

Electricity Authority 2026/27 levy-funded appropriations consultation

Consultation paper

18 November 2025



The Electricity Authority invites your feedback on our funding for 2026/27

Electricity underpins the livelihood of all New Zealanders

Everything we do aims to ensure consumers have access to **affordable** and **reliable** energy to power our homes, lives, businesses and economy.

Our ambitious programme of work for 2026/27 is focused on delivering these two core outcomes, underpinned by a competitive and efficient electricity system that works for the long-term benefit of consumers.



82%

increase in electricity demand by 2050

(Baseline 2023, MBIE)

The Authority's funding underpins an electricity sector worth \$23.8 billion

We are funded by the Government through a levy on industry participants. It's on-charged through your electricity bill – about 0.5% of a typical monthly household bill. In 2025/26 our total operational funding was \$119.7 million.

Each year, we invite feedback on our funding and how it will be used to inform our request to the Government.



62%

of Authority appropriation funding pays for market operation service providers

Funding proposal for 2026/27

To deliver value for money for levy payers, **we propose to absorb up to \$3.2 million** in expected cost increases in 2026/27 for the enforcement of level playing field rules* and inflation-related increases to the Authority's own operating costs.

We also propose to absorb expected costs as a result of the Government's commitment to strengthening the Authority following the Frontier report.

We **propose a small increase** to our levy funding to cover contractually-obligated inflation increases for our third party service providers. These service providers make up almost two-thirds of our costs.

This will mean an overall increase in our levy funding of only **\$0.3 million** next year.

Electricity levy 2026/27

We propose to increase the electricity levy **by less than 0.3%** across all consumers next year*

⬆ **3 cents per year**

on the average annual **household** bill of \$2,466 per year**

⬆ **34 cents per year**

on the average annual **commercial** bill

⬆ 0.28% increase for **industrial** consumers***

*These levy calculations are based on estimated current volumes and may vary over time.
** MBIE statistics. ***Industrial consumers vary widely in electricity use so we have included a percentage increase.

Have your say by 16 December 2025



Head to our website to find out more www.ea.govt.nz

* Subject to consultation and Board decision

**ELECTRICITY
AUTHORITY**
TE MANA HIKO



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1. Have your say

- 1.1. The purpose of this consultation paper is to seek feedback on the Electricity Authority Te Mana Hiko's (Authority) proposed levy-funded appropriations for the 2026/27 financial year (1 July 2026 - 30 June 2027).
- 1.2. The Electricity Industry Act 2010 (Act)¹ requires the Authority to consult on our proposed appropriations each year before we make a request for funding to the Minister for Energy.
- 1.3. We are seeking feedback on this paper by 16 December 2025 to inform our advice to the Minister for Energy.

How to make a submission

- 1.4. We are inviting feedback via appropriations@ea.govt.nz by 5pm, 16 December 2025.
- 1.5. We will acknowledge receipt of all submissions. Please contact us if you do not receive electronic acknowledgement of your submission within two business days.

Submissions will be published

- 1.6. We intend to publish all submissions on our website. If you think we should not publish any part of your submission, please:
 - (a) indicate which part should not be published
 - (b) explain why you consider we should not publish that part
 - (c) provide a version of your submission the Authority can publish (if we agree not to publish your full submission).
- 1.7. If you indicate part of your submission should not be published, the Authority will discuss this with you before deciding whether to publish that part or not. However, all submissions received by the Authority, including any parts the Authority does not publish, can be requested under the Official Information Act 1982. This means we would be required to release material not published unless good reason existed under the Official Information Act 1982 to withhold it. The Authority would normally consult with you before releasing any material you said should not be published.

What will happen next

- 1.8. We will carefully consider all submissions as we put together our funding request for the Minister for Energy. Submissions will also inform our 2026/27 work programme. We will publish submissions on our website once the consultation has closed.
- 1.9. We will publish our funding request to the Minister for Energy after our appropriations are approved in Budget 2026.
- 1.10. Our appropriations and strategic activities for 2026/27 will be published in our *Statement of performance expectations 2026/27*, by August 2026.

¹ Section 129 of the Act.

