

30 January 2024

Sarah Gillies
Chief Executive
Electricity Authority
PO Box 10041
WELLINGTON 6143

Sent via email: appropriations@ea.govt.nz

Dear Sarah

Proposed levy-funded appropriations 2024/25

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Electricity Authority's (Authority) consultation paper "*Relieving pressure to deliver regulatory reform at pace: Proposed levy-funded appropriations 2024/25*"¹ published for consultation on 19 December 2023.
2. MEUG members have been consulted on the approach to this submission. Members may lodge separate submissions. This submission does not contain any confidential information and can be published on the Authority's website unaltered.

Delivering value for money while meeting statutory objectives

3. MEUG, on behalf of our 14 members, welcomes the opportunity to review and comment on the Authority's proposed levy-funded appropriations for 2024/25, and the supporting reports, the Sapere baseline review² and the Authority's business case.³ Our members currently use approximately 28% of all New Zealand's electricity, and therefore pay a large proportion of the levies gathered to fund the Authority. Any proposed increase in funding appropriations therefore has a considerable impact on our members, of a scale much greater than the "average commercial entity" referred to in the consultation paper.⁴
4. When considering the Authority's proposed increase, MEUG has focused on how well the Authority is currently meeting its statutory objective and how well it will continue to meet its statutory objective through the proposed funding appropriations and the focus of the indicative work programme for 2024/25.

¹ <https://www.ea.govt.nz/projects/all/levy-funded-appropriations/consultation/202425-levy-funded-appropriations/>

² *Electricity Authority Strategic Baseline Review 2022/23*, Sapere, 29 August 2023, [Electricity Authority Strategic Baseline Review \(mbie.govt.nz\)](#)

³ *Business Case: Enabling a Consumer Focused Transition*, Electricity Authority, October 2023, [Business Case: Enabling a consumer-focused transition 1.pdf \(ea.govt.nz\)](#)

⁴ As referenced in paragraph 3.42 of the consultation paper. We also refer the Authority to our submission on the 2022/23 and 2023/24 levy-funded appropriations, where we discussed the scale of levies paid, [EA consultation on 2022/23 and 2023/24 levy-funded appropriations | Major Electricity Users' Group \(meug.co.nz\)](#)

5. When we consider the “*long-term benefit of consumers*” from the perspective of our members, we are seeking an affordable and reliable electricity supply that supports a productive economy.⁵ This means an electricity market where customers believe they are paying a fair or justifiable price and where industry and business can produce products at a competitive price, allowing our exporters to compete internationally, grow export revenue, drive job creation, and reinvest in their businesses. We also consider the impact of this levy increase, alongside the other cost increases feeding into the total cost of electricity supply – i.e. there has been a considerable increase in the wholesale electricity price over the last five years and there will need to be considerable investment in both the transmission and distribution networks in the upcoming regulatory period (2025 – 2030).⁶
6. To date, we consider that there have been mixed results from the Authority through its recent work programmes. As noted in prior submissions, we do not believe that the Authority has focused sufficient attention on the disparity between wholesale electricity prices and the cost drivers, and the impact this has had on consumer confidence since 2018. Nor does the current demand-side management workstream clearly demonstrate the scale of demand-side possible within New Zealand or reflect the operational conditions and constraints that large users face when considering demand side response.
7. However, we have seen positive improvements in the Authority’s approach and engagement over the last year, with greater discussion with stakeholders and the completion of the Market Development Advisory Group’s (MDAG) report *Price discover in a renewable-based electricity system*.⁷ The release of the Sapere baseline review and Authority’s business case also show greater insight into what is required to regulate the evolving electricity sector successfully and efficiently. For this reason, we consider that it is prudent that the Authority has recommended option 2 – a \$14.2 million increase in 2024/25. This option balances the needs of the Authority against the cost-of-living pressures that all consumers are facing.
8. For the permanent baseline increase to its *Electricity Industry Governance and Market Operations* appropriation in 2024/25, MEUG encourages the Authority to:
 - Communicate to the sector how it intends to progress the recommendations of the MDAG final report. There are many key recommendations that are necessary to support the energy transition and stakeholders need confidence around how these will be progressed (as part of and alongside existing work) and with what urgency.
 - Look at how it can work more cohesively with other government agencies, particularly the Commerce Commission.⁸ There are considerable overlaps in the Authority’s and Commission’s work on electricity transmission and distribution, and we would welcome more clarity on how the two agencies are sharing their thinking and how this influences decisions (beyond just a shared work calendar).
 - Continue to engage regularly with stakeholders and ensure that evidence is sought from a range of participants to inform option development and policy decisions. We agree with the call for “increased pragmatism” as highlighted in the 2022 stakeholder perception survey.⁹
 - Continue applying pressure and monitoring all third-party contracts, to ensure that they are still delivering value for money and meeting performance expectations.

⁵ <http://www.meug.co.nz/node/1330>

⁶ We refer the Authority to our discussion on the overall impact of electricity prices, in our recent submission to the Commerce Commission, <http://www.meug.co.nz/node/1333>

⁷ https://www.ea.govt.nz/documents/4335/Appendix_A2_-_Final_recommendations_report.pdf

⁸ As discussed in paragraph 2.30 and 3.23 of the consultation paper.

⁹ Paragraph 3.56 of the consultation paper.

9. We would welcome the chance to discuss the 2024 / 25 indicative work programme when Authority staff attend our February 2024 MEUG member meeting. It would be helpful to understand how the Authority intends to address the areas of improvement and efficiencies raised in paragraph 3.27 of the consultation paper, particularly around building capacity and the use of advisory groups.

Support for additional appropriations

10. In addition, MEUG supports:
- 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, and
 - The Authority's proposal for maintaining the contingent appropriation for the Electricity Litigation Fund for 2024/25 and outyears at \$1.5 million.
11. We consider it prudent to keep these appropriations at historical levels, until there is clear evidence of a need for greater funding.

Next steps

12. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely



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Major Electricity Users' Group