ensure the industry remains flexible into the future, an ongoing commitment to market development is required – particularly in the retail and distribution markets – as well as continued emphasis on the ongoing efficient pricing and operation of the electricity system and markets.

We are also working in the broader context of a transition to a low-emissions economy and a Government with a firm focus on wellbeing and ensuring policies respond to and benefit the most vulnerable in our communities. The sector is at the centre of some of these broader issues.

Numerous customer-centric projects have been undertaken over the past year, with a special focus on the recommendations of the Electricity Pricing Review (EPR). We have multiple initiatives underway that address many of the EPR recommendations. These include improving access to information and data, enabling new technologies and business models across the electricity sector and enhancing competition.

We welcome the focus on improving consumer outcomes and making sure the right regulatory arrangements are in place to support New Zealand's transition to a low emissions economy. We can also make it easier for consumers by reducing duplication and focusing on information consumers need to make the best choice for them.

We are confident that the appropriations proposed in this consultation paper will allow us to continue to meet these demands, undertake our functions effectively, and increase the long-term benefits delivered to consumers.

Proposed appropriations

The Crown funds us through appropriations of public money. The Crown recovers the cost of this funding, up to the level of actual expenditure incurred, through a levy on electricity industry participants. The proposed appropriations for 2021/22 are outlined in **Table 1**.

Operational appropriation

For the *Electricity industry governance and market operations* appropriation we are proposing an appropriation of \$78.157 million for 2021/22. The majority of this appropriation is used to fund the operation of the electricity system and market, with the remainder used to fund the Authority's operations.

In 2019 Treasury approved funding of approximately \$3.00 million per year from FY21/22 to deliver the real time pricing project (RTP). New Zealand has the only developed wholesale electricity market where spot prices are not finalised until two days later. As a result, consumers and participants can find that they made decisions based on prices that, when finalised two days later, can be significantly different to forecast prices.

We will implement RTP to calculate and publish spot prices in real-time, making them more timely and reliable, and ultimately enabling better electricity consumption and supply decisions by consumers and generators. This means spot prices would be produced and published by the same process that is used to run the power system, which will provide better price certainty. The implementation of RTP will enable:

- Better demand response by end consumers.
- Timely and reliable prices known in real-time will allow end consumers to respond to high prices by reducing consumption.
- A reduction in high spot prices and reducing emissions.
- Better integration of new technology into the electricity market.

Contingent appropriations

For the *Managing the security of New Zealand's electricity supply* appropriation, we are proposing no change to the current five-year appropriation of \$6.000 million, which covers the period 1 July 2017 to 30 June 2022.

For the *Electricity litigation fund* appropriation, we are proposing an appropriation of \$0.500 million for 2021/22.

TABLE 1: SUMMARY OF PROPOSED APPROPRIATIONS

ELECTRICITY AUTHORITY	\$ MILLION	
	APPROPRIATION 2020/21	PROPOSED APPROPRIATION 2021/22
Operational appropriation		
Electricity industry governance and market operations	74.936	74.936
Real-Time Pricing Project	-	3,221
Electricity pricing review	2,000	-
Total operational appropriation	76.936*	78.157
Contingent appropriations		
Managing the security of New Zealand's electricity supply (1 July 2017 to 30 June 2022)	6.000 over five years	
Electricity litigation fund	0.444**	0.500

* An in-principle expense transfer of \$1.500 million from 2019/20 to 2020/21 was approved and will be confirmed in the October 2020 baseline update.

** An in-principle expense transfer of \$0.700 million from 2019/20 to 2020/21 was approved and will be confirmed in the October 2020 baseline update.



WHAT YOU NEED TO KNOW TO MAKE A SUBMISSION

TĀU E HIAHIA ANA KIA MŌHIO KOE KI TE TUKU TUKUNGA

What this consultation paper is about

We welcome and request submissions about our proposed appropriations for the 2021/22 financial year, which covers the period 1 July 2021 to 30 June 2022.