2. Introduction

- 2.1. This consultation paper seeks feedback on the Authority's three levy-funded appropriations for 2026/27:
 - (a) *Electricity Industry Governance and Market Operations* appropriation
 - (b) *Managing the Security of New Zealand's Electricity Supply* appropriation
 - (c) *Electricity Litigation Fund* appropriation.
- 2.2. The paper sets out the Authority's strategy and proposed ambitious programme of work to deliver affordable, reliable electricity for consumers now and in the future.
- 2.3. Your feedback will inform our advice to the Minister for Energy on the appropriate level of funding and levies for our work in 2026/27.

The Authority regulates New Zealand's electricity industry

- 2.4. The Electricity Authority is responsible for the governance and regulation of New Zealand's electricity markets.
- 2.5. We regulate how the electricity market operates, and support incentives for industry investment and development. We maintain a responsive and robust regulatory environment that keeps up with innovation and new technologies and drives affordability and reliability for the long-term benefit of consumers.
- 2.6. We manage the Electricity Industry Participation Code 2010 (Code). The Code is the set of rules that governs nearly every aspect of the electricity industry – from generation, to transmission, system operation, security of supply, market arrangements, metering, distribution and retail.
- 2.7. We are funded by Government through a levy on electricity industry participants, which is on-charged to consumers' electricity bills – about 0.5% of a typical household bill.
- 2.8. We receive this levy via three appropriations, each of which has a different purpose. Each year, we are required to consult on our funding and invite feedback on our proposed appropriations. This informs the recommendations we make in our request to the Minister for Energy for funding for the next financial year.

Our strategic framework

- 2.9. Under the Electricity Industry Act 2010 (Act), our statutory objectives are to:
 - (a) promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers
 - (b) protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.
- 2.10. Our vision is for consumers to have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper.
- 2.11. Everything we do aims to ensure all New Zealanders have access to **affordable, secure** energy to power our homes, lives, businesses and economy – now and in future. This is underpinned by an efficient and competitive electricity market.
- 2.12. We take a whole-system approach to achieving these outcomes, working with partners across the electricity industry and government.

Electricity Authority strategic framework*

Our statutory objectives

To promote competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers. AND:
To protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

Our vision

Consumers have choices in accessing the energy they need now,
and in the future, to ensure they and New Zealand prosper



Affordable [Outcome]

Consumers have easy access to affordable electricity, and many choices of electricity supplier to meet their needs



Secure and resilient [Outcome]

New Zealand's electricity supply is reliable, secure and recovers quickly from shocks

These outcomes are delivered by an **efficient and competitive electricity market** that works for the long-term benefit of consumers

We take a whole-system view to carrying out our work, which we deliver through our regulatory functions:

Monitor, inform & educate; operate the electricity system & markets; enforce compliance; promote market development; protect the interests of small electricity consumers.

We engage & collaborate with agencies, industry and consumers to perform our regulatory functions

* This strategic framework is intended to deliver on the Authority's Statement of Intent 2024-28 and Statement of Performance Expectations 2025/26.

Electricity Authority strategic framework: our vision & intended outcomes*

Our vision: Consumers have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper



Affordable

Consumers have easy access to affordable electricity, and many choices of electricity supplier to meet their needs



Secure and resilient

New Zealand's electricity supply is reliable, secure and recovers quickly from shocks

Long term outcomes (2030+):

- Consumers have simple and compelling choices to access affordable electricity
- Advice and information is available to all consumers so they can make choices about their power and can get the best value
- A competitive, efficient and transparent market is driving affordability
- Consumers and communities benefit from their investment in generation, storage and managing their load on networks

Long term outcomes (2030+):

- A diverse range of renewable electricity solutions are integrated into the power system (eg, local generation and sharing), without compromising security of supply
- Electricity infrastructure is fit for purpose and can bounce back from shocks (eg, cyber attacks and natural disasters)
- Emerging risks and shocks to the power system are anticipated and averted as part of an effective regulatory system

Medium term outcomes (2027-2030):

- All consumers and innovators have access to simple, relevant, real-time data to make choices that drive affordability, and they are aware of its availability
- Consumers are confident they are on the right plan and have access to tools and products to support this
- Clear and accountable information continues to drive great market efficiency and competitiveness, leading to improved affordability

