26 January 2024

Electricity Authority
PO Box 10041
Wellington 6143

Via: Information Provision Portal

Tēnā koutou

Consultation Paper – Relieving pressure to deliver regulatory reform at pace: Proposed levy-funded appropriation 2024/25

WEL Networks (WEL) appreciates the opportunity to provide feedback on the Electricity Authority's (the Authority) Consultation Paper – Relieving pressure to deliver regulatory reform at pace: Proposed levy-funded appropriation 2024/25 (the consultation).

WEL is New Zealand's sixth largest electricity distribution company and is 100% owned by our community through our sole shareholder WEL Energy Trust. Our guiding purpose is to enable our communities to thrive, and we work to ensure that our customers have access to reliable, affordable and environmentally sustainable energy.

The Authority's work programme is an important consideration for the development and implementation of our strategy and to ensure that we are able to deliver fairly priced electricity to our communities. In terms of this consultation, WEL's focus is on the Authority's level of spending of needed to deliver the statutory objectives for the long-term benefit of consumers.

The Authority gained $3.1m additional funding for its own operating expenditure in the current financial 2023/24. The Authority's preferred 'Option 2' is for a further increase in operating expenditure allowance of $6.6m in 2024/25 and each outyear.

The baseline review reports prepared by Sapere have provided very useful context and detail for the Authority's funding proposals. WEL also commend the Authority for including a detailed work programme for 2024/25 in the appropriation funding consultation.

However, WEL is reluctant to support another increase in funding for the Authority's operating expenses at this time. WEL supports 'Option 1' – whereby increased funding of $7.6m is available for service provider costs (so that any inflation or contractual increases relating to these services do not erode the funds available for the Authority's operating expenses). WEL believes that before any increase in funding, the Authority explore the adoption of Sapere's "prioritisation, efficiencies, and ways of working" suggestions.[1] The following explains why WEL does not support increasing funding for the Authority's operating expenses for 2024/25.

[1] Page 13, Sapere report 'Electricity Authority Funding Options following Strategic Baseline Review, 1 November 2023

114 Maui Street, Te Rapa, PO Box 925, Hamilton 3240, New Zealand | 0800 800 935 | wel.co.nz

Resourcing

The Sapere baseline review reports reveal the Authority's staffing levels increased by ~30 people during 2023/24 due to the $3.1m in additional funding.[2] Sapere also provides a breakdown of the anticipated increase in staffing levels of 25.5 people under 'Option 2'. New staff appointed during 2023/24 did not all start at the beginning of the financial year and can be expected to take time to 'bed-in'. At this stage, WEL has not been able to reconcile the increase in staffing, so far in 2023/24, with an increase in delivered outcomes from the Authority.

We note that the Authority's staffing is currently split ~32% support / 68% policy[3] and that the proposed increase in staffing under 'Option 2' allows for nearly 30% of the additional increase going into support roles. This level of increase in support roles does not seem to align with the Authority's stated purpose for increased appropriations being sought, that is: *"delivering regulatory reform at pace".*

Sapere also suggests changes in ways of working may enable greater effectiveness than an increase in resourcing.[4] WEL agrees that before seeking additional funding, it would be prudent for the Authority to give further consideration to alternative ways of working, in order to deliver its strategy in the current fiscal environment.

Prioritisation

It is also remains unclear how the Authority, when permitted increased resources, prioritises key workstreams that deliver long term benefits to consumers. For example, during 2023, the Authority consulted on proposed changes to the Default Distributor Agreement (DDA). Not only was this workstream not identified as a priority by industry participants, but the changes the Authority proposed to the DDA resulted in a net-disbenefit (cost) to consumers[5]. In WEL's view, workstreams such as the DDA review represent an inefficient use of the Authority's resources at a time when there are more pressing issues to address.

WEL supports Sapere's suggestion that "it would be useful to be clear externally how the Authority prioritises its resources to support regulatory certainty and transparency".[6]

Additionally, WEL suggests that it is appropriate for the Authority provide a resourcing / work programme matrix when seeking operational expenditure funding increases. Details on staffing levels in each team are now public and it would be useful to match these resources against the projects listed in the Indicative Work Programme. It appears the Indicative Work Programme is based on a $6.6m increase in funding of the Authority's operating expenses[7] (Option 2) – it would be useful to also understand which of these projects are to be deprioritised/scaled-down in 2024/25 if no additional operating expenditure is allowed for, vis-à-vis 'Option 1'.

---

[2] Page 12, Sapere report 'Electricity Authority Funding Options following Strategic Baseline Review, 1 November 2023
[3] Page vi, Sapere report 'Electricity Authority Funding Options following Strategic Baseline Review, 1 November 2023
[4] Page vii, Sapere report 'Electricity Authority Funding Options following Strategic Baseline Review, 1 November 2023
[5] Page 1, WEL Networks submission 'Proposed changes to the DDA template, consumption data template, and related Part 12A Clauses', 14 November 2023
[6] Page 34, Sapere report 'Electricity Authority Baseline Review', August 2023
[7] Implied by the commentary on page 5 of the consultation paper

To reiterate, WEL supports ‘Option 1’. Our preference is for the Authority to gain $7.6m additional funding for service provider cost increases, but to continue with 2023/24 operational funding levels and the ~30 additional staff gained since the previous appropriation increase. With a full year with this increase in resourcing, the Authority should be able to deliver greater productivity (once staff are bedded-in) and achieve more than “no material change to the current state”, as the Authority describes ‘Option 1’.[8]

Should you require clarification on any part of this submission please do not hesitate to contact me.

Ngā mihi nui

David Wiles

Revenue and Regulatory Manager

[8] Table on page 5 of the consultation paper