

13 December 2024

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

By email: appropriations@ea.govt.nz

SUBMISSION ON THE PROPOSED LEVY-FUNDED APPROPRIATIONS 2025/26 CONSULTATION PAPER

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Proposed levy-funded appropriations 2025/26' from November 2024.

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.

General comments

ERANZ understands the need for a well-funded Electricity Authority ('Authority') that is able to carry out its work to create a competitive, reliable and efficient electricity industry for the long-term benefit of consumers and New Zealand. To achieve this, the Authority needs a depth of capability that enables it to grow its understanding and improve the sector.

For this reason, ERANZ supports the Authority's proposed Option 3, which would increase the Authority's appropriation by \$7.8 million to cover cost increases to its agreement with Transpower, as well as other inflation-related increases in operating expenditure.

However, we also want to see the Authority improve its own work prioritisation, and to this end we request that the Authority publish a capability uplift plan.

Right now, we are concerned that the Authority is trying to do too much and not all of it is a priority for the sector or for the Government. Ultimately, ERANZ wants to ensure the Authority's work drives better outcomes for consumers, who ultimately pay the levies and the electricity costs.

Consultation comments

Q1: Do you support the Authority's proposal for a permanent baseline increase to its *Electricity Industry Governance and Market Operations* appropriation of \$7.8 million for 2026/26, bringing the total appropriation to \$120.2 million?

ERANZ supports a baseline increase to the Authority's appropriations of \$7.8 million. However, our support for this increase is dependent on the Authority explaining to stakeholders how this additional funding will support greater capability within the organisation. For example, the Authority could publish a capability uplift plan that details specific areas of expertise it wishes to hire for, or target for additional development. This transparency provides stakeholders with the opportunity to give feedback on areas where more capability or capacity would enable the sector to move further and faster.

ERANZ also recommends that the Authority work closely with Transpower to ensure the electricity sector is getting value for money from the proposed \$5.7 million increase in the system operator contract. Like all public sector entities, Transpower should also be seeking to prioritise, find savings and drive efficiencies in its back office functions – and to think about these carefully before passing on increased costs to the Authority and ultimately on to consumers.

Q2: Which of the Authority's activities are top priority for you, and which other activities do you think should be traded off against these priority activities?

ERANZ supports the Authority's work to ensure sufficient support for investment in distributed generation and to promote technological advances and innovation across the market.

Increasing the efficiency, reliability and competitiveness of distribution networks will enable distributors to find the most cost effective ways to extend their networks, which ultimately leads to savings for consumers.

We also support the Authority's other work to drive innovation for the benefit of consumers, such as better support for flexibility services which could enable retailers to develop new types of plans that let consumers take better advantage of demand and supply-side flexibility.

At the same time, the Authority must be careful to ensure its work programme is solving current problems and avoids placing excessive burdens on market participants. For example, MDAG's final recommendations paper was published in December 2023. It is a considered report with valuable insights. However, nine months later following the events of August 2024, the Authority chose to push on with developing many of the MDAG recommendations "at pace", without a clear rationale and without regard to the MDAG report having a longer-term horizon out to 2030.

We ask that the Authority avoid developing solutions in search of a problem, and focus its efforts on the interventions that will drive more innovation and less cost for consumers.

Q3: 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?

ERANZ supports this proposal. Regardless of how much operating funding the Authority receives, ensuring security of supply must always remain a priority.

Q4: Do you support the Authority's proposal for maintaining the contingent appropriation for the *Electricity Litigation Fund* for 2025/26 and outyears at \$1.5 million?

ERANZ supports this proposal.

Q5: Do you have any other comments on the Authority's proposed funding for 2025/26?

ERANZ acknowledges the Authority's need for some funding increases to address inflationary pressures and cost increases in its contract with the system operator. However, we request that the Authority ensure that any funding increases translate into tangible benefits for consumers and industry participants.

The Authority should provide detailed justifications for how additional funds will be allocated, and how they will benefit consumers and market participants. Emphasis should be placed on ensuring that the increased funding does not simply go to on its own operations and instead supports core market operations and innovation.

Given the ongoing cost-of-living challenges faced by many consumers, we request the Authority also consider the impact of levy increases on consumers' electricity bills, particularly in light of other significant increases to regulated distribution charges that are planned in 2025.

Q6: Do you have any comments on the Authority's indicative work programme for 2025/26?

ERANZ is pleased to see the Authority state several priorities aimed at improving organisational efficiency, if the Authority receives increases in funding. However, we submit that the Authority should be prioritising these measures even if it receives no increase in funding, as finding back-office efficiencies will enable the Authority to direct more of its energy and resources towards its core regulatory functions.

Q7: Do you have any comments on the Authority's draft regulatory strategy?

ERANZ is pleased to see the Authority taking a future-focused approach with its draft regulatory strategy. Transparency, proportionality and continuous improvement are principles that should enable a strong foundation for navigating the rapid changes in New Zealand's electricity landscape. Our comments and suggestions earlier in this submission would support the Authority to apply these principles.

The Authority should carefully consider and ensure any interventions it makes are evidence-based and practical, to avoid placing unnecessary costs on retailers and other system participants which would ultimately be passed on to consumers.

ERANZ would like to thank the Authority for considering 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