Medium term outcomes (2027-2030):

- Rules enable a changing electricity system (eg, two-way power flows and evolving expectations)
- Consumers and communities are enabled to protect themselves against risks to their security of supply
- Broader system risks, such as supply chains and workforce, are monitored and appropriately addressed
- Any emerging barriers to diversity of generation and other sources of security are identified and appropriately addressed

Short term outcomes (2025-26):

- Most consumers and innovators have access to simple, relevant, real-time data to make choices that drive affordability, and they are aware of its availability
- More consumers make informed, cost-saving choices, driven by increased use of tools
- Barriers to accessing innovative solutions that improve affordability and equity are identified and appropriately addressed
- Strengthened transparency and accountability drives greater market efficiency and competitiveness, supporting improved affordability

Short term outcomes (2025-26):

- Participants are adequately engaged and prepared to deal with near-term market supply issues
- Consumers, investors and innovators have trust and confidence that issues in the electricity market will be identified and addressed
- Regulatory environment enables increasing diversity of generation and other sources of security

These outcomes are delivered by an **efficient and competitive electricity market** that works for the long-term benefit of consumers

* This strategic framework is intended to deliver on the Authority's Statement of Intent 2024-28 and Statement of Performance Expectations 2025/26

The Authority is delivering greater affordability and reliability for consumers, while driving value for money

New Zealand's electricity industry is undergoing significant change

- 2.13. The electricity sector in New Zealand is undergoing a major transition. Electricity demand is projected to increase up to 82% by 2050.² The share of intermittent renewables in the system is increasing, while thermal generation from gas is declining, accentuating the need for new flexible resources to firm renewables and manage hydro dry-year risk. A system-wide response is required to this increasing demand and shifting generation mix.
- 2.14. Retail electricity prices have also increased this year. This is primarily driven by increases in regulated lines charges, which are set by the Commerce Commission to pay for network maintenance and improvements.
- 2.15. Change is spurring new investment and innovation. More new generation has been commissioned in the past 18 months than in the last 15 years combined.³ New flexible and decentralised resources such as grid-scale batteries and rooftop solar and battery systems are supporting power system security and resilience. Digital and smart technologies are enabling consumers to actively participate in and benefit from the energy system.

We are meeting these challenges to deliver affordable, reliable power for consumers

- 2.16. Modest funding increases in recent years have enabled the Authority to move faster to drive regulatory reform, lift market performance and empower consumers. We have reshaped the Authority to be more consumer-focused and data driven, and to hold industry participants to a clearer, more enforceable set of standards. We have acted to give consumers more control and choices over their power use, and put downward pressure on bills, while building the foundation for wider system change.
- 2.17. We responded quickly to the period of sustained high wholesale prices in winter 2024 to establish the **Energy Competition Task Force**.⁴ We have introduced a new '**super-peak**' **standardised hedge contract**, required all large retailers to offer **time-of-use pricing plans**, and are consulting on '**level playing field**' Code changes to mandate non-discrimination obligations for the four large gentailers.
- 2.18. Together, these interventions will give consumers more control over their energy use and costs, drive competition, build confidence in the market, and ultimately give New Zealanders better access to affordable electricity.
- 2.19. Our **Consumer Care Obligations** came into force on 1 April 2025 to help consumers stay connected and manage their power bills. Our education campaigns are improving consumer choice, and our new comparison and switching service from February 2026 will give consumers more control over their energy bills.

² <https://www.mbie.govt.nz/assets/electricity-demand-and-generation-scenarios-report-2024.pdf#page=3>

³ Internal Electricity Authority data.

⁴ The Electricity Authority and Commerce Commission jointly established the Task Force in response to the fuel shortage and period of sustained high wholesale prices in August 2024, in addition to the immediate steps we and others took to manage security of supply and bring prices down. See the Task Force work programme [here](#).

