

# MINISTERIAL BRIEFING

## Electricity Authority 2022/23 and 2023/24 levy-funded appropriations request

<b>Date:</b>	Thu, 16 February 2023	<b>Priority:</b>	High
<b>Security classification:</b>	Budget - Sensitive	<b>Electricity Authority reference number:</b>	BR-23-0001

**Action sought** – The purpose of this briefing is to provide you with the Electricity Authority’s request for appropriations for 2023/24 and an increase to the existing appropriation for 2022/23, along with the summary of submissions and Authority response to the levy-funded appropriation consultation.

	Action	Deadline
<b>Hon Dr Megan Woods</b> Minister of Energy and Resources	<b>note</b> recommendations in this briefing <b>approve</b> recommendations 5 and 6 <b>consult</b> with relevant Ministers	Thu, 2 March 2023
<b>Appendices included</b>	<b>Appendix A</b> – Alternative options to the proposed levy increase <b>Appendix B</b> – 2022/23 and 2023/24 Levy-funded Appropriations: Summary of Submissions and Electricity Authority Responses	

Contact for telephone discussion (if required)				
Name	Position	Telephone		1 <sup>st</sup> Contact
Sarah Gillies	Chief Executive	s9(2)(a)	s9(2)(a)	✓
Shaun Ferris	Chief Operating Officer (Acting)	s9(2)(a)	s9(2)(a)	

Drafter	Position
India Tasker	Advisor, Accountability and Organisational Performance
Soraiya Daud	Advisor, Accountability and Organisational Performance

<b>Authorisation for publication on Authority website</b>	<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
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<b>The following departments/agencies have been consulted</b>
MBIE

- Minister’s office to complete:**
- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister’s Notes | <input type="checkbox"/> Withdrawn           |

## Comments

## Purpose

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This paper provides you with the results of the consultation on the Electricity Authority's (Authority) proposed appropriations for 2022/23 and 2023/24. It includes the recommended appropriations for submission into the Budget 2023 process.

## Summary

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The Crown funds the Authority 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. The appropriations therefore have a neutral impact on the Government's operating balance and net debt. Any amount of the levy that is not spent is returned to levy payers after the end of each financial year.

Levies are charged to industry participants in accordance with the Electricity Industry (Levy of Industry Participants) Regulations 2010. These regulations are made on the recommendation of the Minister and are administered by the Ministry of Business, Innovation and Employment (MBIE).

From 4 October 2022 to 4 November 2022, the Authority consulted on its 2022/23 and 2023/24 levy-funded appropriations. This briefing contains a report on the outcome of that consultation and our 2022/23 and 2023/24 appropriations request, in fulfilment of our obligations under section 129(2) of the Electricity Industry Act 2010 (Act).

The Authority received 11 submissions on the levy-funded appropriations consultation, which is much smaller than the most recent policy consultation on the wholesale market review that generated over 30 individual responses.

The submissions included a range of views on our proposed appropriations, current 2022/23 workstreams, and activity areas. Further detail on submissions is included in the remainder of this briefing. The summary of submissions (attached as Appendix B) includes Authority responses to participant feedback on our proposed appropriations. Feedback on matters not directly related to the appropriations request will be considered further in the planning process for 2023/24.

## Appropriations proposed after consultation

An overview of the recommended appropriations is set out below.

Electricity Authority	\$ million			
	Appropriation 2022/23	Proposed appropriation 2022/23	Proposed appropriation 2023/24	Signalled appropriation 2024/25 + outyears
<b>Operational appropriation</b>				
Electricity Industry Governance and Market Operations	76.936	76.936	76.936	76.936
Real-time pricing project	4.116	4.116	4.877	3.061
Market-making scheme	14.400	14.400	14.400	14.400
Additional increase	-	0.500**	7.808***	11.345****
<b>Total Electricity Industry Governance and Market Operations appropriation</b>	<b>95.452*</b>	<b>95.952</b>	<b>104.021</b>	<b>105.742</b>
<b>Contingent appropriations</b>				
Managing the Security of New Zealand's Electricity Supply (1 July 2022 to 30 June 2027)	<b>6.000 over five years</b>	<b>6.000 over five years</b>	<b>6.000 over five years</b>	<b>6.000 over five years</b>
Electricity Litigation Fund	<b>1.500</b>	<b>1.500</b>	<b>1.500</b>	<b>1.500</b>
*An expense transfer of \$1.700 million from 2021/22 to 2022/23 was approved in the October 2022 Baseline Update. This amount is not included in the \$95.452 million.				
**We are seeking an increase of \$0.500 million in 2022/23 to cover work already underway that cannot be met by re-prioritised resources.				
***We are seeking an increase of \$7.808 million in 2023/24 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 (includes proposed prior year increase).				
****We are signalling our intention to consult on an increase of \$11.345 million for 2024/25 and outyears (post the independent baseline review being undertaken) to fund the above initiatives, with more funding being allocated to various workstreams under the Government's Emissions Reduction Plan, improving wholesale market competition, and support function costs (includes proposed prior year increase).				

## Operational Appropriation

### 2022/23

Under section 129(1) of the Act, the Authority has the ability to submit a request to the Minister seeking a change to an appropriation for the current financial year, that relates to costs that are intended to be recovered by way of levies under section 128, provided the Authority 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.

Seven of the 11 submissions received provided feedback on the proposed increase to the operational appropriation for 2022/23. Of these, four supported the proposal, two did not support the proposal and one submission was unclear with concerns about any levy changes that would result in increased costs to consumers and communities.