This consultation paper contains information about each of our three appropriations. We are required to consult on our proposed appropriations under section 129 of the Electricity Industry Act 2010 (“the Act”). The legal context for this consultation is set out in **Appendix A**.

Consultation on this paper starts on 10 November 2020 and closes at 5 pm on 8 December 2020.

Why we’re seeking your submissions

Submissions received on this consultation paper will inform our:

- Upcoming appropriations request to the Minister.
- 2021/22 Statement of Performance Expectations (SPE).

How to make a submission

We are looking for specific feedback on our appropriations. We request submissions include a response to the consultation questions in **section 6**.

You can email your submission to appropriations@ea.govt.nz with “**Consultation Paper – 2021/22 Appropriations**” in the subject line.

If you cannot send your submission by email, please post it to:

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Please include your name on your submission. If you are submitting on behalf of an organisation/group, include the name of the organisation/group and your position.

All received submissions will be acknowledged on receipt.

We will publish all submissions on our website. If required, please indicate any information you wish to provide on a confidential basis and do not want published. The Authority is subject to the Official Information Act 1982 and this means we may be required to release information, unless there is a good reason to withhold it.

Submission deadline

The consultation period starts on 10 November 2020 and **all submissions must be received by 5 pm on 8 December 2020**.

Next steps

We will consider all submissions before submitting our request for appropriations to the Minister of Energy and Resources in early 2021.

The approved appropriations will be announced by the Government on Budget day, which is usually in May. This information will also be included in our Statement of Performance Expectations 2021/22 which will be published in mid-2021.

Authority contact

If you have any questions regarding the contents of this consultation paper or the submission process, please email us at appropriations@ea.govt.nz.

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INTRODUCTION

KUPU WHAKATAKI

This section outlines the strategic context of our work and the appropriations required to support this.

Our statutory objective

Our statutory objective is to promote competition in, reliable supply by, and the efficient operation of, the New Zealand electricity industry for the long-term benefit of consumers.

We interpret our statutory objective as requiring us to exercise our functions in ways that, for the long-term benefit of consumers and New Zealand:

- a. Facilitate or encourage increased competition in the markets for electricity and electricity-related services.
- b. Encourage industry participants to efficiently develop and operate the electricity system to manage security and reliability.
- c. Increase the efficiency of the electricity industry.

Electricity industry context – challenges and opportunities

Although our statutory objective, powers and functions have remained the same since 2010, the environment in which it operates is changing significantly and at pace.

The sector is facing great opportunities through rapidly changing technology and new innovations. But with these opportunities through rapidly changing technology come certain challenges. The risks of unintended outcomes from poorly designed regulatory changes are high – and the consequences for consumers and for the development of the industry can be very serious. In this context, consultation with and advice from groups with a wide range of practical

and analytical skills will continue to be essential to our work.

There are some significant all-of-government initiatives¹ currently underway to develop advice and recommendations on the opportunities, costs and risks of transitioning towards a lower net emissions economy – as well as whether the current electricity market and its governance structures will continue to be appropriate into the future. These recommendations will have important implications across government – and for us as the industry regulator.

Electricity Pricing Review (EPR)

The Government released the Electricity Pricing Review's final report in May 2019, and it included 32 recommendations related to consumers, industry, and regulation and technology.

There is strong alignment between the Government's response and our strategic ambitions. We know we can work more quickly, and we know we can engage differently with our stakeholders to ensure our policies and actions are for the long-term benefit of consumers.

Several key projects were initiated that align with EPR recommendations:

- *Saves and win-backs: all retailers have an equal opportunity to compete for customers. To support this goal, we have decided to ban saves and win-backs for 180 days after a customer switches retailers.*
- *Hedge market enhancements: supports each limb of our statutory objective (competition, reliability, and efficiency) for the long-term benefit*

¹ For example:

- The Electricity Price Review – further information is available from <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price/>
- The Low-emissions economy report – further information is available from <https://www.productivity.govt.nz/inquiries/lowemissions/>

of consumers. Hedge markets provide transparent and robust forward price signals, and enable participants to manage their exposure to the spot market for electricity.