- 2.20. Our new rules for **network connections**, announced in July 2025, make it easier and faster to connect to the electricity network and improve connection pricing. This will unlock faster and better investment decisions, supporting the electrification of the economy and leading to lower overall system costs – ultimately lowering costs for all consumers over time.
- 2.21. Looking further ahead, the changes to common quality requirements in Part 8 of the Code we set out in April 2025 will ensure the future **security and resilience** of the power system as the generation balance changes over the coming decades.
- 2.22. We have also investigated opportunities and challenges from a more **decentralised** and **digitalised** electricity system with stakeholders across the electricity industry and beyond. And our **Power Innovation Pathway** is helping innovators bring new ideas to market faster and driving long-term benefits for consumers.
- 2.23. The Authority's [2025/26 'plan on a page'](#) sets out our current work programme to deliver affordable, reliable power for all consumers.

We have reshaped the Authority to drive greater value for money for levy payers

- 2.24. In addition to our regulatory delivery, we have **sharpened our organisational systems and processes** to support a fit-for-purpose Authority and ensure value for money for levy payers. We have established robust project management practices, strengthened the commercial management of our service provider contracts, and developed our digital and information security infrastructure.
- 2.25. This investment has positioned us to become more efficient in the way we work, enabling us to do more with less and to play our part in keeping levy costs down for consumers.

Our 2026/27 work plan builds on this momentum to deliver greater affordability, reliability and value for money for consumers

- 2.26. The Authority's proposed work programme for 2026/27 builds on the actions we are taking this year to deliver affordable, secure and resilient power for all consumers.
- 2.27. This includes implementing and enforcing the proposed level playing field measures to drive competition in wholesale and retail markets, delivering greater security and efficiency across the electricity system and networks, and giving greater choice and control to consumers through simpler information and better services.
- 2.28. Our future work programme is set out in further detail in section 3 below, under the Authority's *Electricity Industry Governance and Market Operations* appropriation.

3. Appropriation 1: Electricity Industry Governance and Market Operations

- 3.1. The *Electricity Industry Governance and Market Operations* (GMO) appropriation is our main operational appropriation. It covers the Authority's operations, and third-party contracts for a range of services that enable the functioning of the electricity system and markets. It is intended to deliver on our statutory objectives.
- 3.2. This appropriation is limited to:
- (a) formulating, monitoring and enforcing compliance with the regulations and the Code governing the electricity industry and other outputs in accordance with the statutory functions under the Act
 - (b) delivery of core electricity system and market operation functions, carried out under service provider contracts.
- 3.3. In 2025/26, approximately 62% of the \$119.7 million GMO appropriation funds our third-party service providers. The remaining 38% covers the Authority's work programme and operating costs.

Our functions under this appropriation

- 3.4. This appropriation enables us to exercise our regulatory functions under the Act:
- (a) **Operate the electricity system and markets:** we are responsible for the day-to-day operation of the electricity system and markets through contracted service providers.
 - (b) **Protect the interests of small consumers:** we are responsible for protecting the interests of domestic and small business consumers in relation to industry participants supplying their electricity. This includes monitoring how electricity retailers and other industry participants deal with small consumers, including medically dependent and vulnerable consumers.
 - (c) **Monitor, inform and educate:** we monitor market behaviour and make data, information and tools available to help improve participation and understanding of the electricity markets by consumers and industry participants.
 - (d) **Enforce compliance:** we monitor, investigate and enforce compliance with the Act, its Regulations and the Code by industry participants to create a fair and competitive market. We have an industry training programme to educate participants, share lessons and help identify and resolve any systematic issues.
 - (e) **Promote market development:** we are responsible for maintaining a responsive and robust regulatory environment that keeps up with innovation and new technologies to enable electrification and deliver better outcomes for consumers. Key tools include market facilitation measures and amendments to the Code.

Our proposed work programme for 2026/27

- 3.5. The Authority's proposed work plan for 2026/27 delivers on our core strategic outcomes of affordable, secure and resilient power for consumers, as set out below:

Electricity Authority plan on a page 2026/27*

Our vision: Consumers have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper

OUTCOMES



Affordable

Consumers have easy access to affordable electricity, and many choices of electricity supplier to meet their needs



Secure and resilient

New Zealand's electricity supply is reliable, secure and recovers quickly from shocks

WORK PROGRAMMES

We are delivering affordable electricity for consumers through:

- **Giving consumers more choice, more control, and better value through changes set out in our consumer mobility roadmap:** our new comparison and switching service, simplified bills, and standardised data
- **Supporting vulnerable consumers with further protections,** building on the Consumer Care Obligations
- **Implementing pro-competition reforms to the wholesale market to unlock investment and boost market confidence,** including mandatory non-discrimination obligations on the gentailers, updated market making arrangements, and strengthened trade in the new super-peak hedge product
- **Reducing overall power system costs borne by consumers,** including by removing non-price barriers to network connection, improving network visibility and facilitating flexibility services
- **Reducing costs to consumers over time by promoting incentives for efficient investment and use of the electricity network** through more efficient distribution and transmission pricing

We are delivering a reliable power system through:

- **Supporting security of supply** through rule changes to make it easier for batteries to operate in the market, developing new security products including a standardised flexibility product and Emergency Reserve Scheme by winter 2026, and reviewing power system security standards
- **Supporting investment and risk management decisions through enhanced monitoring and increased visibility of information,** including market reviews and trading conduct reports, as well as our investment generation pipeline, thermal fuels and wholesale market trends dashboards, and future security & resilience indicators
- **Promoting the future security and resilience of the electricity system** by ensuring common quality requirements in Part 8 of the Code are fit for purpose to maintain power quality and recovery from faults, ensuring stable system operation

These outcomes are delivered by an **efficient and competitive electricity market** that works for the long-term benefit of consumers

We take a whole-system view to carrying out our work, which we deliver through our regulatory functions:

Monitor, inform & educate; operate the electricity system & markets; enforce compliance; promote market development; protect the interests of small electricity consumers.

- **Strengthened compliance, market monitoring and enforcement powers**
- **More efficient and effective Code-making powers**
- **Direct support for innovators through our Power Innovation Pathway**
- **Deliver on our long-term roadmap for the System Operator and market operation service providers**

Everything we do is enabled by our **organisational support** functions. This includes ongoing work to ensure value for money for levy payers through continuous improvement and operational efficiencies, including implementing recommendations from the Board-led organisational review of the Authority .

* This plan on a page is intended to deliver on the Authority's Statement of Intent 2024-28 and Statement of Performance Expectations 2025/26. The proposed work programme is subject to Authority Board decisions and feedback on consultations.

A stronger, more efficient Authority

- 3.6. In response to the 2025 review of electricity market performance by Frontier Economics, the Government set out its commitment to strengthen the Authority's monitoring and enforcement capacity and capability.⁵
- 3.7. The detail of these strengthened functions is subject to legislation to be introduced in 2026, but we expect they will require significant additional resources to deliver.
- 3.8. In addition, the Authority is currently consulting on Code changes to level the playing field between the gentailers and independent generators and retailers, in order to boost competition and increase confidence in the wholesale market.
- 3.9. The introduction and final form of Code changes to deliver the level playing field measures is subject to consultation and Authority Board decisions, but we expect them to involve substantial new monitoring and enforcement requirements. We estimate this will require approximately \$2.2 million to establish and operationalise in 2026/27, with ongoing operational costs of approximately \$1.45 million per year.
- 3.10. The Authority also faces inflationary cost pressures in the 2026/27 financial year related to personnel, information technology and other operational costs. We estimate that these inflation-related pressures will total approximately \$1 million.
- 3.11. In line with our commitment to ensuring value for money for levy payers and doing everything we can to drive greater affordability for consumers, **we propose to absorb these expected cost pressures of approximately \$3.2 million, plus costs associated with our enhanced monitoring and enforcement capability.**
- 3.12. We will do this through our ongoing programme of work to drive continuous improvement and operational efficiency, including work this year to realise AI- and digital-driven efficiencies in the Authority's operational and regulatory functions.

Delivering on our contractual obligations to third-party service providers

- 3.13. In 2025/26, approximately \$74 million (62%) of the Authority's GMO appropriation funds the System Operator and other third-party service providers.⁶ In 2026/27, the Authority will contract with the following third-party service providers:
 - (a) **The System Operator** (a service performed by Transpower as set out by the Act) coordinates electricity supply and demand in real time in a manner that avoids fluctuations in frequency and disruption of supply. This is our biggest service provider, making up approximately 46% of our GMO appropriation.
 - (b) **NZX** operates the wholesale information and trading system that supports the buying and selling of spot market electricity. NZX acts as reconciliation manager (calculating and allocating unaccounted-for electricity) and clearing manager (settling trades on spot and financial transmission rights markets).