Following consideration of feedback received from the consultation process, the Authority recommends an increase to the *Electricity Industry Governance and Market Operations* appropriation of \$0.500 million bringing the total 2022/23 appropriation to \$95.952 million.

The Authority is working to deliver to budget whilst delivering high priority workstreams such as the wholesale market review, distribution strategy and future security and resilience (FSR) work, however, \$0.500 million for 2022/23 is required to enable the Authority to appropriately resource teams to continue this work. To ensure we can deliver against these workstreams, the Authority has begun recruiting additional staff.

## **2023/24**

Ten of the 11 submissions received provided feedback on the proposed 2023/24 funding for the *Electricity Industry Governance and Market Operations* appropriation. Of these, one supported the proposed appropriation, two submissions supported funding of a certain level or funding for specific workstreams, three did not support the proposed appropriation, and four were unclear in their response.

Following consideration of feedback received from the consultation process, the Authority recommends increasing the level of funding for the *Electricity Industry Governance and Market Operations* appropriation by \$7.308 million for 2023/24, as consulted on. The level of funding is considered necessary for the Authority's operating expenses in the 2023/24 financial year to carry out our main functions.<sup>1</sup> This appropriation will also fund our additional operational function to protect the interests of domestic and small business consumers (as per the Electricity Industry Amendment Act 2022) and continue to enable the delivery of the strategic ambitions and progress workstreams as outlined in the Letter of Expectations, Annual Corporate Plan, and appropriation consultation document.

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. We are confident the proposed increase will deliver significant long-term benefits to consumers.

The proposed increase to the Authority's *Electricity Industry Governance and Market Operations* appropriation will fund key workstreams and major regulatory reform from the Government's Emissions Reduction Plan, including preparing the distribution networks for the future and maximising the value of distributed energy resources (DER), realising the benefits of real-time pricing, and the FSR workstream. Funding will also be used to deliver work arising from the review of the events of 9 August 2021 (in particular in relation to the Authority's work with the system operator), implementing the Electricity Industry Amendment Act 2022, and the work required to improve wholesale market competition as mentioned in your 2022/23 Letter of Expectations.

## **Prioritisation of funding**

Each year the Authority undertakes a prioritisation process where different parts of the business put forward a budget bid for initiatives to be prioritised for the following year. Initiatives ranked with the highest importance receive funding within available resources. Within this process, the Authority considers whether initiatives need to be paused or deprioritised to allow for resources to be redirected to address higher priority workstreams.

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<sup>1</sup> The Authority defines its four main functions as: Promote market development; Monitor, inform and educate; Operate the electricity system and markets; Enforce compliance.

## Alternative options to the recommended levy increase

The Authority provided you with a briefing on 16 August 2022 (BR-22-0037) seeking your agreement to consult on an increase in appropriations and providing you with alternative funding options for consultation.

Alternative option one scales back funding for all workstreams (except the FSR workstream) by approximately 60 percent. Alternative option two advised of the outcome if there were no increase to the levy – the Authority would need to prioritise resource towards managing the largest risks. This would likely see the Authority reprioritise resources towards the FSR workstream, and the improving wholesale market competition workstream retaining existing resource levels.

The Authority recommends an increase to its operational appropriation of \$0.500 million for 2022/23 and \$7.308 million for 2023/24, and has signalled its intent to consult on an additional \$3.537 million for 2024/25 and outyears (pending the outcome of the strategic baseline review). The Authority considers while certain projects can be scaled, this is not advisable as this would ultimately result in fewer benefits for consumers and increased risk to the electricity system as fewer changes are progressed and/or on a slower timeframe.

Details on the alternative funding options are included further in this briefing and in Appendix A.

## Contingent Appropriations

The feedback received on the Authority's contingent appropriations (*Managing the Security of New Zealand's Electricity Supply* and the *Electricity Litigation Fund*) was supportive of maintaining the contingent appropriations at its current level of funding. These appropriations are contingent in nature and will not be drawn down on in the normal course of events.

## Managing the Security of New Zealand's Electricity Supply

Of the 11 submissions received, five submissions provided feedback on the *Managing the Security of New Zealand's Electricity Supply* appropriation. All five submissions were supportive of maintaining the appropriation at its current level of funding, with two of the five submissions encouraging a downward revision of the appropriation in the next years appropriation consultation.

## Electricity Litigation Fund

Of the 11 submissions received, five submissions provided feedback on maintaining the *Electricity Litigation Fund* appropriation at its current level of funding for 2023/24. All five submissions were supportive of the proposed appropriation.

## Independent baseline review

MBIE has appointed Sapere Research Group to undertake a strategic baseline review of the Authority. The outcome of the review will help to inform our proposed appropriation levels for 2024/25. The Authority is supporting Sapere in this review and understands the review is due to be completed by the end of June 2023.