- Additional consumer choices of electricity services (ACCES); *will give consumers more choice in how, and who, they interact with in the electricity industry.*

Rapidly developing technology

Evolving technology and business models continue to move the industry towards a more dispersed supply model, in which we see increasing market participation from smaller-scale consumers and other parties. This programme of work covers initiatives to reduce inefficient barriers to development and use of evolving technologies and business models across the supply chain.

We have focussed on several key projects, including:

- Open Networks: *reducing inefficient barriers to the development and use of evolving technologies and business models across the supply chain.*
- Enabling participation: *Participation of new generating technologies in the wholesale market. We are investigating and addressing any barriers in the Code.*
- ACCES: *Consumers are increasingly able to, and are, obtaining services (including consumption, generation, demand response and other third-party provider services) from multiple suppliers.*

Transition to a low emissions economy

Electrification of transport and some process heating is likely to play a significant role in decarbonising New Zealand's economy. With over 80 percent renewable energy sources, New Zealand is well poised for transitioning to a low emissions economy.

The key is to ensure we benefit from our renewable advantage over time. Our role will be increasingly important as New Zealand's electricity sector navigates its way through the changes in technology and the large increases in output likely to be required. We are gathering more and better-quality data on risk management contracts as part of our ongoing work to make improvements to the wholesale electricity market. Enhancing our hedge market will provide a stronger platform for dealing with the potential volatility associated with higher levels of renewable generation.

We have new guidelines for transmission pricing which should deliver significant benefits to consumers and support New Zealand's transition to a low carbon economy. The new guidelines will contribute to a more efficient electricity industry for the long-term benefit of consumers.

The new approach will:

- Reduce the cost of electricity at peak times when consumers value it most.
- Encourage the right investment in renewable generation and transmission to respond to the electrification of transport and industrial processes.
- Contribute to a low emissions economy at the least cost to consumers.

We remain committed to ongoing market design improvements to better enable participation and competition, increase flexibility and resilience.

Changing consumer expectations

Consumer expectations about the reliability of their electricity supply, and the services they want to buy, are also changing rapidly. Electricity markets should be able to adapt to meet changing consumer expectations – particularly if new technology makes it easier for consumers to exercise choice and manage their electricity consumption.

We have amended the Electricity Industry Participation Code (Code) to raise consumer awareness of Utilities Disputes and Powerswitch. This ensures our customers know their rights and provides easy access to information.

Other initiatives such as updating guidelines for transmission pricing, hedge market development and banning retailer-initiated win-backs are helping create an environment where the customer has more choice, access and information.

Our strategic framework

Our 2020-2024 Statement of Intent (SOI) was finalised in June 2020. The SOI sets out our strategic framework, along with impact measures and targets reflecting our long-term strategic intentions for the next four years.

As the regulator of New Zealand's electricity system, our work provides a platform for the country to achieve its aspirations for enhanced quality of life, prosperity, the environment and the transition to a low emissions economy.

Our integrated framework (**Figure 1**) – aligns to the tikanga-based values of kaitiakitanga (long-term sustainability), manaakitanga (social responsibility), whanaungatanga (social connections) and whairawa (thriving whānau) and sets out five strategic ambitions for the sector that guide the prioritisation of our work.

The five key interrelated sector ambitions now focus us to ensure electricity regulation creates a platform for economic recovery, accelerating growth and wider long-term benefit for New Zealand;

- We want consumer centricity to guide regulation and the industry
- We want low-emissions energy to electrify the economy
- We want to build trust and confidence in the industry for all stakeholders
- We want to see thriving competition delivering better outcomes for New Zealanders
- We want to see innovation flourishing

The ambitions provide focus in both the pursuit of our statutory objective and our purpose – ensuring we create wider long-term benefit for New Zealand. We will focus on these five key capabilities to ensure work we do achieves measurable results and underpins our success.