⁵ The Frontier review and the Government's response can be read on [Parliament's website here](#).

⁶ Under section 16 of the Act, the Authority is required to contract out for these services to operate the electricity markets efficiently and facilitate market development.

- (c) **Jade Software** acts as registry manager overseeing the electricity registry, a national database of every connection on local and embedded networks.
 - (d) **Energy Market Services** (a division of Transpower) provides services for financial transmission rights. These assist participants to manage locational price risk, enabling greater competition in wholesale and retail markets.
 - (e) **Vivienne Court (Vivcourt) Trading** provides commercial market making services in the electricity futures market.⁷
 - (f) **Daylight Creative** will create and manage our new consumer comparison and switching website, which will launch in February 2026.
 - (g) **DNV** provides services for intermittent generation forecasting to improve the accuracy of intermittent generation offers and help the System Operator better manage the impact short-term generation variations may have on the grid.
 - (h) **Answer Services (NZ) Ltd** manages the Consumer Care Contact Centre, our dedicated 0800 line for residential consumers (and advocates) to report or seek advice about potential non-compliance with the Consumer Care Obligations.
- 3.14. To note, our GMO appropriation will be \$0.5 million lower in 2026/27 than 2025/26, due to phasing of funding for the System Operator to implement real time pricing (ie, a reduction from \$119.7 million in 2025/26 to \$119.2 million in 2026/27).⁸

Our service provider contracts are inflation-adjusted

- 3.15. Many of our third-party service provider contracts include an inflation-adjustment mechanism which increases the cost of these contracts each year.⁹ This means the proportion of funding available for Authority operations decreases each year.
- 3.16. Based on current contractual commitments, we expect approximately \$0.8 million in increased costs for third-party service provider contracts in 2026/27.¹⁰
- 3.17. While we are committed to ensuring value for money by absorbing our own inflation-related and other expected additional costs, we are contractually obliged to meet inflation adjustments for third-party providers.
- 3.18. Taking into account the \$0.5 million reduction to our appropriation from the phasing of funding for real time pricing (paragraph 3.14 above), we therefore **propose a small increase of \$0.3 million to the GMO appropriation in 2026/27, to cover contractually-obligated inflation adjustments for our service providers.**

Q1. Do you agree with the proposed approach to the Authority's *Electricity Industry Governance and Market Operations* appropriation for 2026/27?

Q2. Do you have any feedback on the Authority's work programme for 2026/27?

⁷ The current contract expires February 2027. Procurement for the next contract will commence during 2025/26.

⁸ A technical adjustment was made in budget 2024 to bring forward \$6.1m of appropriated funding for the System Operator's real time pricing project. While neutral over time, this rephased some funding from 2024/25-2029/30.

⁹ Excepting the System Operator, we procure service provider contracts on a commercial basis from commercial entities. The inflation mechanism is an expectation of those providers and is built directly into existing contracts.

¹⁰ Based on the StatsNZ Consumers Price Index (CPI) increase of 3.00% in the quarter to September 2025. To note, these costs will be lower for 2026/27 than for subsequent years, due to the specific mechanism for inflation adjustments in the System Operator contract. In procuring any new contracts, we are using competitive market processes to deliver value for money across the contract, so inflation mechanisms may not be included.

The Authority has a multi-year programme of work to deliver the affordable, secure and resilient power New Zealanders deserve