## Recommended action

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**Hon Dr Megan Woods**, Minister of Energy and Resources

*It is recommended that you:*

1. note that the Authority has completed consultation on its proposed appropriations for 2022/23 and 2023/24 under section 129 of the Act and has considered the submissions

**Noted**

- 2. note that, as the Authority is levy-funded, the appropriations have a neutral impact on the Government's operating balance and net debt **Noted**
- 3. note the Authority proposes a permanent baseline increase of \$0.500 million to the *Electricity Industry Governance and Market Operations* appropriation for 2022/23, bringing the total 2022/23 appropriation to \$95.952 million **Noted**
- 4. note the Authority propose the following appropriations for 2023/24: **Noted**
  - a) A permanent baseline increase of \$7.308 million to the *Electricity Industry Governance and Market Operations* appropriation bringing the total appropriation to \$104.021 million.
  - b) Maintaining the *Managing the Security of New Zealand's Electricity Supply* appropriation at its current level of funding of \$6.000 million over five years from the period July 2022 to June 2027.
  - c) Maintaining the level of funding for the *Electricity Litigation Fund* at its current level of \$1.500 million.
- 5. agree to submit the Authority's proposed 2022/23 and 2023/24 appropriations for Budget 2023 **Agree/Disagree**
- 6. agree to the publication of this briefing on the Authority's website after Budget Day **Agree/Disagree**
- 7. note that the Authority will publish the submissions received, and the summary of submissions and Authority responses on our website along with this briefing. **Noted**

Agree to alternative option one, being 0.5 million for 2022/23 and 4.6 million for 2023/24 and outyears.



**Sarah Gillies**  
Chief Executive  
Electricity Authority

16 / 02 / 2023



**Hon Dr Megan Woods**  
Minister of Energy and Resources

09 / 03 / 23

## Introduction

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1. Section 129 of the Act requires the Authority to consult on its proposed appropriations for the coming year before seeking appropriations from the Minister.
2. This paper sets out the results of the consultation on our proposed appropriations for 2022/23 and 2023/24. It includes the recommended appropriations for submission into the Budget 2023 process.

## Consultation

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3. Consultation on the proposed appropriations took place from 4 October 2022 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. The verbatim submissions received during consultation will be published on the Authority's website along with the request for appropriations and summary of submissions after Budget Day 2023.
4. In total, the Authority received 11 submissions 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
5. A summary of submissions and Authority responses is included as Appendix B.
6. Typically, the Authority could receive up to 50 submissions on significant market policy consultations. The number of submitters on the levy consultation is much smaller in comparison.
7. Levy consultation processes do not typically generate significant feedback during consultation. For household consumers and small to medium sized businesses, the levy represents a very minor part of their annual power bill passed on by their retailer. Sector participants, such as electricity distribution businesses (EDBs), and retailers and generators (if they do provide feedback) generally comment on the Authority's work programme and priorities. However, large industrial users and direct connects to the grid do generally comment in detail, and usually object to any increase in levies as depending on usage, can face quite large bills. Overall, however, levy consultations do not normally generate much stakeholder feedback.
8. There has been an increase in stakeholder feedback for this consultation relative to the previous year (seven submissions) – albeit, overall, responses are modest compared to consultation on policy or regulatory interventions.

## Appropriations

9. The Authority places great importance on ensuring the costs of operating the electricity system and markets continue to represent value for money. To help ensure that costs remain appropriate, the Authority:
- regularly renegotiates its contract with Transpower for system operator services, most recently with effect from the 2021/22 financial year onwards. The next formal review of the system operator services is due to take effect from 1 July 2025.
  - undertakes competitive processes for other contracts in line with the Government Procurement Rules. For example, the Authority plans to undertake procurement for upcoming expiring contracts, such as for the financial transmission rights (FTR) manager which expires in 2024. For other major contracts where rights of renewal are available, the Authority considers whether to exercise those rights or return to market regardless, such as for several market operations services contracts where the current term ends in 2024 but a three-year extension is possible.

### Recommended 2022/23 and 2023/24 appropriations

10. An overview of the recommended appropriations is set out below.

Electricity Authority	\$ million			
	Appropriation 2022/23	Proposed appropriation 2022/23	Proposed appropriation 2023/24	Signalled appropriation 2024/25 + outyears
<b>Operational appropriation</b>				
Electricity Industry Governance and Market Operations	76.936	76.936	76.936	76.936
Real-time pricing project	4.116	4.116	4.877	3.061
Market-making scheme	14.400	14.400	14.400	14.400
Additional increase	-	0.500**	7.808***	11.345****
<b>Total Electricity Industry Governance and Market Operations appropriation</b>	<b>95.452*</b>	<b>95.952</b>	<b>104.021</b>	<b>105.742</b>
<b>Contingent appropriations</b>				
Managing the Security of New Zealand's Electricity Supply (1 July 2022 to 30 June 2027)	<b>6.000 over five years</b>	<b>6.000 over five years</b>	<b>6.000 over five years</b>	<b>6.000 over five years</b>
Electricity Litigation Fund	<b>1.500</b>	<b>1.500</b>	<b>1.500</b>	<b>1.500</b>
*An expense transfer of \$1.700 million from 2021/22 to 2022/23 was approved in the October 2022 Baseline Update. This amount is not included in the \$95.452 million.				
**We are seeking an increase of \$0.500 million in 2022/23 to cover work already underway that cannot be met by re-prioritised resources.				
***We are seeking an increase of \$7.808 million in 2023/24 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 (includes proposed prior year increase).				
****We are signalling our intention to consult on an increase of \$11.345 million for 2024/25 and outyears (post the independent baseline review being undertaken) to fund the above initiatives, with more funding being allocated to various workstreams under the Government's Emissions Reduction Plan, improving wholesale market competition, and support function costs (includes proposed prior year increase).				

