

19 December 2022

Andrew Caseley
Chief Executive
Energy Efficiency and Conservation Authority
By email to levyconsultation@eeeca.govt.nz

Dear Andrew

EECA 2023/24 levy consultation submission

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Energy Efficiency and Conservation Authority (EECA) 2023/24 levy funding proposal and related work programme published 14 November 2022¹.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members make also make separate submissions.
3. This submission is guided by the MEUG mission statement²

“To add value to MEUG members’ management of electricity costs and risks achieving outcomes consistent with competitive markets for the long-term benefit of electricity consumers.”

MEUG’s mission statement aligns with the statutory objectives of the Commerce Commission and Electricity Authority with a focus on “the long-term benefit of electricity consumers.” In other words, MEUG takes a NZ Inc. perspective. MEUG members acting collectively as part of MEUG take a NZ Inc. approach, and in their individual businesses act in the best interest of those businesses.

4. MEUG members have an interest in this consultation because they are being asked to pay levies of around \$1.326m, that is around 26% of the total proposed electricity levy funded allocation of \$5.1m

¹ Document URL <https://www.eeca.govt.nz/assets/EECA-Resources/Levy-consultation/EECA-2023-24-Levy-Funding-Proposal-Consultation-Document.pdf> at <https://www.eeca.govt.nz/about/news-and-corporate/consultations/levy-consultation/23-24-levy-consultation/>

² Refer http://www.meug.co.nz/system/files_force/MEUG%20strategic%20plan%202022-23%20-%20public%20version.pdf?download=1 at <http://www.meug.co.nz/node/1216>

5. MEUG appreciates:
- a) The detail in the consultation paper to support the proposed expenditure and hence level of levies for next year. The level of detail has been continuously improving year by year and we want to acknowledge that and encourage EECA to continue that work including addressing the matters listed in paragraph [9] below.
 - b) The offer by you to brief myself and members. Unfortunately, this year we couldn't find time, nevertheless we do appreciate the offer.
 - c) The proposed decrease of \$200,000 (-3.9%) in the aggregate level of levies and hence approximately the same proportionate decrease in levies to be paid by individual MEUG members.
6. No new information has been provided to change the view of MEUG from prior years that:
- a) Most of the proposed levy funded work should be paid not by levies, but from the Government general account.
 - b) It was a mistake by government two years ago to accept EECA's proposal to pool levies for work relating to the separate energy efficiency markets in the electricity and gas sectors because payers of the levies have no basis to assess before levies are struck or after levies are spent, the relevance to their household or business. For example, a household or business in the South Island that only has the option of using electricity, cannot confirm from this proposal or the accounts of EECA, if their share of levies was used only on electricity efficiency matters.
7. The work that may have merit to be paid for by electricity and gas levies are:
- ~ Energy Efficiency Programme – Residential, \$2,573,140,
 - ~ Equipment Energy Efficiency Programme – Business, \$2,573,140,
- in total a proposed 2023/24 budget of \$5,146,280,
- because those may address an information asymmetry market failure.
8. Apart from some uncertainty if all the work is to overcome a clear information asymmetry market failure, MEUG has two other concerns:
- a) The budget for both programmes this year (2022/23) was \$1.8m each. A total of \$3.6m. The proposal is for a 43% increase from the budget this year for both and in total. MEUG does not support this increase. Since EECA commenced consultation in mid-November on this proposal (as reported by Stuff on 12 December)³:

‘Prime Minister Jacinda Ardern has asked her Cabinet ministers to reconsider their policy priorities over the summer break, signalling contentious policies may be cut for the coming election year.

Ardern said on Monday ministers would “go away and look at our legislative programme” over Parliament’s summer break, due to begin on Friday, as the Government needed “an absolute focus on the economic situation” next year.

³ <https://www.stuff.co.nz/national/politics/130741202/ardern-asks-cabinet-ministers-to-consider-priorities-over-summer>

“We need to be ensuring we are supporting New Zealanders and have a clear eye on that issue. We do need to trim back the amount of issues that we are progressing as a Government,” Ardern said.’

MEUG recommends EECA is pro-active in removing the proposed increase of 43% for the Energy Efficiency Programme – Residential and Equipment Energy Efficiency Programme – Business, for the appropriation request to the Minister to be acknowledge the request by the Prime Minister in recognising the critical financial stress now and expected in 2023 for most households and businesses.

- b) Because the electricity and gas sector budget proposals and annual reporting of outcomes is pooled, we have no line of sight to know if the proposed share of levies electricity users will pay for is directly beneficial to those users or whether there is material cross-subsidisation between the electricity efficiency and gas efficiency work.
9. For the record the following bullet points list the topic headings of the matters that in combination lead MEUG to oppose most of the proposed EECA levies:
- a) No robust cost-benefit-analysis (CBA) to justify much of the work, i.e., no clear market failure to be addressed.
 - b) Where there might be a market failure, no robust CBA to justify the use of levies rather than an appropriation from the general account. A CBA would consider all feasible solutions including removing any barriers to a market solution evolving.
 - c) NZ ETS carbon prices are the primary policy tool to manage and greenhouse gas externalities. A robust CBA of EECA work programmes would consider, for example, the waterbed effect.
10. In conclusion MEUG supports only that portion of two of the proposed programmes to be fully or partly funded by a levy on electricity consumers. Those programmes are:
- a) Energy Efficiency Programme – Residential.
 - b) Equipment Energy Efficiency Programme – Business.

MEUG does not agree with the proposed 43% increase in budget for both of those programmes compared to this year. Hence the combined maximum budget should be the current year budget of \$3.6m. We have no information to determine the breakdown of the proposed programmes into electricity and gas related work. Assuming it is around half each, then the maximum EECA electricity levy funded appropriation for 2023/24 supported by MEUG is \$1.8m.

Yours sincerely



Ralph Matthes
Executive Director