The operational funding requested in the Electricity Governance and Market Operations appropriations will help us to continue to achieve the above.

Our appropriations

The Crown funds us through appropriations of public money. The Crown recovers the cost of this funding, up to the level of actual expenditure incurred, through a levy on industry participants.

Each year we prepare an appropriations request for the Minister, outlining the costs of performing our functions and exercising our powers and duties under the Act.

The appropriations request covers the three appropriations available to us:

Operational appropriation

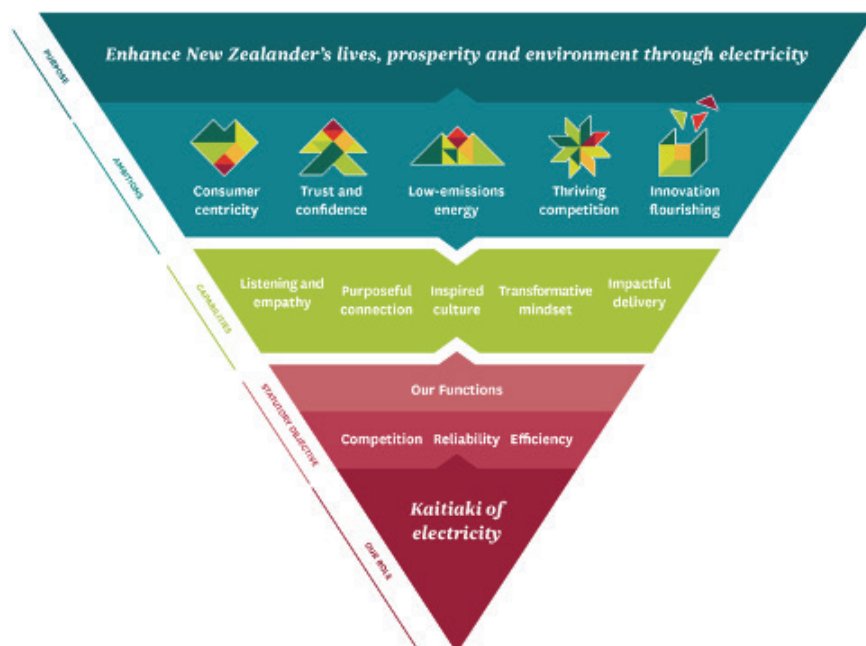
- The *Electricity industry governance and market operations* appropriation is our main operational appropriation; go to **section 3** for more detail.

Contingent appropriations

We also have two appropriations that are contingent in nature. While we do not incur expenditure against these appropriations as part of our normal operations, they allow us to respond quickly and effectively should certain events or situations arise:

- The *Managing the security of New Zealand's electricity supply* appropriation; go to **section 4** for more detail
- The *Electricity Litigation fund* appropriation; go to **section 5** for more detail.

FIGURE 1: OUR STRATEGIC FRAMEWORK





ELECTRICITY INDUSTRY GOVERNANCE AND MARKET OPERATIONS APPROPRIATION

TE RANGATIRATANGA O TE HIKO ME NGĀ MAHI MĀKETE

The *Electricity industry governance and market operations* appropriation is our main operational appropriation.

What is intended to be achieved

This appropriation is intended to achieve the promotion of competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

Scope of appropriation

This appropriation is limited to formulating, monitoring and enforcing compliance with the regulations and Code governing the electricity industry and other outputs in accordance with the statutory functions under the Electricity Industry Act; and delivery of core electricity system and market operation functions, carried out under service provider contracts.

Our functions under this appropriation

This appropriation funds our operations, and the operation of the electricity system and market, enabling us to exercise our four main functions:

- **Promote market development:** we promote development of the electricity markets by making amendments to the Code and through market facilitation measures
- **Monitor, inform and educate:** we monitor market behaviour, make data, information and tools available, and educate consumers and participants
- **Operate the electricity system and markets:** we are responsible for the day-to-day operation of the electricity system and markets, delivered through contracts with service providers
- **Enforce compliance:** we monitor, investigate and enforce compliance with the Act, relevant regulations, and the Code.

