

2022/23 and 2023/24 Levy-funded Appropriations

Summary of Submissions and Electricity Authority Responses

16 February 2023



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Executive summary

The Electricity Authority (Authority) consults annually on our proposed appropriations (i.e. the level of funding we receive). In early October 2022, the Authority released its consultation on its proposed levy for the 2022/23 and 2023/24 year. Consultation closed on 4 November 2022.

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. Feedback that was not specific to our appropriations will be subject to further consideration and may be used to inform our 2023/24 planning.

Where relevant, this paper discusses the general themes raised in submissions. The Authority has endeavoured to accurately summarise views expressed in the submissions. However, the summaries necessarily compress the information provided in submissions and the individual submissions should be read to obtain a full account of submitters' views.

Feedback on the proposed appropriations

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

Section four of this document includes feedback from seven submissions on the proposed *Electricity Industry Governance and Market Operations* appropriation increase for 2022/23:

- Four submissions support the proposed appropriation.
- Two submissions do not support the proposed appropriation.
- One submission was unclear in its position.

Section five includes feedback from ten submissions on the proposed *Electricity Industry Governance and Market Operations* appropriation amount for 2023/24:

- One submission supports the proposed appropriation.
- Two submissions support funding of a certain level or funding for specific workstreams.
- Three submissions do not support the proposed appropriation.
- Four submissions were unclear in their position.

Section six includes feedback from nine submissions on question four of the consultation, seeking input from participants on whether they would support a further increase to the *Electricity Industry Governance and Market Operations* appropriation for 2024/25 and outyears:

- Three submissions support a further increase for a certain level of funding or funding for a specific workstream/initiative.
- Two submissions do not support a further increase and would like various further information.
- Four submissions were unclear in their position.

Section seven includes feedback from five submissions on the current funding model for Powerswitch. Feedback was mixed with varying opinions on whether the current funding model is appropriate.

Section eight includes feedback from five submissions on maintaining the *Managing the Security of New Zealand's Electricity Supply* appropriation at its current level of funding for the period July 2022 to June 2027. All five submissions support maintaining the appropriation at its current level of funding, with two submissions encouraging a downward revision of the appropriation in the next year's appropriation consultation.

Section nine includes feedback from five submissions on maintaining the *Electricity Litigation Fund* appropriation at its current level of funding for 2023/24. All five submissions are supportive of the proposed appropriation.

Conclusion

We have considered all submissions and conclude the 2022/23 and 2023/24 appropriation levels we are requesting are appropriate to enable the Authority to continue to deliver on the various workstreams and activities mentioned in the consultation document. These appropriation levels will ensure we can continue to perform our statutory functions effectively and operate in a financially sustainable manner for the long-term benefit of consumers.

The increase in funding will ensure the Authority can support the transition to a low-emissions economy and adequately manage the risks and opportunities emanating from the electricity system. The Authority will play a dual role through this transition as we a) support the electricity system to decarbonise and b) prepare the electricity sector and system for the increased electrification that will come from other sectors decarbonising.

Next steps

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

- our appropriations request to the Minister
- our Annual Corporate Plan for 2023/24.

1 Introduction

- 1.1 Under section 129 of the Electricity Industry Act 2010 (the Act) the Authority is required to consult with affected parties on proposed appropriations for the coming year and advise the Minister of the outcome of that consultation before seeking appropriations from the Minister. We have prepared this summary of submissions to support our appropriations request.
- 1.2 The Authority consulted on its proposed 2022/23 and 2023/24 appropriations from 4 October to 4 November 2022. The Authority's initial consultation period was set to run until 1 November 2022, however the Authority extended this at the request of a stakeholder.

2 List of respondents

- 2.1 We received 11 submissions on the proposed 2022/23 and 2023/24 appropriations from:
- a) Consumer NZ (Consumer)
 - b) Electricity Networks Association (ENA)
 - c) Energy Trusts of New Zealand (ETNZ)
 - d) Independent retailers
 - e) Major Electricity Users Group (MEUG)
 - f) NZ Steel
 - g) PowerCo
 - h) Transpower New Zealand (Transpower)
 - i) Utilities Disputes
 - j) Vector Limited (Vector)
 - k) WEL Networks

3 Submissions on engagement

3.1 We received eight submissions that respond to or infer to question one, relating to our engagement with stakeholders.

Q1. What kinds of engagement have you or your organisation had with the Authority over the past 12 months?		
Key points from submissions	Submitters	Authority comment
Various engagement that includes raising potential Code amendments, maintaining a collaborative working relationship as system operator through operational activities, market and power system analysis, and change activities such as real-time pricing (RTP).	Transpower	<p>The Authority appreciates the various engagement with stakeholders over the past year. We thank you for the time taken to provide various submissions on Authority consultations and for the engagement between industry and Authority staff on a range of workstreams and initiatives.</p> <p>We acknowledge the additional feedback received in some submissions expressing interest in reinstating and/or introducing regular meetings and forums between participants and the Authority. Feedback will be considered.</p>
Regular engagement with the Authority in formal processes and informal liaison.	Powerco	<p>We are committed to actively engaging with industry stakeholders, participants, and consumers and acknowledge that allowing greater opportunities to engage will improve industry's trust and confidence in the Authority and the work we do.</p>
Various engagement on matters that relate to transmission and distribution pricing, regulatory settings for distribution networks and methodology for settlement residual allocation methodology (SRAM).	ENA	<p>In June and July of 2022, we commissioned an independent provider to undertake a stakeholder perception survey. Research involved interviews with stakeholders from across the sector. The survey highlighted several areas for improvement. The Authority is working on a response plan and we will continue to refine our approach to ensure we engage effectively and widely with interested parties and consumers.</p>
Engagement at multiple layers including members as industry participants having formal relationships governed by the Code, and informal contact with Authority staff on range of topics.	MEUG	<p>The full survey findings are available on the Authority website.</p>
Engaged with the Authority via submissions on range of consultations.	Independent retailers	
Relationship with the Authority as Consumer is contracted to run Powerswitch.	Consumer	