## ***Electricity Industry Governance and Market Operations* appropriation**

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11. We consulted on the *Electricity Industry Governance and Market Operations* appropriation level for 2022/23 and 2023/24.

### **2022/23**

12. Of the 11 submissions received, seven submissions provided feedback on the increase to the operational appropriation of \$0.500 million for 2022/23. Of the seven submissions, four supported the proposal, two did not support the proposal and one submission was unclear with concerns about any levy changes that would result in increased costs to consumers and communities.

13. Further details are available in the summary of submissions and Electricity Authority responses, provided as Appendix B.

### **Recommended appropriation**

14. The Authority has considered the overall feedback received on the proposed *Electricity Industry Governance and Market Operations* appropriation for 2022/23 and recommends an increase of \$0.500 million, bringing the total appropriation to \$95.952 million.

15. The Authority is working to deliver to budget whilst delivering high priority workstreams such as the wholesale market review, distribution strategy and FSR work, however, \$0.500 million for 2022/23 is required to enable the Authority to appropriately resource teams to continue this work. To ensure we can deliver against these workstreams, the Authority has begun recruiting additional staff.

### **2023/24**

16. Of all 11 submissions, the Authority received 10 submissions that provided feedback on the proposed appropriation for 2023/24. Of these, one supported the proposed appropriation, two submissions supported funding of a certain level or funding for specific workstreams, three did not support the proposed appropriation, and four were unclear in their response.

### **Recommended appropriation**

17. The Authority has considered the overall feedback received on the proposed *Electricity Industry Governance and Market Operations* appropriation for 2023/24 and recommends a total appropriation of \$104.021 million.

18. The level of funding is considered necessary for the Authority's operating expenses in the 2023/24 financial year to carry out our four main functions<sup>2</sup>. This appropriation will also fund our additional operational function to protect the interests of domestic and small business consumers (as per the Electricity Industry Amendment Act 2022) and continue to enable the delivery of the strategic ambitions, and progress workstreams as outlined in the Letter of Expectations, Annual Corporate Plan, and appropriation consultation document.

19. This funding will also meet the Authority's obligations in respect of the long-term contracts with the service providers, who operate the electricity system and markets — the cost of these services comprises 52 percent of this appropriation.

20. The feedback we received from submissions on future work will be considered as part of our 2023/24 planning over the coming months.

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<sup>2</sup> The Authority defines its four main functions as: Promote market development; Monitor, inform and educate; Operate the electricity system and markets; Enforce compliance.

## Increased funding to support decarbonisation of the electricity system



21. In December 2022, the Authority's Market Development Advisory Group (MDAG) published an options paper *Price discovery in a renewables-based electricity system*. The paper highlights the importance of decarbonisation of the economy, and the Government's commitment to reaching net-zero for long-lived gases by 2050, target of 50 percent total energy consumption from renewable sources by 2035, and aspirational target of 100 percent renewable electricity by 2030. '*While electricity generation in New Zealand represents some 5% of the problem<sup>3</sup>, it has the potential to play a significant role in reducing our long-lived greenhouse gases. We have the opportunity to convert much of our industry and transport to run on renewable electricity instead of coal, oil, diesel and gas<sup>4</sup>.*
22. 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. We are confident the proposed increase will deliver significant long-term benefits to consumers.

### **The Authority has been resourced for incremental change with an annual funding increase of less than two percent for the Authority's core operating expenditure**

23. The core operating expenditure of the Authority has increased only incrementally since its establishment. Core operating expenditure covers the Authority's core operating costs relating to personnel, delivery of Authority initiatives, legal and overheads such as building office costs and information technology. The change in operating expenditure from 2012 to 2023 represents an increase of less than two percent per annum which is a reduction when adjusted for inflation.
24. A substantial uplift to the *Electricity Industry Governance and Market Operations* appropriation is required to enable us to respond to the Government's aspirations for a low-emissions future and at the pace required. The proposed increase will 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, and the work required to improve wholesale market competition.
25. The intended 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.<sup>5</sup> These increases are much lower than the benefits of the projects that will flow through to consumers. The approximate increase to consumer bills is based on an increase to the operational appropriation of \$11.345 million by 2025 pending an independent baseline review of the Authority's operations prior to consultation for 2024/25.
26. The following table shows the year-on-year indicative changes to an average consumer's electricity bill in the previous two financial years<sup>6</sup>.

<sup>3</sup> Electricity generation (using coal, oil, diesel and geothermal) accounts for only circa 5% of gross greenhouse gas (GHG) emissions.

<sup>4</sup> Energy for transport, manufacturing, and electricity production accounts for circa 40% of gross GHG emissions. Energy, industry and building together account for circa 77% of gross long-live GHG emissions.

<sup>5</sup> 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.

<sup>6</sup> These are indicative values only. The actual amount will vary based on consumption. The consumer impact is calculated based on the number of connection points in the network and average annual consumption by category.

	Levy 2020/21	Levy 2021/22	Year-on-year change
<b>Residential</b>	\$ 15.13	\$ 15.05	-\$ 0.08
<b>Commercial</b>	\$ 90.77	\$ 87.44	-\$ 3.33
<b>Industrial</b>	\$ 512.36	\$ 489.03	-\$ 23.33

### Benefits that will flow through to consumers

27. The Authority expects there will be large medium to long-term benefits to consumers from the workstreams the levy increase will fund. However, the Authority also expects to see short-term benefits flow through to consumers, for example, the levy increase will fund work on ensuring the Consumer Care Guidelines are fit-for-purpose; monitoring and enforcing compliance with the Electricity Industry Act 2022, relevant regulations, and the Code; and responding to the findings in the Pete Hodgson investigation into the 9 August 2021 event (in particular in relation to the Authority's work with the system operator). These will all generate benefits to consumers in the short-term through ensuring retailers have clear guidelines around appropriate treatment of consumers, ensuring industry participants are meeting their obligations, and helping ensure that power system risk is minimised and is as reliable and resilient as possible.

