

30 January 2024

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

Via email: appropriations@ea.govt.nz

SUBMISSION ON THE PROPOSED LEVY-FUNDED APPROPRIATIONS 2024/25

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Relieving pressure to deliver regulatory reform at pace: Proposed levy-funded appropriations 2024/25' from December 2023.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERANZ supports the 'Option 2' proposed levy increases.

We feel this strikes the right balance between ensuring the Electricity Authority's has the resources required for adequate regulatory oversight and development, while recognising the cost of living pressures households and businesses are currently experiencing.

Submission

ERANZ supports the Electricity Authority's ('the Authority') stated vision and its intended outcomes, to achieve a sustainable, accessible, secure and resilient electricity system. This aligns with the three core priorities that underline our activities: advocating for an efficient energy market; supporting the most vulnerable in our society to have fair access to energy; and championing electricity as the key solution to New Zealand's zero emissions future.

We agree with the Authority that New Zealand's electricity market has historically served consumers well. Previous market reform has created a robust and dynamic electricity market that encourages innovation and competition which ultimately provides consumers with more choice.

As a result, electricity prices have remained relatively stable during volatile periods over the last five years which has in turn provided certainty for households and businesses. This has helped

consumers navigate the cost-of-living crisis that followed Covid-19, and the ongoing inflationary pressures we face as a country today.

As New Zealand strives to achieve its ambitious decarbonisation goals, the electricity system is undergoing transformation at an unprecedented scale. Previous relatively stable demand for electricity is expected to grow as New Zealanders shift to an electrified future.

New Zealand's strong foundation of renewable energy means we are well placed to transition to an electrified and lower emissions economy. However, investment in the necessary infrastructure to support a more complex electricity system, that can adequately respond to consumers' needs, will bring many challenges. ERANZ and its members believe that the key to a successful transition to electrification lies in careful management of the associated costs. Ensuring affordability during the transition period and addressing any potential challenges will be crucial.

ERANZ acknowledges that decarbonising our electricity system will require an investment in regulatory oversight. Ultimately, it is consumers who benefit from an orderly, well monitored, and regulated transition to a net-zero carbon future.

We support the Authority's stated focus as the regulator to "ensure the transition is as efficient and resilient as possible, while maintaining energy security, system adaptability and access to affordable electricity for all consumers."

ERANZ supports the Authority's proposed levy-funded appropriation increase of 'Option 2 – relieving pressures', and notes the prudent approach applied given the current fiscal environment and financial pressures being faced by households and businesses alike.

We note that consumers are ultimately the payers of all the Authority's expenses and that the inflationary pressures being felt by the Authority are felt by all New Zealanders. It is imperative, therefore, to justify any levy increases. The completion of an independent baseline review by the Ministry of Business, Innovation and Employment ('MBIE'), and the Authority's subsequent work to assess potential funding options, helps to provide assurances that 'Option 2' will adequately support the Authority's high priority work programme that both the industry and country needs to achieve the energy transition to a highly renewable electricity system.

ERANZ supports the proposed appropriations for the Authority. The breakdown of proposed increases to its electricity industry governance, market operations is clear, and the proposed expenditure on managing the security of New Zealand's electricity supply, and the litigation fund is fair and reflects previous appropriations.

Consultation questions

Do you support the Authority's proposal for a permanent baseline increase to its Electricity Industry Governance and Market Operations appropriation of \$14.2 million for 2024/25, bringing the total appropriation to \$115.0 million?

Yes. We agree that 'Option 2 – relieving pressures' is the prudent approach given current financial pressures on consumers and businesses. As outlined by the Authority, we agree that this option will allow it to both meet increased service provider costs and be better placed to make good progress towards mitigating risks to consumers and realising the full benefits of enabling new

technologies and changes to market operations.

Do you support the Authority's proposal for maintaining the contingent appropriation for Managing the Security of New Zealand's Electricity Supply at its current level of \$6.0 million over five years?

Yes.

Do you support the Authority's proposal for maintaining the contingent appropriation for the Electricity Litigation Fund for 2024/25 and outyears at \$1.5 million?

Yes.

Do you have any comments on the Authority's proposed funding 2024/25?

The Authority states that while it considers 'Option 2' the prudent approach, its preference was 'Option 3 – Enabling a consumer-focused transition', as it believes this options would enable it to broaden its work programme and progress at a faster pace. It therefore notes that pending the outcome of this consultation that there may be case to see a further increase on its 2025/26 levy.

With any increase ultimately paid for by the consumer, we would seek assurance that any future requests to levy increases in addition to the current Option 2 proposal, is supported with clear documentation and justification as to why a further increase is needed.

Do you have any comments on the Authority's vision and intended outcomes?

We support the vision and intended outcomes.

Do you have any comments on the Authority's indicative work programme for 2024/25?

The indicative work programme is clear and well outlined with five strategic ambitions that align with ERANZ's own priorities. We would note that the programme has been developed to support the Authority's strategic ambitions developed as part of its 2020 strategy refresh and that any subsequent changes or updates to the Authority's strategic direction be reflected and communicated in due course.

Overall, the Authority's work programme is a heavy load and we encourage the Authority to prioritise and focus their limited resources towards the areas with the most beneficial impact on the efficiency of the market and outcomes for consumers.

We also note the inclusion of specific workstreams that have recently been consulted on, such as the Consumer Care Guidelines reform. We would request that any results of these consultations be reflected in the work programme with updates made as and where needed.

Conclusion

ERANZ would like to thank the Authority for your consideration of our submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Clark', with a long horizontal flourish extending to the right.

Kenny Clark
Policy Consultant