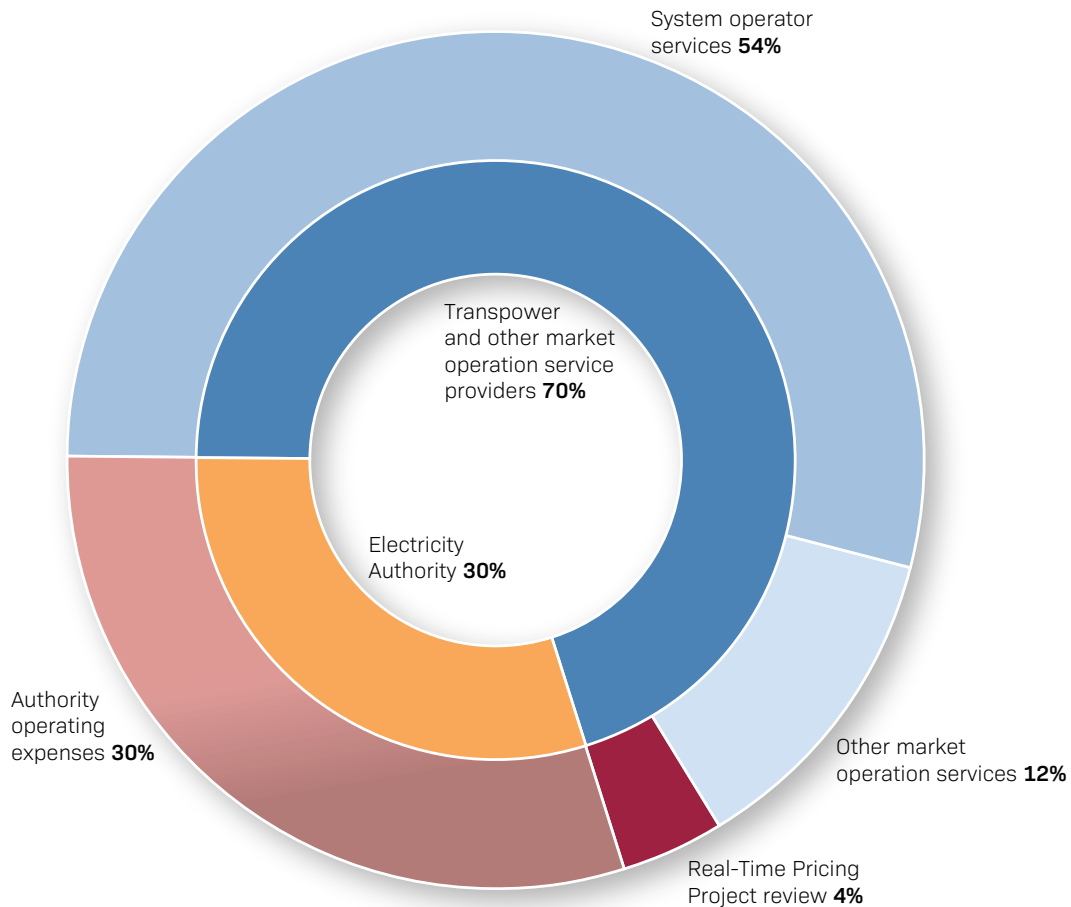
Appropriation funding

To deliver our statutory functions and progress our statutory objective, we propose baseline funding of \$78.157 million for this appropriation in 2021/22.

The majority of this appropriation is used to fund the operation of the electricity system and market, with the remainder used to fund the Authority's operating expenses, as outlined in **Figure 2**.

Information on the year-on-year changes in the appropriation components is provided in the remainder of this section.