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<p>Various engagement including providing submissions on Authority consultations, responding to Authority requests for information, participation in online sessions and workshops hosted by the Authority, formal interactions with Authority staff and Board, informal discussions with Authority staff on range of topics.</p>	<p>Vector</p>	
<p>Engaged in the Authority's work relating to distribution networks.</p>	<p>WEL Networks</p>	

4 Submissions relating to the *Electricity Industry Governance and Market Operations* appropriation for 2022/23

4.1 Seven submissions received provided a response to or infer to question two. The key points from these submissions are summarised in the table below.

Q2. The Authority is proposing a permanent baseline increase of \$0.500 million to the Electricity Industry Governance and Market Operations appropriation in 2022/23 bringing the total appropriation for 2022/23 to \$95.952 million. Do you support the Authority's proposal for funding of \$95.952 million?		
Key points from submissions	Submitters	Authority comment
Support.	Transpower Utilities Disputes ENA Powerco	<p>The Authority is grateful for the submissions received in support of the increase in appropriation of \$0.500 million for 2022/23. Funding is sought to cover work underway that cannot be met by re-prioritised resources.</p> <p>The Authority acknowledges those submissions that are not in support of the proposed increase and are appreciative of the points raised in submissions for the Authority to consider further.</p>
Does not support.	MEUG (NZ Steel supports MEUGS submission)	<p>The Authority understands the concerns raised regarding increased costs to consumers and communities. Consumer centricity is one of the Authority's five strategic ambitions. We are focused on creating long-term benefits for consumers through development of market-oriented solutions to place downward pressure on price, enabling new technology and enhancing consumers' choice of plans, packages and retailers.</p>
Unclear – concerned about any levy changes that will result in increased costs to consumers and communities.	ETNZ	<p>The Authority's Annual Corporate Plan communicates our intended activities for the financial year and provides an opportunity to demonstrate how our work supports delivery against the sector ambitions, specifically low-emissions energy, thriving competition and innovation flourishing. Implicit within these activities are the associated ambitions of consumer centricity and trust and confidence. Consumer outcomes are at the centre of the Authority's decision-making, and everything we do seeks to build trust and confidence in the electricity system. The Authority is aware that these are areas in which we can improve – that is why they are ambitions, and central to everything that we do.</p> <p>Our goal is to enable tangible consumer benefits through the work that is funded via the appropriations available to the Authority.</p>

5 Submissions relating to the *Electricity Industry Governance and Market Operations* appropriation for 2023/24

5.1 Ten submissions received provided a response to or infer to question three. The key points from these submissions are summarised in the table below.

Q3. The Authority is proposing a permanent baseline increase of \$7.308 million to the Electricity Industry Governance and Market Operations appropriation in 2023/24 bringing the total appropriation for 2023/24 to \$104.021 million. Do you support the Authority's proposal for funding of \$104.021 million? Note: The Authority is not seeking feedback on the funding received for real-time pricing or market-making in this process.		
Key points from submissions	Submitters	Authority comment
Support.	Utilities Disputes	The Authority is grateful for the submissions received in support of an increase to the <i>Electricity Industry Governance and Market Operations</i> appropriation for 2023/24.
Supports increased regulatory funding for energy system transformation for decarbonisation (or electrification) objectives.	Transpower	We also note specific workstreams and additional activities that some submissions highlighted as key areas for focus. The increase sought is to fund key workstreams and major regulatory reform from the Government's Emissions Reduction Plan, work arising from the review of the events of 9 August 2021, implementing the Electricity Industry Amendment Act 2022, work required to improve wholesale market competition, and Authority support functions.
Supports the Authority receiving an additional \$1.08 million for the wholesale market review, however, requires further information on the remainder of the proposed increase in order to comment, and would like to see the baseline review happen before the Authority's proposed 2023/24 increase.	Independent retailers	The Authority acknowledges feedback received advising that stakeholders and participants required further information on workstreams including costs and deliverables in order to make an informed submission / support the proposed appropriations. The Authority has commented on this further in the key themes section of this document under work programme consultation.
Does not support – suggested the Authority has not provided sufficient justification for the increase. Suggest the Authority publishes a detailed work programme including costs and deliverables.	ENA	The Authority notes some stakeholders desire to see a baseline review/review of the market be undertaken ahead of an increase to the levy. The Authority considered this and determined that it was not plausible to undertake a full strategic baseline review for 2023/24 within the available