### Prioritisation of funding

28. Each year, different parts of the business across the Authority put forward a budget bid for initiatives to be prioritised for the following year. Initiatives are evaluated against the Authority's statutory objectives, 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 Authority paused and/or deprioritised the following initiatives to allow for resources to be redirected to address higher priority workstreams:

- a) In 2022 the Authority paused considering retailers' pass-through of distribution pricing changes into retail prices.
- b) 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).
- c) A project trialling regulatory tools to better enable flexible trading partnerships to improve consumer (in particular small users) outcomes from deployment of hot water, household batteries and rooftop solar by allowing consumers to have access to multiple traders offering different services and products was deprioritised.

29. As funding becomes available, deprioritised initiatives are reconsidered.

30. This process has evolved over recent years and the Authority continues to refine it. The Authority has signalled its intention to engage differently with the industry to gain feedback – this is currently being consulted on and the Authority will take feedback into account as it continues to revise its practices.

### Alternative options to the recommended levy increase

31. The Authority provided you with a briefing on 16 August 2022 (BR-22-0037) seeking your agreement to consult on an increase in appropriations and providing you with alternative funding options for consultation per the below table.

Options for consultation	\$ million			
	2022/23	2023/24	2024/25	2025/26 & outyears
<b>Additional \$11.3m</b> (recommended)	0.5	7.8	11.3	11.3
<b>Alternative option 1: Additional \$6.1m</b>	0.5	4.6	6.1	6.1
<b>Alternative option 2: No levy increase</b>	-	-	-	-

Note: The proposed increase for 2023/24 and beyond includes proposed prior year increase. This briefing is seeking \$0.500 million for 2022/23 and \$7.308 million for 2023/24 and outyears. The remaining \$3.537 million for 2024/25 and outyears is subject to the baseline review.

32. Alternative option one scales back funding for all workstreams (except the FSR workstream) by approximately 60 percent. While certain projects can be scaled this would ultimately result in fewer benefits for consumers and increased risk to the electricity system as fewer changes are progressed and/or on a slower timeframe.
33. Alternative option two advised of the outcome if there were no increase to the levy. The Authority would need to prioritise resource towards managing the largest risks. This would likely see the Authority reprioritise resources towards the FSR workstream. The Authority considers that managing the growing risks to system security and resilience presented by an increase in renewables is where resources should be reprioritised to. The reprioritised resource would go towards implementing the Authority’s 10-year roadmap to ensure the future security and resilience of the electricity system.
34. The improving wholesale market competition workstream would retain existing resource levels. This would provide resource to operationalise the Code changes aimed at increasing visibility of very large physical contracts and prohibiting these contracts where they are inefficient, and to undertake monitoring, compliance, and reporting relevant to this change.
35. Further information on the implications of scaling down funding from the recommended \$7.308 million in 2023/24 is included in appendix A.

**Breakdown of recommended 2022/23 and 2023/24 Electricity Industry Governance and Market Operations appropriations**

36. A breakdown of the recommended 2022/23 and 2023/24 Electricity Industry Governance and Market Operations appropriations is included below.

Electricity Industry Governance and Market Operations appropriation	\$ million			
	Appropriation 2022/23	Proposed appropriation 2022/23	Proposed appropriation 2023/24	Signalled appropriation 2024/25 + outyears
System operator – operating expenses	28.309	28.309	29.404	30.172
System operator – capital-related expenses	13.961	13.961	13.961	14.325
<b>System operator expenses</b>	<b>42.270</b>	<b>42.270</b>	<b>43.365</b>	<b>44.497</b>
Service provider – clearing manager	2.753	2.753	3.197	3.943
Service provider – wholesale information trading system (WITS)	1.970	1.970	2.046	2.099
Service provider – pricing manager	0.325	0.325	0.000	0.000
Service provider – reconciliation manager	0.947	0.947	0.984	1.010
Service provider – registry	0.754	0.754	0.783	0.804
Service provider – FTR manager	0.869	0.869	0.903	0.926
Service provider – system amortisation	2.063	2.063	2.143	2.199
Service provider – IT costs	0.024	0.024	0.025	0.026
<b>Other service provider expenses</b>	<b>9.705</b>	<b>9.705</b>	<b>10.081</b>	<b>11.007</b>
<b>Real-time pricing project</b>	<b>4.116</b>	<b>4.116</b>	<b>4.877</b>	<b>3.061</b>
<b>Market-making scheme</b>	<b>14.400</b>	<b>14.400</b>	<b>14.400</b>	<b>14.400</b>
<b>Authority operating expenses</b>	<b>24.961</b>	<b>25.461</b>	<b>31.298</b>	<b>32.777</b>
<b>Total appropriation</b>	<b>95.452*</b>	<b>95.952**</b>	<b>104.021***</b>	<b>105.742****</b>
* An expense transfer of \$1.700 million from 2021/22 to 2022/23 was approved in the October 2022 Baseline Update. This amount is not included in the \$95.452 million.				
**We are seeking an increase of \$0.500 million in 2022/23 to cover work already underway that cannot be met by re-prioritised resources.				
***We are seeking an increase of \$7.808 million in 2023/24 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 (includes proposed prior year increase).				
****We are signalling our intention to consult on an increase of \$11.345 million for 2024/25 and outyears (post the independent baseline review being undertaken) to fund the above initiatives, with more funding being allocated to various workstreams under the Government's Emissions Reduction Plan, improving wholesale market competition, and support function costs (includes proposed prior year increase).				