FIGURE 2: PROPOSED USE OF THE ELECTRICITY INDUSTRY GOVERNANCE AND MARKET OPERATIONS APPROPRIATION 2021/22 (\$78.157 MILLION)



Expenses relating to the system operator (Transpower)

The system operator is responsible for co-ordinating electricity supply and demand in real time in a manner that avoids undue fluctuations in frequency and voltage or disruption of supply.² Performing this role effectively and reliably requires ongoing investment to maintain and enhance the extensive infrastructure supporting the delivery of the services.

System operator expenses of up to \$42.421 million are provided for in the proposed 2021/22 appropriation. This covers the system operator's operating costs and a recovery on the investments made in the assets that underpin the services delivered. The contractual

arrangements for system operator costs are specified in the System Operator Service Provider Agreement (SOSPA).³

System operator operating expenses are anticipated to be \$0.908 million higher than 2020/21. Capital-related expenses are estimated to be \$0.992 million lower, whilst providing sufficient capital for market design initiatives.

Expenses relating to market operation service providers

We contract a range of other market operation service providers to operate the electricity markets.⁴ Our focus is on creating fit-for-purpose market services that increase market efficiency, ensure effective market operation and facilitate market development.

² Further information on the role of the system operator is available on the Authority's website at <http://www.ea.govt.nz/operations/market-operation-service-providers/system-operator/>
³ The SOSPA is available on the Authority's website at <http://www.ea.govt.nz/operations/market-operation-service-providers/system-operator/what-the-system-operator-does/>
⁴ Information on market operation service providers is available on the Authority's website at <http://www.ea.govt.nz/operations/market-operation-service-providers/>

The component of the proposed 2021/22 appropriation for other market operation service provider expenses is \$9.732 million. This is \$0.247 million higher than 2020/21 due to consumer price index (CPI) linked increases payable under the service provider contracts and higher amortisation expenses. The increase in amortisation expenses reflects investment in the systems that underpin the market operation service provider roles; to ensure the systems keep pace with technological change and continue to be fit-for-purpose. This includes improvements to the Registry manager to improve functionality and incorporate changes due to the switch process review; and development of the FTR (Financial Transmission Right) manager to support expected allocation plan changes.

Authority operating expenses

This component of the appropriation covers our core operating costs, enabling us to exercise our four main functions: *Promote market development*, *Monitor, inform and educate*, *Operate the electricity system and markets*, and *Enforce compliance*.

The Authority is committed to delivering against its strategic ambitions through key initiatives and activities. We are anticipating efficiency gains in 2021/22 as a result of our refreshed strategy. This would result in a total operating expenditure of \$22.783 million.

Appropriation breakdown

Table 2 sets out the main items of expenditure within the electricity industry governance and market operations appropriation:

TABLE 2: BREAKDOWN OF PROPOSED ELECTRICITY INDUSTRY GOVERNANCE AND MARKET OPERATIONS APPROPRIATION

OPERATIONAL APPROPRIATION – ELECTRICITY AUTHORITY	\$ MILLION	
	APPROPRIATION 2020/21	PROPOSED APPROPRIATION 2021/22
System operator – operating expenses	26.480	27.388
System operator – capital-related expenses	16.025	15.033
System operator expenses	42.505	42.421
Service provider – clearing manager	2.479	2.454
Service provider – wholesale information and trading system (WITS)	1.686	1.764
Service provider – pricing manager	0.767	0.776
Service provider – reconciliation manager	0.932	0.963
Service provider – registry manager	0.685	0.725
Service provider – FTR manager	0.810	1.001
Service provider – depreciation and amortisation	2.057	1.999
Service provider – IT costs	0.070	0.050
Other service provider expenses	9.485	9.732
Real-Time Pricing Project	-	3.221
Electricity pricing review	2.000	-
Authority operating expenses	22.946	22.783
TOTAL APPROPRIATION	76.956*	78.157

* An in-principle expense transfer of \$1.500 million from 2019/20 to 2020/21 has been approved and will be confirmed in the October 2020 baseline update.