<p>Does not support – suggests the Authority has dismissed pursuing evidence-based analysis of economic profit trends over time and should prioritise resources to this. Suggests there should be a reduction in expenditure for work relating to the 9 August event and no increase for work relating to RTP. Suggests allowance to incorporate economies of scale and scope for support functions rather than using existing ratios.</p>	<p>MEUG (NZ Steel supports MEUG's submission)</p>	<p>budget 2023 timeline. A strategic baseline review led by MBIE is currently underway and will inform the Authority's appropriation request for 2024/25 and outyears.</p> <p>The Authority advises submitters that suggestions made on specific policy consultations will be considered in the context of those specific consultations.</p> <p>The Authority understands the concerns raised regarding increased costs to consumers and communities and has commented on this further in the above table, on question two.</p> <p>The Authority notes feedback regarding support function ratios. Our support functions are at full capacity and any additional work will need to be appropriately resourced.</p>
<p>Unclear – suggested shortcomings in the consultation paper and need for various further information, such as costs accounted for as part of specific workstreams.</p>	<p>WEL Networks Powerco</p>	
<p>Unclear – concerned about any levy changes that will result in increased costs to consumers and communities.</p>	<p>ETNZ</p>	
<p>Unclear – however supports the wholesale market review, future security and resilience, and MDAG investigation under 100% renewables workstreams. Provides suggestions on various other topics outside of the scope of this consultation which will be considered further.</p>	<p>Vector</p>	

6 Submissions relating to further increase in funding for 2024/25 and outyears

6.1 Nine submissions included a response to question four relating to a further increase in funding for 2024/25 and outyears.

Q4. Would you support a further increase as signalled to funding for the Electricity Industry Governance and Market Operations appropriation for 2024/25 and outyears?		
Key points from submissions	Submitters	Authority comment
Support for specific workstreams under the Government's Emissions Reduction Plan.	Utilities Disputes	<p>The Authority is grateful for the submissions received in support of a further increase as signalled in the consultation paper to the Authority's <i>Electricity Industry Governance and Market Operations</i> appropriation for 2024/25 and outyears.</p> <p>The Authority acknowledges those submissions that are not in support of the proposed increase and are appreciative of the points raised in submissions for the Authority to consider further.</p> <p>A strategic baseline review led by MBIE is currently underway and will inform the Authority's appropriation request for 2024/25 and outyears. The baseline review is being undertaken by Sapere Research Group who were appointed through an MBIE-led procurement process. The Authority is of the understanding that MBIE will publish the report when completed. The Authority will use its findings to inform the appropriations request for 2024/25 and inform future planning. The Authority understands that Sapere intends to engage with multiple stakeholders/participants as part of their review.</p> <p>The Authority notes the submission regarding Powerswitch funding and has addressed feedback received on the Powerswitch funding model in the following table.</p> <p>The Authority acknowledges feedback received advising that stakeholders and participants required further information on workstreams including costs, deliverables, and resource allocation in order to make an informed submission / support the proposed appropriations. The Authority has commented on this further in the key themes section of this document under work programme consultation.</p> <p>The Authority understands the concerns raised regarding increased costs to consumers and communities and has commented on this further in response to submissions received on question</p>
Supports, however suggests part of the increase be used to revise the structure of the Powerswitch funding model to reflect the recommendations made by the Electricity Price Review.	Consumer	
Supports the Authority receiving an additional \$2.16 million in 2024/25 and outyears for the wholesale market review.	Independent retailers	
Does not support. Further information is required on where the Authority allocates resource.	Transpower	
Does not support – suggests increase is unjustifiably high and needs to be accompanied by a detailed work programme including costs and deliverables.	ENA	
Unclear – suggests shortcomings in the consultation paper and need for various further information such as cost benefit and flow on implications.	WEL Networks Powerco	
Unclear – concerned about any levy changes that will result in increased costs to consumers and communities.	ETNZ	

<p>Unclear – recognises regulators are required to increase capability and capacity to facilitate the significant amount of regulatory change.</p> <p>Suggests baseline review be informed by stakeholder consultation or the findings be subject to stakeholder consultation.</p>	Vector	two.
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7 Submissions relating to the current funding model for Powerswitch

7.1 Five submissions included a response to question five on the current funding model for Powerswitch.

Q5. Do you have any feedback on the current funding model for Powerswitch? Would you like to see an alternative funding model for Powerswitch?		
Key points from submissions	Submitters	Authority comment
Recommends that Powerswitch be 100% funded by the Authority via an increase to the existing levy provision. Suggests that funding level needs to increase if Powerswitch is to meet development and service level expectations.	Consumer	The Authority thanks participants and stakeholders for their feedback on the Powerswitch funding model and acknowledges the diverse views in the submissions received. The views received will help inform the Authority's future decisions on the funding it provides for the switching service.
Suggest current funding model is appropriate at this time, however, should remain under regular review.	Utilities Disputes	
Suggests the existing model could lead to perverse outcomes. Does not support increase in funding from the Authority. Suggests funding is sought elsewhere provided it does not undermine the independence of Powerswitch.	ENA	
Suggests it would be timely to review the current funding model to ensure Powerswitch costs and benefits are falling to the appropriate parties, while continuing to provide an independent site that involves as many retailers as possible.	Powerco	

<p>Suggests the funding arrangement for Powerswitch should be reviewed and consulted on. Holds the view that Powerswitch fees are a 'tax on competition' that favours incumbent retailers and considers that Powerswitch should be fully levy funded. Wants to ensure that Powerswitch is fit-for-purpose and safe to rely on by consumers.</p>	<p>Independent retailers</p>	
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8 Submissions relating to *Managing the Security of New Zealand's Electricity Supply* appropriation

8.1 Five submissions included a response to question four. The key points from these submissions are summarised in the table below.