## **Managing the Security of New Zealand's Electricity Supply appropriation**

37. This appropriation is intended to achieve enhanced security of supply in the electricity system during periods of emerging or actual security situations. We expect these situations to be rare.

38. The appropriation is limited to the system operator (Transpower) managing actual or emerging emergency events relating to the security of New Zealand's electricity supply. 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.

39. The security management multi-year appropriation was renewed at \$6.000 million over five years from July 2022 to June 2027. We recommend the appropriation be maintained at its current level of funding.

40. The security management appropriation is contingent in nature and will only result in a charge to levy payers to the extent that actual costs are incurred.

### **Submissions on the proposed appropriation**

41. Of the 11 submissions received, five submissions provided feedback on the *Managing the Security of New Zealand's Electricity Supply* funding. Of the five submissions, all were supportive of maintaining the appropriation at its current level of funding, with two of the five submissions encouraging a downward revision of the appropriation in the next years appropriation consultation.

### **Recommended appropriation**

42. The Authority has considered the overall feedback that has been provided on the proposed *Managing the Security of New Zealand's Electricity Supply* appropriation and recommends that the appropriation be maintained at its current level of funding of \$6.000 million over five years for the period 1 July 2022 to 30 June 2027.

## **Electricity Litigation Fund appropriation**

43. This appropriation is intended to ensure that the Authority is able to participate in litigation effectively and without delay. Our functions under this appropriation include defending cases against the Authority and taking enforcement action under our enforcing compliance function.

44. The *Electricity Litigation Fund* appropriation is contingent in nature and will only result in a charge to levy payers to the extent that litigation costs are actually incurred.

### **Submissions on the proposed appropriation**

45. Of the 11 submissions received, five submissions provided feedback on maintaining funding for the *Electricity Litigation Fund* for 2023/24 and outyears. All five submissions supported the proposed appropriation.

### **Recommended appropriation**

46. We are proposing to maintain the requested \$1.500 million for the *Electricity Litigation Fund* for 2023/24.

## Next Steps

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47. While we did not seek feedback on our current workstreams, submissions contained feedback on various aspects of current and future work.
48. The submissions received will help to inform the Authority's 2023/24 planning. The draft 2023/24 Statement of Performance Expectations (SPE) will be provided to you by 1 May 2023 for comment and published in June 2023.
49. As we continue our planning for 2023/24 over the coming months we intend to engage further with participants and consumers.
50. MBIE has appointed Sapere Research Group to undertake a strategic baseline review of the Authority. The outcome of the review will help to inform our proposed appropriation levels for 2024/25. The Authority is supporting Sapere in this review and understands the review is due to be completed by the end of June 2023.

## Communications plan

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51. In the interests of transparency, the Authority recommends that you agree to this briefing paper being published after Budget Day.
52. The Authority will also publish the attached summary of submissions and Authority responses alongside this briefing and submissions from participants.

## List of Appendices

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Appendix A Alternative options to the proposed levy increase

Appendix B 2022/23 and 2023/24 Levy-funded Appropriations: Summary of Submissions and Electricity Authority Responses

## Appendix A Alternative options to the proposed levy increase

This section outlines alternative options to the recommended increase to the Authority's levy-funded operational appropriation.

*Options to increase the core operating expenditure of the Electricity Authority*

Options for consultation	\$ million			
	2022/23	2023/24	2024/25	2025/26 & outyears
<b>Additional \$11.3m</b> (recommended)	0.5	7.8	11.3	11.3
<b>Alternative option 1: Additional \$6.1m</b>	0.5	4.6	6.1	6.1
<b>Alternative option 2: No levy increase</b>	-	-	-	-

Note: The proposed increase for 2023/24 and beyond includes proposed prior year increase. This briefing is seeking \$0.500 million for 2022/23 and \$7.308 million for 2023/24 and outyears. The remaining \$3.537 million for 2024/25 and outyears is subject to the baseline review.

### Alternative option one: workstreams scaled by 60 percent (except the future security and resilience (FSR) workstream)

This option scales back funding for all workstreams (except the FSR workstream) by approximately 60 percent. While certain projects can be scaled this would ultimately result in fewer benefits for consumers and increased risk to the electricity system as fewer changes are progressed and/or on a slower timeframe. For example:

