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## 2022/23 and 2023/24 Levy Appropriations

Thank you for the opportunity to respond to the Electricity Authority's consultation on its levy-funded appropriations.

The Authority has proposed significant (~39%) increase to its operations budget, to deliver "major regulatory reform" and "key government priorities."<sup>1</sup> We consider regulatory attention for energy system transformation for decarbonisation (or electrification) objectives will need increased funding.

### Enhanced Authority oversight creates additional system operator workload

We support the Authority's proposal for additional funds for "*resourcing to deliver enhanced system operator oversight and scrutiny of system operator performance.*" The Authority also seeks additional funds for 2022/2023 "*to cover work already underway that cannot be met by re-prioritised resources.*"<sup>2</sup>

Transpower as system operator is keen to assist the Authority in having greater oversight of our role, however we will face increased costs from that enhanced oversight. These costs will be for activities such as responding to more information requests, undertaking additional analysis, meetings and presentations. The system operator would require additional funding to ensure timely and high-quality responses. With existing resources these requests would need to be considered amongst other demands and meeting the principle performance obligations (PPOs) would be the system operator's priority.

### Code change process review needs to be timely

The Code amendment proposal register has not been updated since April 2019. Up until mid-2019 the Code amendment process appeared to work reasonably well. Since then, current process has been opaque and slow, and our grid-owner submitted Code amendment proposals have stalled.

A slow Code amendment process does not support electrification and decarbonisation of the New Zealand economy. It can also lead to inefficiencies as the Code does not allow for new

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<sup>1</sup> Pages 13 and 14 of [consultation paper](#)

<sup>2</sup> Page 14 and 23 of [consultation paper](#) respectively.

working practices and digitisation to be embraced. As we transition, the Code will require more attention to avoid it becoming a barrier.

The Authority has signalled a reprioritisation of resource to a review of the Code amendment process.<sup>3</sup> However, we are concerned that this may lead to a reduction of the volume of Code amendments the Authority considers, rather than ensuring all Code changes (whether technical and non-controversial, major, or anything in between) that lead to long-term benefits for consumers are reviewed and made in a timely manner. The Authority may need to be more innovative in delivering on the required Code amendments.

While the Authority devotes most of its resources to market operations, we are concerned that the network (including the grid) related Code amendments are not receiving the attention they require.<sup>4</sup> We consider it would be helpful for the Authority to have a member of its senior management team identified as being responsible for 'networks.'<sup>5</sup> Networks are fundamental to the electricity market and while the Commerce Commission has the responsibilities for setting the revenue and quality of services targets, the Code is fundamental for Transpower determining the costs and service levels it provides.

The regulatory framework for networks needs to be ready for New Zealand to efficiently transition to a low-emissions economy. In the Code amendment review participants should be engaged early at the problem definition stage rather than later at the time of an Authority proposal, and that the process should continue to support participants identifying changes that promote competition, reliable supply and efficient operation. The amendment process could benefit from an advisory group's consideration.

### The Authority could improve its engagement with the industry

We also proposed last year and repeat, that the Authority should reinstate the Regulatory Managers and Consumer Representative meetings. The meetings provided a forum allowed discussion of policy direction, issues and concerns. The meetings also allowed participants to get to know Authority staff and their responsibility for specific policy development processes.

We answer the Authority's questions in the Appendix below.

Yours faithfully,



Joel Cook

Head of Regulation

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<sup>3</sup> Page 15 of the [consultation paper](#).

<sup>4</sup> Page 18 of the [consultation paper](#). The Authority indicates its functions as: Promote market development; Monitor, inform and educate; Operate the electricity system and markets; Enforce compliance.

<sup>5</sup> The Authority has a general manager for network pricing, but not networks more generally.

## Appendix – response to questions

Question	Transpower NZ Ltd response
<p>1. What kinds of engagement have you or your organisation had with the Authority over the past 12 months?</p>	<p>As grid owner we have engaged with the Authority to raise potential Code changes. Continuing engagement on progressing changes has been stalled by the Authority. The Authority has not identified a point of contact for the Grid owner to follow-up on for network related issues.</p> <p>As system operator we strive to maintain a collaborative working relationship with the Authority through our operational activities, market and power system analysis, future developments and change activities underway such as through the Real Time Pricing (RTP) project.</p> <p>We encourage the Authority to reinstate the bi-monthly <i>regulatory manager and consumer representatives'</i> meetings. These meetings provided a good forum to discuss issues and raise concerns, and allowed participants to know the areas of expertise of Authority staff and their responsibility for specific policy development processes.</p>
<p>2. 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?</p>	<p>We support this \$0.5m increase for the current year 2022/2023 for "<i>work already underway that cannot be met by re-prioritised resources.</i>" This rationale applies to the system operator too under a SOSPA priced for existing oversight and not for the enhanced oversight already underway.</p>
<p>3. 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?</p>	<p>We consider increased regulatory funding is needed for energy system transformation for decarbonisation (or electrification) objectives.</p>
<p>4. Would you support a further increase as signalled to funding for the Electricity Industry Governance and Market Operations appropriation for 2024/25 and outyears?</p>	<p>No. More information is needed on where the Authority allocates its resource and to what.</p>
<p>5. Do you have any feedback on the current funding model for Powerswitch? Would you like to see an alternative funding model for Powerswitch?</p>	<p>No comment.</p>

<b>Question</b>	<b>Transpower NZ Ltd response</b>
6. 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?	Yes.
7. 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?	Yes.
8. Would you like to provide any other comment on the Authority's proposed funding?	<p>Yes.</p> <p>We would like the Authority's workplan to set out how it will engage with industry to create an effective and efficient Code change process.</p> <p>The Authority's enhanced oversight requires the system operator, as counterparty to that oversight, to receive additional funding for its own resourcing to ensure timely and quality responses.</p>