- 3.19. Our work will not stop at the end of the 2026/27 financial year. The Authority has an ambitious programme of work from 2027/28 onwards to continue to drive the changes needed to deliver secure, affordable electricity for all consumers.¹¹ We will:
- (a) continue to **support consumers** by expanding digitalisation of electricity data, together with the adoption of the Consumer Data Right, and enhancements to our new comparison and switching service to increase consumer choice.
 - (b) provide enhanced **wholesale and retail market insights**, and a post-implementation review of our increased retail market monitoring requirements
 - (c) further strengthen the **Consumer Care Obligations** and deliver additional protections for underserved consumers
 - (d) **unlock investment in new generation** especially for long-duration firming, including through further potential standardised risk management contracts. A post-implementation review will assess whether the proposed non-discrimination obligations have helped to level the playing field between the gentailers and independent generators and retailers
 - (e) continue to identify and make practical improvements to the operation of the wholesale electricity market and to **security of supply**, including a review of ancillary services and improvements to forecasting and scheduling
 - (f) deliver a **more secure and resilient power system** by ensuring Part 8 of the Code is fit-for-purpose to maintain power quality and recovery from faults
 - (g) continue to reduce electricity system costs for consumers through further potential Code changes to remove price and non-price barriers to **network connections**, improve **network visibility** and facilitate **flexibility services**
 - (h) continue to proactively enable innovation that will benefit consumers, by working directly with innovators through our **Power Innovation Pathway** and potential regulatory sandboxes
 - (i) continue to **strengthen our compliance regime**, including through acting with increased powers¹² and moving to a more proactive, risk-based approach
 - (j) deliver on our long-term roadmap for the **System Operator** and other **service providers** to ensure a secure, efficient and competitive electricity system and markets which deliver electricity to consumers at lowest possible cost.¹³
- 3.20. The Authority will also continue to **ensure value for money** for levy payers through a lean, fit-for-purpose organisation – further developing our capability, systems and processes, including through the use of AI and other digital technologies.

¹¹ This proposed work programme is subject to Authority Board decisions and feedback on consultations.

¹² The Government has set out its commitment to strengthen the Authority's enforcement and compliance powers following the Frontier review of electricity market performance. This is subject to legislation, expected in 2026.

¹³ A significant number of third-party market operation service provider contracts are up for renewal in 2027/28 and 2028/29. We will undertake a competitive procurement process, but these costs may increase upon renewal.

4. Appropriation 2: Managing the Security of New Zealand's Electricity Supply

- 4.1. *Managing the Security of New Zealand's Electricity Supply* is a contingent appropriation intended to achieve enhanced security of supply in the electricity system during periods of emerging or actual security situations. It is a multi-year appropriation for the period 2022/23 to 2026/27.
- 4.2. Use of the appropriation is limited to management by the System Operator of actual or emerging emergency events relating to the security of electricity supply.
- 4.3. The System Operator can request funding from this appropriation to:
- (a) increase monitoring and management responsibilities in the event of an emerging or actual security of supply situation
 - (b) plan and run an official conservation campaign.
- 4.4. Expenses under this appropriation can only be incurred by the System Operator. The Authority itself cannot incur expenses under this appropriation.

Our functions under this appropriation

- 4.5. The System Operator is responsible for ongoing security monitoring and emergency management.¹⁴ The System Operator's security management functions include preparing the emergency management policy, which is incorporated into the Code by reference following the Authority's review and approval. The policy sets out steps the System Operator will take, and encourage industry participants to undertake, during an extended emergency.
- 4.6. The Authority's primary role in respect of security of electricity supply is to ensure the Code promotes an efficient level of supply reliability. This includes specifying the functions of the System Operator, how the System Operator's functions are to be performed, and to set requirements for transparency and performance. We also monitor System Operator performance. This work is covered under the *Electricity Industry Governance and Market Operations* appropriation.
- 4.7. Our role in this appropriation is limited to addressing requests from the System Operator to use funds. Approval of any request is subject to an agreed process and criteria. This process requires the System Operator to provide evidence of an actual or emerging security event, and to describe the actions it intends to take using the funds and how it will monitor their use. Agreeing this in advance helps the Authority to assess the effectiveness of the actions and funding during and after the event.
- 4.8. The System Operator can request funding from this appropriation to:
- (a) increase monitoring and management responsibilities in the event of an emerging or actual security situation
 - (b) plan and run an official conservation campaign.