Q6. The Authority is proposing to maintain the contingent appropriation for Managing the Security of New Zealand's Electricity Supply from July 2022 to June 2027. Do you support the Authority's proposal for maintaining this contingent funding at its current level of \$6.000 million over five years?		
Key points from submissions	Submitters	Authority comment
Support.	Transpower ENA Powerco	The Authority is grateful for the submissions received in support of maintaining the <i>Managing the Security of New Zealand's Electricity Supply</i> appropriation at its current level of funding over five years.
Supports – suggests downwards revision of level of appropriation should be considered in next year's appropriation consultation.	MEUG (NZ Steel supports this submission)	This appropriation is contingent in nature and will not be drawn down on in the normal course of events. Levies are only collected up to the level of actual expenditure incurred. Participants' annual levy invoices do not include fees for the <i>Managing the Security of New Zealand's Electricity Supply</i> appropriation. Fees for this appropriation will only be charged if funding from the appropriation is drawn down.

9 Submissions relating to the *Electricity Litigation Fund* appropriation

9.1 Five submissions included a response to or inferred to question five. The key points from these submissions are summarised in the table below.

Q7. The Authority is proposing the contingent appropriation for the Electricity Litigation Fund for 2023/24 and outyears is \$1.500 million. Do you support the Authority's proposal for maintaining this contingent funding?		
Key points from submissions	Submitters	Authority comment
Support.	Transpower ENA Powerco MEUG (NZ Steel supports this submission)	The Authority is grateful for the submissions received in support of maintaining the level of funding for the <i>Electricity Litigation Fund</i> for 2023/24. This appropriation is contingent in nature and will not be drawn down on in the normal course of events. Levies are only collected up to the level of actual expenditure incurred.

10 Submissions relating to further comments on the 2022/23 and/or 2023/24 funding

10.1 Five submissions provided further comments on our proposed 2022/23 and/or 2023/24 funding.

Q8. Would you like to provide any other comment on the Authority's proposed 2022/23 or 2023/24 funding?		
Key points from submissions	Submitters	Authority comment
<p>Desire to see the Authority's workplan set out how it will engage with industry for an effective and efficient Code change process.</p> <p>Suggests that Authority's enhanced oversight requires the system operator to receive additional funding for resourcing to ensure timely and quality responses as counterparty to that oversight.</p>	Transpower	<p>The Authority thanks participants and stakeholders for the additional feedback provided in relation to our proposed 2022/23 and 2023/24 funding.</p> <p>Feedback that does not directly relate to the consultation on the levy-funded appropriations will be considered in future 2023/24 planning.</p> <p>Where the Authority has identified key themes in submissions received, we have commented on these further in the next section.</p> <p>Cost implications on EDBs are taken into account by the Authority when proposing regulatory changes, through the cost-benefit analysis carried out for each.</p>
<p>Suggests Powerswitch funding needs to increase, and that current funding levels are not sufficient to meet consumer needs, evolving retail offers, technological change, and the Authority's expectations for Powerswitch enhancement.</p>	Consumer	<p>The Authority and the Commerce Commission meet regularly, with a key objective of these meetings being to ensure that each agency is aware of what the other is working on, and a focus on any changes which might have a material cost impact on distributors.</p>
<p>Encourages the Authority to consider and accommodate cost implications on Electricity Distribution Businesses (EDB's) in changing its work programme and to engage with the Commerce Commission about effective cost arrangements for all parties involved in the Authority's work programme.</p>	Powerco	<p>The Authority began reporting on our greenhouse gas (GHG) emissions in our Annual Report 2020/21. The Authority calculates its emissions using the Ministry for the Environment's Measuring Emissions: A Guide for Organisations. Our intention is to see a reduction in our emissions over time.</p> <p>The Authority takes actions that reduce its GHG emissions, including:</p>

<p>Recognises improved engagement between Authority and industry. Suggests the Authority consider re-activating meetings with industry regulatory managers and industry representatives on a regular basis.</p> <p>Suggests the Authority reflect on actions taken to minimise its carbon footprint in regular or statutory reporting.</p>	Vector	<ul style="list-style-type: none"> • efficient business travel – teleconferencing and videoconferencing technologies are utilised to allow meetings to take place without the need for physical travel. Where physical meetings do take place, the Authority seeks to schedule these in such a way that the number of individual trips are minimised • waste – the Authority recycles waste streams including paper, plastic, glass, and e-waste. In addition, the use of technology such as mobile electronic devices and digital content management systems has reduced the amount of paper waste created • promoting a flexible working environment allowing staff to work remotely, reducing personal travel emissions activities that enable staff to cycle to work.
<p>Suggests that the Authority set out forecast unit levy rates expected in future years in the same format as gazette notices of actual levy rates, so that affected parties can calculate the changes that apply to their household or business.</p> <p>Recommends future additional details and assumptions be published, such as GWh volumes and ICP numbers that apply to each levy class for the current year and forecast years. This will enable interested parties to reconcile expenditure categories used for setting levies with the aggregate appropriations bid. As the appropriation is now over \$100 million per annum, more information is needed to allow levy payers to provide informed and detailed feedback.</p>	MEUG	<p>The Authority notes feedback on setting out future levy rates and will take this into consideration for future consultations.</p>

