

22 January 2024

Electricity Authority
Wellington
New Zealand

Submitted via: EA secure information provision portal

Submission – Proposed levy appropriations 2024/2025 consultation

Introduction

1. Thank you for the opportunity to submit on the Consultation Paper *Relieving pressure to deliver regulatory reform at pace: Proposed levy-funded appropriations 2024/25*.
2. The consultation
 - a. Explains the Authority's operating context;
 - b. Conveys the impact of lack of resources on the Authority's delivery of objectives in this context;
 - c. Presents a preferred appropriation proposal; and
 - d. Details the Authority indicative work programme for 2024/2025.
3. The preferred appropriation proposal would
 - a. Change the level of the appropriation increasing service provider costs by \$7.6m and Authority operating costs by \$6.6m;
 - b. Maintain the level of the contingent appropriation for managing the security of New Zealand's electricity supply and for the electricity litigation fund; and
 - c. Increase average household costs by \$2.76 per annum and average commercial entities costs by \$16.32 per annum. The resulting annual cost would respectively be \$23.29 and \$138.40.

Summary

4. We have reviewed the consultation paper and our general views are summarised in this section.

5. As a general comment, we agree that the context the sector is operating in has impacts on the Authority and its activities. The sector needs timely agile change, and the current environment is increasingly complex.
6. That said, we also agree with the Authority's counterfactual that "... we are acutely aware of the current fiscal environment and the pressure already on households and businesses."¹ The proposed appropriation is marginally greater than a 10% uplift.
7. However, there is a resounding message that the Authority is under considerable pressure to deliver on its objectives without an increase in appropriation and not addressing this in the short term will have adverse implications for the long term. In particular the paper says, "The Authority will need to carry out much of the development work required. We are deeply concerned that current levels of funding are not sufficient to enable the work required to be undertaken. As the regulator, we are at high risk of slowing down rather than enabling the transition. By implication the transition is at risk of becoming disorderly."²
8. Therefore, we agree that an uplift in the levy appropriation is required to avoid adverse outcomes. We note that the Authority is recommending option 2, "the prudent approach" which will address acute pressure points. However, we also note that option 3 will provide funding that will enable the Authority to broaden its work programme and progress at a faster pace.
9. We also agree that the proposed levy uplift is a "step towards what the Authority needs to fully enable a consumer-focused transition". This by implication suggests that a further uplift (potentially option 3) will be required in subsequent appropriation requests.
10. Orion's specific responses to the 6 questions posed by the Authority as well as other feedback we consider appropriate to the consultation are set out in Annexure A.

Concluding Remarks

11. Thank you for the opportunity to provide feedback. We do not consider any part of this feedback is confidential.
12. If you have any questions or queries or aspects of the submission which you would like to discuss, please contact us on 03 363 9898.

¹ See para 3.65.

² See para 2.25.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'DP', with a long horizontal flourish extending to the right.

Dayle Parris

Head of Regulatory and Commercial



Annexure A

Submitter	Orion New Zealand Limited
Questions	Comment
Q1. Do you support the Authority's proposal for a permanent baseline increase to its Electricity Industry Governance and Market Operations appropriation of \$14.2 million for 2024/25, bringing the total appropriation to \$115.0 million?	Yes, we support the proposal for a permanent baseline increase of \$14.2m.
Q2. 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 maintenance of the contingent appropriation for managing security of supply at the current level of \$6m.
Q3. Do you support the Authority's proposal for maintaining the contingent appropriation for the Electricity Litigation Fund for 2024/25 and outyears at \$1.5 million?	Yes, we support maintenance of the contingent appropriation litigation fund at the current level of \$1.5m.
Q4. Do you have any comments on the Authority's proposed funding 2024/25?	We agree that the increase is necessary to position the Authority for the coming challenges, to capitalise on opportunities and to be more agile, timely and pace based. We note and support the implications of the Authority's statement that (emphasis added) "3.66 The proposed funding is a step toward what the Authority needs to fully enable a consumer-focused transition to an electrified, low-emissions economy." The initial increase will also allow the Authority to position its resources in preparation for further momentum toward Option 3.
Q5. Do you have any comments on the Authority's vision and intended outcomes?	Orion supports the Authority's vision and intended outcomes and is pleased to see a reflection of feedback it has received from stakeholders over time. It is useful to understand the Authority's plans across the three horizons- short, medium and long term. This helps with regulatory certainty and transparency about what the sector needs to plan for, focus on and support.

Submitter	Orion New Zealand Limited
Questions	Comment
<p>Q6. <i>Do you have any comments on the Authority's indicative work programme for 2024/25?</i></p>	<p>Orion thanks the Authority for providing an indicative work programme ahead of its finalisation in the annual corporate plan in June 2024. The plan is comprehensive and wide ranging- there is a lot to get after.</p> <p>Distribution pricing reform and scorecards/Transmission price signals-</p> <ul style="list-style-type: none">a.) We comment that when compared with the activity rationale for improving transmission pricing signals, there is an unfortunate implication that investment is expected in transmission but deterred for distribution. We would prefer the distribution pricing rationale to indicate 'optimisation of network upgrade and expansion costs at the right time and in the right places' rather than the current statement.b.) We comment that there appears to be no focus on the role of and how retailer/trader pricing should support distribution pricing and network management. <p>Distributed generation connection-</p> <ul style="list-style-type: none">a.) We recommend that any work on connection and capital contributions should be a high priority as this creates regulatory uncertainty and has implications for EDB investment and financeability through the Commission's DPP reset. <p>Early adoption of new technologies-</p> <ul style="list-style-type: none">a.) We are interested to understand how the Authority will work or interface with EECA in respect of new product/appliance technologies that households or businesses may adopt. The Authority will need to understand these technologies, how they might be load managed and what standards will be for these. <p>Code review programme</p> <ul style="list-style-type: none">a.) The indicative work programme does not refer to the project for the Code Amendment request process and consultation charter. This may be because the project will be complete for the 2024/25 year, but it would be helpful to clarify the status of this programme given that decisions were expected in December 2023.

Submitter	Orion New Zealand Limited
Questions	Comment
	Trust and Confidence/Innovation/Code- a.) We submit that the Authority should consider providing guidance on exemptions from the Code under section 11 of the Electricity Industry Act 2010. As the sector evolves, much like the scenario of trials and sandboxes, the provision for issue of exemptions from the Code may be explored more often. It would be useful for participants to understand the framework the Authority puts around exemptions, their approach to cost benefit trade-off and the extent to which exemptions are temporary or permanent.