Proposed appropriation is based on assumptions which may change

Proposed amounts for individual expense items within the Electricity industry governance and market operations appropriation are subject to variable factors that will influence the actual costs incurred. For example, the impact of future CPI changes, the timing and cost of investments in both ours and the system operator's assets.

Funding to implement real-time pricing (RTP)

In February 2019, funding for RTP was approved by the Cabinet Economic Development Committee and our appropriation will increase by at least \$3.000 million per year in 2021/22 and out years. This has been added as a separate line item in the table 2 above. This provided certainty to enable the Authority's Board to make a decision to implement RTP. We have previously consulted on RTP and we are not seeking feedback on RTP in this process.

4

MANAGING THE SECURITY OF NEW ZEALAND'S ELECTRICITY SUPPLY APPROPRIATION

TE WHAKAHAERE I TE HAUMARUTANGA O TE UTU PUTEA HIKO O NIU TIRENI

What is intended to be achieved

This appropriation is intended to achieve enhanced security of supply in the electricity system during periods of emerging or actual security situations.

Scope statement

This appropriation is limited to the management by the System Operator (Transpower) of actual or emerging emergency events relating to the security of New Zealand's electricity supply.

Our functions under this appropriation

The system operator is responsible for ongoing security monitoring and emergency management.⁵ The system operator's security management functions include preparing the emergency management policy, which is incorporated into the Code by reference following our review and approval. The policy sets out the steps the system operator will take, and encourage industry participants to undertake, during an extended emergency.

Our primary role in respect to security of electricity supply is to ensure that the Code promotes an efficient level of supply reliability. This includes specifying the functions of the system operator, how the functions are to be performed, and to set requirements for transparency and performance. We also monitor system operator performance. This work is covered under the promoting market development and operating the electricity system and markets functions respectively of the electricity industry and market operations appropriation.

Our role in respect to this appropriation is limited to addressing requests from the system operator to use these funds. Our approval of any request is subject to an agreed process and criteria. The process requires the system operator to provide evidence that there is an actual or emerging security event, and to describe the actions it intends to take using the funds and how it will monitor the use of these funds. Agreeing this information in advance can help enable the Authority to assess the effectiveness of the actions and the funding during and after the event.

The system operator can request funding from this appropriation to:

- Increase monitoring and management responsibilities in the event of an emerging or actual security situation;
- Plan and run an official conservation campaign.

The system operator would seek our approval for funding from this appropriation on a case-by-case basis, if it considered increased monitoring or security management actions to be justified. However, the system operator can, acting on a 'good faith' basis, incur up to \$0.300 million of costs in this area without prior approval if it is not reasonably practicable to seek that approval.

Managing the security of New Zealand's electricity supply is a multi-year appropriation for the period 2017/18 to 2021/22. Expenses under this appropriation can only be incurred by the system operator. The Authority itself cannot incur expenses under this appropriation.

⁵ Section 8(2) of the Electricity Industry Act 2010 states that as well as acting as system operator for the electricity industry, the system operator must (a) provide information, and short- to medium-term forecasting on all aspects of security of supply; and (b) manage supply emergencies.

Information about the system operator's security management role is available on its website at <https://www.transpower.co.nz/system-operator/security-supply>

Appropriation funding

This appropriation is contingent in nature and will not be drawn on in the normal course of events. As is the case with our other appropriations, levies are only collected up to the level of actual expenditure incurred.

In the government's Budget 2017, a new security management appropriation for the period 1 July 2017 to 30 June 2022 was approved. No expenditure has been incurred against this appropriation to date.

A new Multi-year appropriation (MYA) for this appropriation will be requested in 2021/22, for the period 1 July 2022 to 30 June 2027. This appropriation will remain contingent in nature and will not be drawn on in the normal course of events.

The table below outlines the proposed appropriation.

No changes are proposed to this appropriation.

