



1 November 2022

Electricity Authority
Level 7, AON Centre
1 Willis Street
Wellington 6011

By email: appropriations@ea.govt.nz

Submission on Consultation Paper - Electricity Authority consultation on 2022/23 and 2023/24 levy-funded appropriations

WEL Networks Limited (WEL) appreciates this opportunity to submit on the Electricity Authority's (the Authority's) proposed increases in funding for the current financial year as well as all outyears.

WEL is NZ's sixth largest distribution network company and is 100% owned by our community through our sole shareholder WEL Energy Trust. Our purpose is to enable communities to thrive, and we work to ensure that our customers receive affordable, reliable, fairly priced, and environmentally sustainable energy.

The Authority's work programme is an important consideration for the development and implementation of our strategy and to ensure we are able to deliver fairly priced electricity to our communities.

Relative to current funding for FY22/23, the Authority is seeking a \$7.808m (+8%) increase in funding for FY23/24 and an \$11.345m (+12%) increase for FY24/25 – with this higher level of funding of \$105.742m to be maintained in future years.

WEL suggests there are some shortcomings in the appropriations consultation which mean we are reluctant to support the proposed funding increases. These shortcomings are discussed below.

Funding for Authority operating expenses

WEL supports the Authority's plan to take part on an independent baseline review of the Authority's operations prior to consulting formally on a specific increase in appropriations for 2024/25.¹

However, our preference would be for this independent review to recommend the appropriate level of funding for the Authority in 2023/24. The Authority is proposing a \$5.837 million or 23% increase in its own operating expenses in 2023/24. WEL submits that the consultation paper does not provide sufficient information to substantiate this need for a significant level of increase in costs.

¹ Source: Note to Table three, page 20 of consultation paper.





WEL is concerned that the Authority is engaging consultants for work on significant areas of regulatory reform, and monitoring, compliance and enforcement.² We also note the high staff turnover at the Authority. If the proposed increase in funding was aimed at attracting and retaining high calibre staff at the Authority, WEL would be more supportive. However, if the funding is needed to continue to engage consultancy services, this would be a disappointing outcome which WEL would not support.

Distribution networks workstreams proposed funding

WEL is deeply engaged in the Authority's work relating to distribution networks. On behalf of our customers, we also want to be assured that the work being progressed will deliver 'value-for-money'.

We note the proposed increase in funding – using information from Table three in the consultation paper.³

Origin: Emissions Reduction Plan	2022/23	2023/24	2024/25 & outyears
Preparing distribution networks for the future and maximising the value of DER:			
Pricing reform (\$M)	0.100	0.575	0.475
Regulatory reform (\$M)	0.000	0.535	0.535
Total increase year on year (\$M)	0.100	1.110	1.010

To be able to comment effectively on the proposed ~\$1 million increase each year in funding on distribution network reform it is critical to understand:

- a) the funds that have been committed to the regulatory reform of distribution networks in 2022/23 and prior years. That is, what is the level of current funding and the proposed increase in percentage terms on current funding?
- b) more detailed information about the specific work that will be progressed with the proposed increased funding.

WEL recommends the Authority consult on detailed work programmes at the same time as consulting on the level of funding required to complete the proposed work. This will provide stakeholders with greater transparency of the priorities and cost of regulatory reform.⁴

Yours sincerely

David Wiles
Revenue and Regulatory Manager

² Paragraphs 2.22 – 2.24, page 5.

³ We note the increase in funding for distribution network regulatory reform exceeds the proposed increase in funding allocated to 'improving wholesale market competition'.

⁴ The consultation paper (page 6) states "*These increases [in household bills] are much lower than the benefits of the projects that will flow through to consumers.*" If the Authority has information/analysis that underpins this claim, then it would be useful to share this in the consultation paper to assist stakeholders' evaluation of the proposed funding increases.