11 Other feedback included within the submissions

11.1 There were several key themes/topics raised in the submissions of this consultation, including:

Topic	Issues Raised	Authority Response
<p>Prioritisation of funding</p>	<p>a) The Authority received multiple submissions suggesting areas to prioritise funding and ways in which funding should be prioritised:</p> <ul style="list-style-type: none"> i. One submission received suggested the Authority undertake a '20 years on' in-depth review of the market and its limitations and to target funding towards areas that produce more tangible consumer benefits. ii. One submission suggests low-impact initiatives should be paused or discontinued to ensure resource is available to deliver high-impact workstreams. iii. One submission mentioned it was difficult to provide meaningful comments about the trade-offs and value of activity without further detail. For example, information on how additional costs have been calculated, the nature of specific costs within broad workstreams, the process to assess priorities within the work programme, and new activities vs existing work programme. 	<p>For the internal budget round each year, different parts of the business will put in a budget bid for initiatives to be prioritised for the following year. Initiatives will be evaluated against our statutory objectives, our strategic sector ambitions, maintaining confidence in the system and rules, and opportunity costs. Initiatives are ranked, with the highest importance initiatives receiving funding within available resources. In this process, the Authority considers whether initiatives need to be paused or discontinued based on our statutory and strategic priorities. For example, the following initiatives have been paused/deprioritised to allow for resources to be redirected to address higher priority workstreams:</p> <ul style="list-style-type: none"> i. The Authority's consideration of retailers' pass-through of distribution pricing changes into retail prices (2022) ii. The semi-regular omnibus review of the Code was paused (this periodic review is an important – but not urgent – process to address any minor and technical drafting errors leading to inconsistencies or inaccuracies) iii. A project trialing regulatory tools to better enable flexible trading partnerships to improve consumer (in particular small users) outcomes from deployment of hot water, household batteries, rooftop solar by allowing consumers have access to multiple traders offering different services and products was deprioritised iv. As funding becomes available, deprioritised initiatives are reconsidered.

Topic	Issues Raised	Authority Response
Cost/benefit analysis	<p>a) The Authority received submissions providing feedback relating to cost/benefits:</p> <ul style="list-style-type: none"> i. Two submissions suggested it was difficult to see how benefits to consumers will outweigh the levy increase, with one submission noting they felt the description of benefits of DER and RTP do not provide a clear cost/benefit link to the proposed levy increase. They encourage the Authority to record and review costs as part of post-implementation reviews of costs and benefits of its initiatives. The other submission said that given the choice, they would allocate additional funds differently to the proposed workstreams. ii. One submission suggests a lack of value for consumers from the proposed new spend and that inflationary pressures and the level of engagement do not account of the magnitude of the increase on that stakeholder. It was suggested that a re-examination of the allocation formula is required. iii. One submission suggested that an increased levy loading for Transpower due to grid efficiency gains would be consistent with the Authority's beneficiary pay philosophy. 	<p>The Authority acknowledges that it is difficult to fully monetize the benefits of the proposed levy increase. However, it is confident that the impact on bills^[1] from the proposed levy increase are lower than the benefits of the projects that will flow through to consumers. For example, it is estimated:</p> <ul style="list-style-type: none"> i. the net benefits of real-time pricing are between \$15.000 million and \$95.000 million over 15 years. The proposed increase will contribute to unlocking the benefits of real-time pricing. Real time pricing forms the foundation for efficient participation of demand response and DER in the wholesale market. The additional funds will provide for the development of additional services and market products that will reduce price volatility in the wholesale market and provide potential revenue to consumers who invest in flexible demand products such as EV smart chargers, solar and battery installations and smart home management systems. Competition in the retail market to manage wholesale price exposure through their customer's demand flexibility is expected to provide the most direct benefit to consumers whilst the reduction in wholesale price volatility will reduce the forward contracting costs for retailers and thus prices to consumers. ii. if DER were to realise its potential, the net benefit from 2021 to 2050 would be \$6.900 billion. Of this \$2.800 billion accrues to consumers and \$4.100 billion will also go to the owners and operators of the DER. A large proportion of this \$4.100 billion will also go to consumers as they will be the hosts of DER.

^[1] The intended \$11.345 million levy increase would increase household bills by approximately \$2.04 per year, commercial consumer bills by approximately \$13.30 per year, and industrial consumer bills by approximately \$75.65 per year. The increases are indicative values only. The actual amount will vary based on consumption. The household impact is calculated based on the number of connection points in the network and average annual consumption. Assumes average consumption of 48.4MWh per year for commercial consumers and 276.7MWh per year for industrial consumers.