TABLE 3: MANAGING THE SECURITY OF NEW ZEALAND'S ELECTRICITY SUPPLY APPROPRIATION

CONTINGENT APPROPRIATION – ELECTRICITY AUTHORITY	APPROPRIATION 2020/21	PROPOSED APPROPRIATION 2021/22
Managing the security of New Zealand's electricity supply (1 July 2017 to 30 June 2022)		6.000 over five years

5

ELECTRICITY LITIGATION FUND APPROPRIATION

TE TAHUA A TE KAUTE HIKO

What is intended to be achieved

This appropriation is intended to achieve assurance that the Electricity Authority is able to participate in litigation effectively and without delay.

Scope of appropriation

This appropriation is limited to meeting the cost of litigation activity undertaken by the Electricity Authority arising from it carrying out its functions under the Electricity Industry Act 2010.

Our functions under this appropriation

Our functions under this appropriation include defending judicial review and appeal cases taken against us, and taking enforcement action against participants under our compliance function.

Appropriation funding

This appropriation is contingent in nature, and we will only use it if certain events or situations arise.

As in previous years, it is difficult to estimate the likely level and timing of litigation for 2021/22. We are proposing an appropriation level of \$0.500 million for 2021/22.

The table below outlines the proposed appropriation for 2021/22.

There is a proposed increase of \$0.056 million for the litigation fund appropriation. This increase will cover litigation such as the judicial review of the Transmission Pricing Methodology Guidelines decision, and other potential compliance related matters over the 2021/22 financial year.

TABLE 4: ELECTRICITY LITIGATION FUND APPROPRIATION

CONTINGENT APPROPRIATION – ELECTRICITY AUTHORITY	APPROPRIATION 2020/21	PROPOSED APPROPRIATION 2021/22
Electricity litigation fund	0.444**	0.500

** An in-principle expense transfer of \$0.700 million from 2019/20 to 2020/21 was approved and will be confirmed in the October 2020 baseline update.



CONSULTATION QUESTIONS

NGĀ PĀTAI WHAKAWHITIWHITI WHAKAARO

- 1** What kinds of engagement have you or your organisation had with the Authority?
- 2** The Authority is proposing that the operational appropriation for Electricity Industry Governance and Market Operations 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?
- 3** The Authority is proposing that the contingent appropriation for Managing the Security of New Zealand's Electricity Supply remains unchanged for 2021/22. Do you support the Authority's proposal for maintaining this contingent funding at its current level?
- 4** The Authority is proposing to increase the contingent appropriation for the Electricity Litigation Fund for 2021/22 (i.e. \$0.500 million). Do you support the Authority's proposal for this contingent funding?
- 5** Would you like to provide any other comment on the Authority's proposed 2021/22 funding?

GLOSSARY OF ABBREVIATIONS AND TERMS

Act	Electricity Industry Act 2010
Authority	Electricity Authority
Code	Electricity Industry Participation Code 2010
CPI	Consumer price index
EECA	Energy Efficiency and Conservation Authority
FCP	Facilitating consumer participation
Minister	Minister of Energy and Resources
SOI	Statement of intent
SPE	Statement of performance expectations

APPENDIX A:

LEGAL BASIS FOR CONSULTATION

Section 129 of the Electricity Industry Act 2010 requires the Electricity Authority to consult with those industry participants who are liable to pay a levy; and any other representatives of persons whom the Authority believes to be significantly be affected by a levy:

Section 129

Authority consultation about request for appropriation

1. The Authority must, before submitting a request to the Minister seeking an appropriation of public money for the following year, or any change to an appropriation for the current year, that relates to costs that are intended to be recovered by way of levies under section 128, consult about that request with:
 - a. Those industry participants who are liable to pay a levy under that section; and
 - b. Any other representatives of persons whom the Authority believes to be significantly affected by a levy.
2. The Authority must, at the time when the request is submitted, report to the Minister on the outcome of that consultation.
3. The Ministry must consult in a like manner in respect of a levy to recover costs referred to in section 128(3)(g).
4. This section applies to requests in respect of the financial year beginning 1 July 2011 and later financial year.