¹⁴ Information about the System Operator's security management role is at <https://www.transpower.co.nz/system-operator>

- 4.9. The System Operator would seek our approval for funding from this appropriation on a case-by-case basis, if it considered increased monitoring or security management actions to be justified. However, as per the system operator service provider agreement the System Operator can, acting on a 'good faith' basis, incur up to \$300,000 of costs in this area without prior approval from us if it is not reasonably practicable to seek that approval.¹⁵

We propose no increase to the Managing the Security of New Zealand's Electricity Supply appropriation

- 4.10. This appropriation is contingent in nature and will not be drawn on in the normal course of managing the electricity system. As is the case with other appropriations, levies are only collected up to the level of actual expenditure incurred.
- 4.11. In the Government's Budget 2022, a new *Managing the Security of New Zealand's Electricity Supply* appropriation of \$6 million for the period 1 July 2022 to 30 June 2027 was approved. \$100,000 has been incurred against this appropriation to date.
- 4.12. **We propose to maintain the *Managing the Security of New Zealand's Electricity Supply* appropriation at the current level of funding until 30 June 2027.**
- 4.13. 2026/27 is the final year of the five-year period for which this appropriation was set. Our levy consultation in late 2026 will cover the next period for this appropriation.

Q3. Do you agree with the proposed approach to the Authority's *Managing the Security of New Zealand's Electricity Supply* appropriation?

¹⁵ The system operator service provider agreement (also referred to as SOSPA) sets out the specific functions, processes and performance metrics that the System Operator must perform.

5. Appropriation 3: Electricity Litigation Fund

- 5.1. This appropriation is intended to ensure the Authority can participate in litigation effectively and without delay. It is limited to meeting the cost of litigation activity undertaken by the Authority, arising from us carrying out our functions under the Electricity Industry Act 2010.

Our functions under this appropriation

- 5.2. Our functions under this appropriation include defending judicial review and appeal cases taken against us and taking enforcement action against industry participants under our compliance function.

We propose no increase to the Electricity Litigation Fund

- 5.3. This appropriation is contingent in nature, and we will only use it if certain events or situations arise.
- 5.4. **We propose to maintain the *Electricity Litigation Fund* appropriation for 2026/27 at its current level of funding of \$1.5 million.**

Q4. Do you agree with the proposed approach to the Authority's *Electricity Litigation Fund* appropriation?

Appendix A: Consultation questions

We are inviting feedback via appropriations@ea.govt.nz by 5pm, 16 December 2025.

Submitter	
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Questions	Comments
Q1. Do you agree with the proposed approach to the Authority's <i>Electricity Industry Governance and Market Operations</i> appropriation?	
Q2. Do you have any feedback on the Authority's work programme for 2026/27?	
Q3. Do you agree with the proposed approach to the Authority's <i>Managing the Security of New Zealand's Electricity Supply</i> appropriation?	
Q4. Do you agree with the proposed approach to the Authority's <i>Electricity Litigation Fund</i> appropriation?	

Appendix B: Summary of appropriations

	Final appropriation 2024/25 (\$m)	Budgeted appropriation 2025/26 (\$m)	Proposed appropriation 2026/27 (\$m)
Operational appropriation			
System operator contract expenses	49.4	55.1	55.2
Other service provider contract expenses*	18.1	19.1	19.3
Authority operating expenses	39.1	45.5	45.5
Total Electricity Industry Governance and Market Operations appropriation	106.6*	119.7**	120.0***
Contingent appropriations			
Managing the Security of New Zealand's Electricity Supply (1 July 2022 to 30 June 2027)	6.0 over five years	6.0 over five years	6.0 over five years
Electricity Litigation Fund	1.5	1.5	1.5
Notes * We received an increase of \$10.9m for 2024/25 to pay for increased service provider costs to operate the electricity system and markets and enable the Authority to keep pace with the rate of change required to support an orderly low-emissions transition and better serve all consumers. ** We received an increase of \$7.8m for 2025/26 to keep pace with inflation. While we will continue to prioritise and make trade-offs within our work programme, this uplift will enable us to fund the activities which deliver significant value to consumers and allows the Authority to maintain its current service level. *** We request an increase of \$0.8m for 2026/27 to mitigate contractual inflationary cost pressures on the Authorities service operator contracts. This is partially offset by a reduction of \$0.5m on appropriated funding in relation to timing adjustments on the real time pricing project funding. We propose to absorb an additional \$3.2m of expected Authority operating costs from inflation-related increases and expected new powers, by delivering internal efficiencies and through prioritisation of work.			