

29 January 2024

Electricity Authority  
Via email [appropriations@ea.govt.nz](mailto:appropriations@ea.govt.nz)

Tēnā koe,

## Levy-funded appropriations 2024/25 – transparency in work programme funding

The Authority's proposed uplift is a 14% increase of the total governance and market operations appropriation<sup>1</sup>. We support the Authority adapting its work programme to meet expectations, and funding at an appropriate and sustainable level. **Option 2 levy increase is supported**, but we strongly recommend greater transparency in **how the levy funds the work programme, the additionality the uplift provides, and sharing work programme progress during the year**<sup>2</sup>. Our feedback is summarised below.

### Option 2 - Scaling up in a pressured fiscal environment

- We support an appropriate increase in funding to deliver the work programme, while minimising cost increases to consumers in the current environment.
- Option 2, including a \$6.6 million increase for operating costs for 2024/25 is a significant increase but appears reasonable. We recognise from our own experience that costs are increasing, and you need to invest for the need for timely delivery of planned activities.

### The Authority's role is not changing, but the pace is

- The Authority must be evidence-based, robust, and timely in addressing regulatory pressures. This is not new - but the role of the Authority is heightened to support energy security and affordability with the pace of electrification ahead.
- We support the Authority changing the way it does things so regulation keeps up. Agility in the transition is important. This does not mean a straight scaling up, but a considered work programme for our future electricity system.

### Additionality for increased levy

- We support the proposed funding "addressing acute pressure points and delivering fit for purpose regulation"<sup>3</sup> and "ensuring the right work is effectively prioritised to realise benefits"<sup>4</sup>. It is not clear how the additional funding contributes to this compared to status quo, or if the additional funding is largely to address cost increases.

<sup>1</sup> Appendix B – increase of \$6.6 million to operating expenses and total uplift of \$14.2 million including service expenses.

<sup>2</sup> The published consultation calendar and quarterly updates provide significant benefit. The quarterly update could also provide a structured update on work programme progress.

<sup>3</sup> Page 23 of consultation document

<sup>4</sup> Page 24 of consultation document

- There are three initiatives identified where “the Authority would make more progress”, including changing regulatory settings for the distribution sector<sup>5</sup>. These items are already on the work programme including a detailed plan for the distribution settings work. We support an increased effort on distribution settings, but it is not clear what the additional activities or changed priorities would be from a step up in funding.
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### **Transparency in the work programme, funding, delivery, and role of others**

- We appreciate the work programme information provided in the consultation document which is key for levy consultation. As per the Sapere review, we recommend levy funding information be clearly linked to the work programme to clarify relative resourcing of activities and changes over time<sup>6</sup>.
  - Work programme reporting will be valuable for quarterly updates during the year and future levy reviews to reflect on progress, changes and costs/benefits of initiatives.
  - Work programme changes may affect external parties such as electricity distributors which are part of successful delivery of initiatives. If changes will impact others this needs to be clear. For example, the Authority may need to engage with the Commerce Commission about cost recovery and efficiency if there are implications for electricity distributor activities.
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### **Consumers understanding what they are paying for**

- We support an outcome that consumer benefits exceed the impacts<sup>7</sup>, however benefits to consumers for the additional cost<sup>8</sup> are difficult to see in the information provided.
- The expectation for steadily increasing consumer electricity prices in the short and medium terms<sup>9</sup> is partly about capital investment for electrification, but a significant part is due to costs ramping up (this levy increase being an example of the latter). The industry has a role to help consumers understand what they are paying for. The Authority needs to consider communications with this levy increase, and how best to help consumers understand its cause and what it is paying for, within the wider context of increasing consumer bills.

If you have any questions regarding this submission or would like to talk further on the points we have raised above, please contact Irene Clarke [REDACTED]. This submission does not contain any confidential information and may be published in full.

Nāku noa, nā,



**Stuart Dickson**

General Manager – Customer

**POWERCO**

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<sup>5</sup> Page 28 of consultation document

<sup>6</sup> For example, EECA and GIC levy consultation provides work programme funding breakdown and changes over multiple levy periods.

<sup>7</sup> Page 24 of consultation document

<sup>8</sup> \$2.76 annually for an average household and \$16.32 for the average commercial entity

<sup>9</sup> For example, see the Sapere [report](#) on Total Household Energy Costs, ENA November 2022.