- a) **Emissions Reduction Plan (ERP) - Preparing distribution networks for the future and maximising the value of distributed energy resources (DER):** This would likely involve focusing on improving access to data and possibly improving market settings but on a slower timeframe, while pausing work on other areas such as standards and improving distributor capability and capacity. It would also result in pausing the investigation of extending nodal pricing.
- b) **ERP - Realising the benefits of real-time pricing (RTP):** This would likely result in having to focus on integrating wind generation and deprioritise integrating solar generation. It would also mean expanding the dispatch notification participation regime and investigating sub-30-minute pricing would be on a slower timeframe.
- c) **ERP - Future security and resilience:** The Authority is unlikely to scale back this workstream if the increase in renewables presents growing risks to system security and resilience. The Authority will continue monitoring the risks and delay changes to the Code and/or technical standards if full funding is not provided and is more likely to deprioritise other projects and/or scale them back to ensure system security and resilience.
- d) **9 August – Enhanced system operator (SO) oversight:** This would enable additional oversight of the SO and more scrutiny and management of the SO's performance relative to the status quo, however, the resourcing to undertake this would still be suboptimal.
- e) **Letter of expectations – Improving wholesale market competition:** This would likely result in pausing working on implementing the Market Development Advisory Group's (MDAG) recommendations on changes to the wholesale electricity market under a renewables-based electricity system. Resource would be focused on providing market structures to underpin incentives to encourage new generation. But work to manage the short-term risk presented by intermittent generation would be deferred.

- f) **Electricity Industry Amendment Act 2022 – Delivering on the Authority’s obligations to consumers:** This will result in less additional resource to identify issues and opportunities for the protection of domestic consumers and small business consumers in their dealings with participants and develop the appropriate measures to address these issues and opportunities.

This alternative will likely result in benefits not being maximised, such as the \$6.900 billion net benefit of DER reaching its full potential and the \$15.000 million to \$95.000 million net benefit of RTP over 15 years. Another risk is that there would be a deferral of material reductions in emissions, making it more challenging to reach 50 percent of all energy consumption coming from renewable sources by 2035, future emissions budgets, and net zero emissions by 2050.

A number of the workstreams are currently only resourced for marginal changes and not to implement or operationalise substantial policy options and regulatory reform. We also note that each of the workstreams above are complementary and mutually reinforcing.

#### **Alternative option two: No levy increase**

If there is no increase to the levy, the Authority would need to prioritise resource towards managing the largest risks. This would likely see the Authority reprioritise resources towards the FSR workstream. The Authority considers that managing the growing risks to system security and resilience presented by an increase in renewables is where resources should be reprioritised to. The reprioritised resource would go towards implementing the Authority’s 10-year roadmap to ensure the future security and resilience of the electricity system.

The improving wholesale market competition workstream would retain existing resource levels. This would provide resource to operationalise the Code changes aimed at increasing visibility of very large physical contracts and prohibiting these contracts where they are inefficient, and to undertake monitoring, compliance, and reporting relevant to this change.

Much of the existing resources that are committed to the following work programmes would be reprioritised to the above. This would have the following implications:

- g) **Preparing distribution networks for the future and maximising the value of DER:** This would involve focusing on very marginal improvements to data access and pausing work on all other workstreams. It would also involve doing the bare minimum on distribution pricing. The bare minimum would be continuing to provide guidance to distributors, however the investigation of stronger regulatory options of network pricing might be delayed, meaning distribution pricing could fail to keep pace with technological changes.
- h) **Realising the benefits of RTP:** This would result in introducing the dispatchable demand and dispatch notification enhancements on April 2023 and some minor monitoring but undertaking no significant work to fully realise the benefits of RTP. Such as, integrating wind generation.
- i) **Enhanced SO oversight:** The Authority would not be resourced to renegotiate a significantly different system operator service provider agreement (SOSPA) with the SO. The Authority would continue to have limited resource to manage and scrutinise the performance and day-to-day operations of the SO.
- j) **Delivering on the Authority’s obligations to consumers:** The Authority expects that a lot of the issues and opportunities for the protection of domestic consumers and small business consumers will emanate from the retail sector, and new contestable markets. The Authority currently has minimal policy resource dedicated to retail sector and the contestable markets are in the formation stages. Under this option this shortfall would continue, which would jeopardise being able to identify and address issues and opportunities for consumers in these sectors.

The Authority may not be able to deliver on the work coming out of the ERP, the 9 August 2021 review, the priorities in the Ministerial letter of expectations – in particular improving wholesale market competition and the obligations from the Electricity Industry Amendment Act 2022.

Furthermore, the Authority's focus would turn to only managing the risks in the very short-term (next three years) and opportunities relating to digitisation, decarbonisation, and decentralisation of the electricity system will not be fully realised.

**Appendix B      2022/23 and 2023/24 Levy-funded Appropriations:  
Summary of Submissions and Electricity Authority  
Responses**

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# 2022/23 and 2023/24 Levy-funded Appropriations

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## 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.

The Authority received 11 submissions on the levy-funded appropriation consultation.

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 10 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 can be inferred to relate 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	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.  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.
Regular engagement with the Authority in formal processes and informal liaison.	Powerco	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.
Various engagement on matters that relate to transmission and distribution pricing, regulatory settings for distribution networks, and settlement residual allocation methodology (SRAM).	ENA	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.
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	The full <a href="#">survey findings</a> are available on the Authority website.
Engaged with the Authority via submissions on range of consultations.	Independent retailers	
Relationship with the Authority as Consumer is contracted to run Powerswitch.	Consumer	

<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 can be inferred to relate 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 <i>Electricity Industry Governance and Market Operations</i> 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 is 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 can be inferred to relate 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 <i>Electricity Industry Governance and Market Operations</i> 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 (ERP), work arising from the review of the events of 9 August 2021 (in particular in relation to the Authority's work with the system operator), 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