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Topic	Issues Raised	Authority Response
		<p>A post-implementation review of the real-time pricing project is planned to take place two to three years after project implementation to assess the effectiveness of the initiative.</p> <p>The proposed levy increase will fund programmes of work that are designed to increase competition, reliability and efficiency of the electricity system which will help restrain prices relative to the counterfactual. Therefore, rather than generating inflationary pressures, the proposed levy increase could help reduce inflationary pressures over time.</p> <p>Information on how the Authority determines activities areas of focus and allocates funding is included in the Authority's response to issues raised in submissions regarding prioritisation of funding above.</p> <p>The Authority notes feedback on allocation of costs to Transpower. This is determined by the Electricity Industry (Levy of Industry Participants) Regulations 2010.</p>
Enhanced system operator oversight	<p>a) One submission supports the Authority's proposal for additional funds for enhanced system operator oversight, however, feels that the system operator will face increased costs from the enhanced oversight and would require additional funding to ensure timely and high-quality responses.</p> <p>b) One submitter feels there should be a reduction in costs relating to enhanced system operator oversight as resources used to urgently undertake the review of the 9 August 2021 event should be scaled down.</p>	<p>The Authority is conscious of ensuring that it has an appropriate level of resourcing in place to conduct appropriate oversight. The Authority has already scaled down the resources used to undertake the review and response to the events of 9 August 2021 and is now operating largely in a business-as-usual environment. Various reviews and investigations have been completed. Further information on the reviews can be found on the Authority website. In that environment, the Authority's view is that additional funding for system operator oversight is necessary – in order to better match the resources the system operator already has, and to properly scrutinise the level of detail and information already produced by the system operator. This is in line with the recommendations of the Ministerial report on the events of 9 August 2021.</p>

Topic	Issues Raised	Authority Response
<p>Authority workstreams (Wholesale Market Review, Distribution Pricing, Regulatory Settings for Distribution Networks)</p>	<p>a) Multiple submissions provided further input on workstreams in the Authority’s Annual Corporate Plan 2022/23. These included the wholesale market review, distribution pricing, and regulatory settings for distribution networks.</p> <ul style="list-style-type: none"> i. Two submissions highlighted their support for the wholesale market review, however both highlighted additional concerns they would like to see addressed within the workstream. ii. Two submissions provided additional recommendations on the distribution pricing workstream, with one seeking further clarification on the Authority’s position on the pass-through to consumers of distribution price signals. iii. Two submissions commented on work relating to updating regulatory settings for distribution networks, of those one suggested the Authority amend the Code to increase distributors’ visibility of EV charges on their network and would like to see funding prioritised to this from the proposed levy increase, while the other submission seeks assurance that the work relating to distribution networks delivers value for money. 	<p>The Authority thanks submitters for their feedback regarding the wholesale market review and distribution pricing. The Authority will take this into consideration as our ongoing work develops.</p> <p>In relation to the submission received on amending the Code to increase distributors’ visibility of EV chargers on their network – the availability of consumption data to distributors is one of the issues raised in the Authority’s consultation document <i>Updating the Regulatory Settings for Distribution Networks</i>. Any change here is likely to be achieved through the creation of standard terms and/or amendments to the Code and is unlikely to require allocation of levy funding.</p> <p>The Authority’s current work on the regulatory settings for distribution networks is targeted at unlocking the value which greater use of distributed generation (DG) and distributed energy resources (DER) can bring. This works in harmony with the programme to promote efficient distribution pricing.</p> <p>The economic consultancy <i>Sapere Research Group</i> valued the potential benefits of a system which supported efficient use of DG and DER at \$6.900 billion.</p>
<p>Consumer care guidelines</p>	<ul style="list-style-type: none"> a) One submission welcomes the Authority’s work on the consumer care guidelines and highlights their support for additional funding to ensure the Authority can build on this and engage with consumers to meet the aims of the amendments. b) One submission suggests that providing consumer protection (including the extended process before disconnection can 	<p>The interests of consumers are core to the work of the Authority. We have a number of workstreams considering the effectiveness of the consumer care guidelines currently underway and propose to improve our collection of compliance data.</p> <p>The main objective of the Authority is to promote competition in, reliable supply by, and efficient operation of the electricity industry for the long-term benefit of consumers. The Authority’s additional objective (which came into effect on 31 December</p>

