Your feedback on the Electricity Authority's funding for 2025/26

User:

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Summary of information submitted

Who are you submitting as?

Industry participant

First name

Connor

Last name

Reich

Email

[redacted]

1. Which of the proposed funding options do you support for our Electricity Industry Governance and Market Operations appropriation?

Please see attached.

2. 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?

Please see attached.

5. If you have any other comments on the Authority's levy consultation, please add those here

Written submission and/or supporting documentation

Final Orion submission on proposed levy FY 2025 2026.pdf

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The Authority intends to publish all submissions. Are you happy for the Authority to publish your submission?

Yes

Orion

13 December 2024

Electricity Authority
PO Box 10041
Wellington
By email: appropriations@ea.govt.nz

Proposed levy-funded appropriations 2025/26

1. Thank you for the opportunity to make a submission on the Consultation Paper "*Proposed levy-funded appropriations 2025/26*". This submission is not confidential and can be publicly disclosed.

2. We have reviewed the Consultation Paper and our preferred funding option is option 2, "system operator uplift". We have also reviewed the indicative work plan which matches the funding options, and we are concerned about the deliverability of option 3 should the Authority be granted the option 3 funding uplift. It is also unclear to us what some of the work projects that are highlighted would involve, and whether the work plans are cumulative so that option 2 includes work identified under option 1 and option 3 includes work under options 1 and 2.

3. We set out below more detailed comments in response to the Authority's questions.

4. If you have any questions or queries on aspects of this submission which you would like to discuss, please contact Connor Reich, Regulatory Lead – Electricity Authority, on [redacted] or via email [redacted]

Yours sincerely,

Vivienne Wilson
Policy Lead

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Questions	**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 2025/26, bringing the total appropriation to $120.2 million?	We support the Authority receiving a permanent baseline increase but our preference is for option 2, i.e. a system operator uplift of $5.7 million. We have reviewed the Authority's proposed work programme and our main concern is that the Authority will not be able to deliver all of the work identified in option 3. We agree that New Zealand's electricity sector is undergoing substantial change at an increasing pace and scale. We also agree that the Authority plays a crucial role in ensuring regulatory settings are responsive and robust, and foster investment, innovation and competition. However, we would prefer to see a less ambitious programme for the Authority and a focus on completion of projects already underway.
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?	Orion considers that top priority should be given to these activities: • The Authority completing its review of Part 8 of the Code on 'Common quality' to enable the uptake of new and evolving technologies and to address the challenges these technologies create in the power system. Importantly, such a review needs to cover distributed generation and batteries. We engaged with the Authority about the impact that batteries may have on our Part 8 obligations earlier this year. • Progress **and complete** improvements to accessing information held by Metering Equipment providers. Orion considers that it is imperative that the Authority enables commercial access to operational meter data. • Bringing aggregators into the Code, and requiring them to enter into operating protocols with their host distributors (parallelling clause 5 of the DDA for retailers) to ensure safety and system stability. • Review of the audit regime – we provided comments to the Authority on the audit regime earlier this year. • Review of Part 6 Process 1 (connecting distributed generation <10kW) to establish clear obligations for third-party installers (such as solar installation companies) to provide generation information to distribution companies.

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?	Yes, we support maintaining the contingent appropriation for managing security of supply at the current level of $6m over five years.
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?	Yes, we support maintenance of the contingent appropriation litigation fund at the current level of $1.5m appropriation for the *Electricity Litigation Fund* for 2025/26 and outyears.
Q5. Do you have any other comments on the Authority's proposed funding for 2025/26?	No.
Q6. Do you have any comments on the Authority's indicative work programme for 2025/26?	As noted in our covering letter, it is unclear to us what some of the work projects that are highlighted would involve, and whether the work plans are cumulative so that option 2 includes work identified under option 1, and option 3 includes work under options 1 and 2. Overall the indicative workplan would benefit from clearer drafting. We note that the draft regulatory sub-strategy and work programme is tailored to each work area so that the regulatory principles mean different things for different work areas. There are some references to the Authority undertaking cost benefit analyses (see pages 25 and 29). We are concerned about the quality of the cost benefit analysis that the Authority carries out. An example where we detailed our concerns is in relation to the recent amendments to the Default Distributor Agreement. Our submission can be found here https://www.oriongroup.co.nz/assets/Our-story/Submissions/EA/Orion-submission-Proposed-changes-to-the-default-distributor-agreement-September-2024.pdf Furthermore, in some cases, the Authority dispenses with the cost benefit analysis and proceeds on a principle basis. A recent example is in relation to the refund of charges under the Default Distributor Agreement. The Authority proceeded with an amendment, noting in its paper that it was a matter of principle. See paragraph 3.110 at Changes to the DDA templates and Part 12A clauses - Decision paper.pdf

	On page 26 which relates to "monitor, inform, and educate", under principle 3, it states that "*Our decision making is transparent, evidence-based and understood. Code change decisions follow a clear evidence-based process, that is explained in simple terms to affected participants. Changes are also evaluated based on evidence*". However, code change decisions do not fit with the function of monitoring, informing and educating, and in fact it does not fit within any of the described options on page 26. On page 27 which relates to operating the electricity system and markets, option 2 refers to "supporting MOSP operations to deliver minor enhancements and changes driven by policy changes." Option 3 refers to supporting MOSP operations to deliver enhancements and changes driven by policy changes. Our submission is that both options 2 and 3 should refer to supporting MOSP operations to deliver enhancements and changes driven by policy changes. It is clear that other work areas under option 2 will potentially result in more than minor policy changes (see for example page 25). MOSP operations will need to be able to effect these policy changes if required.
Q7. Do you have any comments on the Authority's draft regulatory strategy?	We suggest an amendment to the regulatory principle "Our decision-making is transparent, evidence-based and understood" so that it reads "Our decision-making is transparent, evidence-based and ~~understood~~ **responsive**". We think that transparent decision making will be understood. We suggest adding in the word "responsive" which encapsulates both timeliness about decision-making and taking into account views and preferences of interested and affected persons. We also suggest an amendment to the regulatory principle "Our actions are informed by market signals, risks and opportunities" so that it reads "Our actions are informed by market signals, risks and opportunities, **and engagement with the sector**". Engagement and working with the sector is critical to the performance of the Authority's functions. We note a recent very positive example is the partnership formed between Electricity Networks Aotearoa, Electricity Engineers Association and the Electricity Authority on network connections. This approach fosters an industry-led approach where possible, enabling scarce regulatory resource to be focused where it is most needed.