<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>was not plausible to undertake a full strategic baseline review for 2023/24 within the available 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 (FSR), and the Market Development Advisory Group's (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 <i>Electricity Industry Governance and Market Operations</i> appropriation for 2024/25 and outyears?		
Key points from submissions	Submitters	Authority comment
Support for specific workstreams under the Government's ERP.	Utilities Disputes	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.
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	The Authority acknowledges those submissions that are not in support of the proposed increase and is appreciative of the points raised in submissions for the Authority to consider further.
Supports the Authority receiving an additional \$2.16 million in 2024/25 and outyears for the wholesale market review.	Independent retailers	A strategic baseline review led by MBIE is currently underway and will inform the Authority's appropriation request for 2024/25 and outyears. MBIE has appointed <i>Sapere Research Group</i> to undertake the baseline review. The Authority understands 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 <i>Sapere</i> intends to engage with multiple stakeholders/participants as part of their review.
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	The Authority notes the submission regarding Powerswitch funding and has addressed feedback received on the Powerswitch funding model in the following table.
Unclear – suggests shortcomings in the consultation paper and need for various further information such as cost benefit and flow on implications.	WEL Networks Powerco	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.
Unclear – concerned about any levy changes that will result in increased costs to consumers and communities.	ETNZ	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 two.

<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>	<p>Vector</p>	
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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 six. The key points from these submissions are summarised in the table below.

Q6. The Authority is proposing to maintain the contingent appropriation for <i>Managing the Security of New Zealand's Electricity Supply</i> 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 can be inferred to relate to question seven. The key points from these submissions are summarised in the table below.

Q7. The Authority is proposing the contingent appropriation for the <i>Electricity Litigation Fund</i> 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 <i>Measuring Emissions: A Guide for Organisations</i>. 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>	<p>Vector</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• promoting a flexible working environment allowing staff to work remotely, reducing personal travel emissions.</li> </ul> <p>The Authority notes feedback on setting out future levy rates and will take this into consideration for future consultations.</p>
<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>	<p>MEUG</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"> <li>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.</li> <li>ii. One submission suggests low-impact initiatives should be paused or discontinued to ensure resource is available to deliver high-impact workstreams.</li> <li>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.</li> </ul>	<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"> <li>i. The Authority's consideration of retailers' pass-through of distribution pricing changes into retail prices (2022)</li> <li>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)</li> <li>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 and rooftop solar by allowing consumers to have access to multiple traders offering different services and products was deprioritised</li> </ul> <p>As funding becomes available, deprioritised initiatives are reconsidered.</p> <p>The Authority has signalled its intention to engage differently with the industry to gain feedback – this is currently being consulted on and the Authority will take feedback into account as it continues to revise its practices.</p>

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Cost/benefit analysis	<p>a) The Authority received submissions providing feedback relating to cost/benefits:</p> <ul style="list-style-type: none"> <li>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 the benefits of distributed energy resources (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.</li> <li>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 for the magnitude of the increase on that stakeholder. It was suggested that a re-examination of the allocation formula is required.</li> <li>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.</li> </ul>	<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<sup>[1]</sup> 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"> <li>i. the net benefits of RTP are between \$15.000 million and \$95.000 million over 15 years. The proposed increase will contribute to unlocking these benefits. RTP 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 electric vehicle (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.</li> <li>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.</li> </ul> <p>A post-implementation review of the real-time pricing project is</p>

<sup>[1]</sup> 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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		<p>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 <a href="#">Authority website</a>. In that business-as-usual 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>

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<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"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	<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 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>	<p>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.</p> <p>b) One submission suggests that providing consumer protection (including the extended process before disconnection can</p>	<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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	<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"> <li>i. two submission call for a detailed work programme including budgets, delivery timelines, key milestones and outputs for each material expenditure item</li> <li>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</li> <li>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.</li> </ul>	<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 ERP and development of the Energy Strategy. The Roadmap is a living document that will be updated as necessary to further support the ERP 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> <p>The Authority has signalled its intention to engage differently with</p>

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		<p>the industry to gain feedback – this is currently being consulted on and the Authority will take feedback into account as it continues to revise its practices.</p>
<p>Code change process</p>	<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.</p> <p>The issues raised here will be considered alongside submissions received on this separate consultation.</p>

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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>
Turnover concerns	<p>a) Three submissions raised concerns with the Authority's recent turnover, of those:</p> <ul style="list-style-type: none"> <li>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</li> <li>ii. two submissions noted the loss of institutional knowledge and high calibre, well respected staff</li> <li>iii. one submission recommends the Authority lay out a clear plan to rebuild its institutional capacity by attracting and retaining staff.</li> </ul> <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</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%, 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>

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	<p>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>In the past year, the Authority has introduced multiple retention initiatives including:</p> <ul style="list-style-type: none"> <li>• focusing on 'in job' training through the annual professional development planning process</li> <li>• mentoring and/or formal training for groups and individuals</li> <li>• introducing additional channels for staff feedback and ensuring regular staff engagement opportunities</li> <li>• enhancing our employee value proposition to increase our competitiveness in a challenging recruitment market.</li> </ul> <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 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</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>

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	<p>benefits of competition for consumers and that efficiency is not an end in itself.</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>As an independent Crown entity, the Authority must also have regard to Government policies including emissions targets. 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>
<p>Ensuring the regulatory regime is fit-for-purpose</p>	<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</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>

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	<p>thrive to ensure energy affordability, particularly for end consumers.</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 supports innovative pricing and bundling propositions, and notes a lack of confidence in 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>	<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>