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Topic	Issues Raised	Authority Response
	<p>occur, and restrictions on disconnection of vacant sites) goes beyond what would be considered economically efficient.</p>	<p>2022) is to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers. The consumer protection is within this additional objective.</p>
<p>Work programme consultation</p>	<p>a) Three submissions raised that the Authority should provide more detail on its proposed work programme to enable stakeholders and participants to provide more meaningful submissions and provide clarity on what will be delivered with additional funding. Of the three submissions:</p> <ul style="list-style-type: none"> i. Two submission call for a detailed work programme including budgets, delivery timelines, key milestones and outputs for each material expenditure item. ii. Two submissions recommend the Authority consult on detailed work programmes at the same time as consulting on the level of funding required to complete the proposed work. iii. One submission notes that in 2020 the Authority paused consulting on its work programme in the levy consultation as the Authority was embarking on a new strategy development process and comments that this work has not been reinstated. 	<p>In support of the levy consultation, the Authority included information on the workstreams the proposed increase is intended to cover. Previous levy consultations included high-level proposed work programme focus areas. With the introduction of the Authority’s refreshed strategy in 2020, we now produce a strategically aligned Annual Corporate Plan that details the activity areas the Authority will focus on each year. The majority of these activity areas are long-term strategic priorities that continue across multiple years, e.g. transmission pricing methodology, wholesale market review.</p> <p>During its development, the strategy and sector ambitions were heavily consulted on and the activity areas in our Annual Corporate Plan are intended to drive delivery against these ambitions.</p> <p>In late 2021, the Authority published its Energy Transition Roadmap. The roadmap provides the basis for the Authority’s support for the first Emissions Reduction Plan and development of the Energy Strategy. The Roadmap is a living document that will be updated as necessary to further support the Emissions Reduction Plan and Energy Strategy.</p> <p>In late 2022, the Authority published its vision for the future to highlight to consumers and industry participants what a decarbonised future electricity system could look like and articulate the Authority’s role in this transition. The vision document outlines four key focus area which are linked to our six existing workstreams under the Energy Transition Roadmap ensuring all our work drives our vision forward as we continue to respond to the needs of the system, perform our statutory objectives to the highest standard, and protect the needs of consumers big and small.</p>

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Code change process	<p>a) One submission suggests that the Code amendment process has been slow and Code amendment proposals have stalled. The submission notes concerns that a reprioritisation of resource to a review of the Code amendment process may lead to a reduction of the volume of Code amendments the Authority considers. The submission notes concerns that network related Code amendments are not receiving the attention required due to resources being devoted to market operations and consider the Authority should have an SLT member responsible for 'networks'. They suggest that in the Code amendment review participants should be engaged at the problem definition stage rather than at the time of an Authority proposal.</p> <p>b) One submission suggests the Authority re-activate its omnibus Code review process annually. They consider that an omnibus review could help to identify system and complex issues that require more in-depth consideration by the Authority.</p>	<p>In the second half of 2022 the Authority reviewed its consultation and feedback processes with the purpose of making improvements to these processes.</p> <p>In early 2023, the Authority published a consultation paper setting out proposals addressing issues identified through this review. This included proposed amendments to its consultation charter, which sets out the Authority's Code amendment process, the charter for advisory groups, and the terms of reference for the Security and Reliability Council (SRC) and other advisory groups. The issues raised here will be considered alongside submissions received on this separate consultation.</p>
Improved industry engagement	<p>a) Two submissions suggest the Authority reinstates the Regulatory Managers and Consumer Representative meetings. One submission notes the meetings provided a forum to discuss policy direction, issues, and concerns.</p> <p>b) One submission recommends the Authority initiate workshops following submissions processes to increase the level of shared understanding of industry perspectives and positions. They recommend the use of digital tools and platforms to conduct consultations more nimbly by allowing ongoing conversations between multiple parties.</p> <p>c) One submission recommends the Authority establish an industry-wide forum or working group where metering-related issues can be identified, discussed, and resolved.</p>	<p>The Authority acknowledges submissions suggesting the reinstatement of various stakeholder meetings. This feedback is being considered.</p> <p>The Authority seeks to make its consultation process fit for purpose to the relevant issues at hand. This includes considering the length of consultation, the number and type of engagements with participants, and whether cross submissions are sought. The Authority will consider this proposal as part of its consultation design process.</p> <p>Feedback relating to an industry-wide forum/working group for metering-related issues is being considered.</p>

Topic	Issues Raised	Authority Response
Turnover concerns	<p>a) Three submissions raised concerns with the Authority’s recent turnover, of those:</p> <ul style="list-style-type: none"> i. One submission described the turnover as disruptive and concerning and noted the level of turnover is in stark contrast to MBIE and the Commerce Commission and that the turnover rate is substantially higher than the public sector average. ii. Two submissions noted the loss of institutional knowledge and high calibre, well respected staff. iii. One submission recommends the Authority lay out a clear plan to rebuild its institutional capacity by attracting and retaining staff. <p>b) All three submissions noted concerns with the Authority’s use of consultants. One submission suggested that consultant use has extended beyond specialist expertise to core elements of the Authority’s role and is being used to address staffing issues. Another submission relays their support for funding to be used for attracting and retaining staff, however, does not support use of increased funding to engage consultancy services.</p>	<p>The Authority has attributed our turnover to a number of reasons including the impacts of COVID-19 and the easing of international restrictions, the tight labour market, and the impact that has on small organisations. It is also due, in part, to a change programme undertaken in August 2021 to ensure the Authority has the right roles, skills and team structures to deliver on the activities published in the Authority’s Annual Corporate Plan. We also had several fixed term roles come to an end as projects were delivered.</p> <p>The Authority notes that while turnover was 39 percent, the Authority’s headcount rose from 95 at the start of 2021/22 to 104 at the end of 2021/22, reflecting the Authority’s initiatives and recruitment efforts.</p> <p>We are confident in our plan to manage staff retention and to attract the right talent to our team. The Authority’s most recent staff engagement survey included questions focused on our workplace culture, which received an average score of 74% (up from 67% in 2021). The overall average survey score for 2022 was 70% (up from 64% in 2021).</p> <p>In the past year, the Authority has introduced multiple retention initiatives including:</p> <ul style="list-style-type: none"> • focusing on ‘in job’ training through the annual professional development planning process • mentoring and/or formal training for groups and individuals • introducing additional channels for staff feedback and ensuring regular staff engagement opportunities • enhancing our employee value proposition to increase our competitiveness in a challenging recruitment market. <p>The Authority intends to continue focusing on managing turnover related risks and undertakes regular reporting.</p> <p>The Authority’s functions require significant use of consultants as they have specialist and technical knowledge that is not</p>

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		<p>economic to employ on a full-time basis. Details of consultant use in 2021/22 show that a significant proportion of the consultancy services provided support to staff or input into Authority projects and reports.</p>
<p>Authority's Statutory Objective</p>	<p>a) One submission recommended the Authority reinstate the review of the interpretation of the statutory objective and perceives the Authority has a focus on efficiency that will not deliver long-term benefits for consumers. The submission urges the Authority to prioritise competition.</p> <p>b) One submission acknowledged the Authority's focus on responding to the Governments emissions targets, however advised the Authority to not lose sight of its primary role ensuring a reliable, efficient, and competitive electricity market.</p> <p>c) One submission encouraged the Authority to shift from its current position of neutrality between consumer benefits and supplier benefits to a more consumer-centric focus. The rationale was that the efficiency focus has not realised the full benefits of competition for consumers and that efficiency is not an end in itself.</p>	<p>The Crown Entities Act requires the Authority to act consistently with its statutory objectives when performing its functions, which include making and administering the Code, undertaking market-facilitation measures, and carrying out reviews, studies, and inquiries into any matter relating to the electricity industry. Such performance will be assessed for consistency on a case-by-case basis and will be directed at promoting the interests of consumers.</p> <p>Sections 39-40 of the Electricity Industry Act set out the procedural requirements that the Authority must comply with when amending the Code, including consultation. The Authority is committed to being a transparent regulator, issuing proactive releases and encouraging the industry and stakeholders to participate fully in consultations as the Authority carries out its work.</p> <p>The Authority considers that this framework provides the submitters with sufficient opportunity to comment on the Authority's work (including consistency with the statutory objectives) at the appropriate time.</p> <p>Note: the Authority added an explanatory note to its Interpretation of its Statutory Objective document on 20 December 2022, prior to the additional objective coming into force.</p> <p>Any activity the Authority undertakes must be line with its main statutory objective and additional statutory objective. The Authority focuses on all components of our main statutory objective – competition, reliability, and efficiency. Our focus on competition is also reflected in our strategic ambition of thriving competition.</p> <p>As an independent Crown entity, the Authority must also have regard to Government policies including emissions targets.</p>

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		<p>Transformation of the energy sector is critical to the transition to a low-emissions economy. The electricity sector has a significant role to play in this transition.</p> <p>Our interest is to ensure the transition happens efficiently and, critically, that security of supply is maintained as New Zealand's energy system evolves. Competitive electricity markets are a key component of ensuring the efficiency and reliability of the transition to a low-emissions economy.</p>
Ensuring the regulatory regime is fit-for-purpose	<p>a) One submission references the Authority's Statement of Intent and highlights concerns with a regulatory strategy based on a desire for 'a stable regulatory regime'. The submission suggests the need to ensure stability is not a roadblock against needed regulatory reforms or the promotion of competition for the long-term benefits of consumers.</p> <p>b) One submission highlights the importance of regulatory settings being developed for a low-emissions future ensure an 'orderly transition' meaning that generation and use of more renewable energy is incentivised and barriers to decarbonisation are removed. The submissions note the importance that the regulatory framework provides the right incentives and signals for market competition and innovation to thrive to ensure energy affordability, particularly for end consumers.</p>	<p>The Authority agrees that providing a stable regulatory regime does not necessarily mean more of the same. Regulation must keep pace with changes in the industry and in doing so, transformation may be necessary. Our emphasis on a stable regulatory regime is a position of providing certainty and increased transparency – key elements essential to a stable regulatory regime.</p> <p>The Authority agrees and is working towards a vision of a low carbon, efficient, dynamic and secure electricity system which empowers consumers to maximise the benefits of electricity. We have a comprehensive set of initiatives that includes a focus on competition in the market right now and in an increasingly renewable future. Market competition is a key enabler to deliver a better energy future.</p>
Powerswitch	<p>c) One submission considered that a review of the performance and accuracy of Powerswitch should be undertaken. The submission notes growing concerns with Powerswitch including whether the service should be competitively tendered. The submission suggests Powerswitch does not provide a comprehensive model, nor support innovative pricing and bundling propositions, and notes a lack of confidence in</p>	<p>The Authority notes the concerns raised regarding Powerswitch. The Authority continues to work closely with Consumer NZ to review and improve the Powerswitch service. Following the recent release of the Energy Link Review, a development plan for Powerswitch will shortly be underway which aims to make improvements to ensure the service is better able to provide for the needs of consumers and industry in a rapidly evolving environment.</p>

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	<p>the reliability and accuracy of the service to accurately determine the lowest cost supplier. The submitter holds the view that inclusion on the site is funding contingent and so does not provide the full picture to consumers.</p>	