

13 December 2024

Sarah Gillies
Chief Executive
Electricity Authority
PO Box 10041
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Submitted via Authority's [information portal](#)

Dear Sarah

Proposed levy-funded appropriations 2025/26

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Electricity Authority's (Authority) consultation paper *Proposed levy-funded appropriations 2025/26*¹ published on 15 November 2024.
2. MEUG members have been consulted on the approach to this submission. This submission does not contain any confidential information and can be published on the Authority's website unaltered. Members may lodge separate submissions.

Support uplift for service provider contracts

3. MEUG recognises the funding pressures that the Authority are facing, having to balance their operational budget alongside funding the increases for market operation service providers. Given the information provided in the consultation paper,² we are comfortable with the increase in funding forecast for the market service provider contracts in 2025/26.
4. Oversight of the market operation service providers will be key to ensuring value for money from the levy funding. MEUG believes that it is critical that the Authority continue to monitor the performance of all providers throughout the year and scrutinise both the spend and outcomes delivered to the electricity market.

Support holding funding constant for Appropriations 2 and 3

5. MEUG supports the Authority's proposal to continue with the existing levels of funding³ for Appropriation 2 (Managing the Security of New Zealand's electricity supply) and Appropriation 3 (Electricity Litigation Fund). We consider that this is a prudent decision in the current economic climate and note that as both these appropriations are contingent in nature, they may not be drawn down.

¹ https://www.ea.govt.nz/documents/6012/Levy-funded_appropriations_202526_-_consultation_paper.pdf

² Including the System Operator's proposal summary in Appendix D,

³ Appropriation set for 2023/24.

6. In future years, we recommend that the Authority include the following detail in the consultation paper for levy-funded appropriations:
 - A summary of historic budgeted spend in recent years (i.e. over the last 10 years)
 - Details on when the appropriations have been drawn down, with detail on the amounts and the specific reasons / projects.
7. This would help submitters make informed comments on the adequacy of the funding in each appropriation, by having all the key data in one section.

Funding for Authority's work programme

8. MEUG does not support the funding option put forward in Option 3, where there would be an uplift in \$7.8 million. As noted above, we are comfortable with the increase for the service providers⁴, but we are unconvinced that the Authority has demonstrated a clear case to justify an uplift of \$1.3 million for its operating funding.
9. We recognise the need for the Authority to be more responsive to the pace of change in the industry and that it has a substantial workload, particularly given the Government's announcements following winter 2024. However, we still consider that the Authority needs to demonstrate more clearly how this increased funding would contribute to benefits for end consumers and New Zealand Inc.
10. MEUG considers that the Authority:
 - Needs to ensure a strong focus on performing its basic functions well. The Authority is still undergoing a period of rebuilding. We note the positive steps the Authority has taken to re-focus the organisation – for example, setting out its priority initiatives from October 2024 to March 2024⁵ and refreshing the leadership team.⁶ However, this is an ongoing progress with the changes needing time to bed in.
 - Must ensure that its work programme balances its focus across all elements of the energy trilemma – security, sustainability and affordability. While we are encouraged by work into areas such as innovation and distribution standardisation, we believe a much stronger focus is needed on work that addresses security, affordability and competition. Work at present seems to be addressing competition at the edges of the market – to make a real difference to consumers, we need to address the competition issues that will lead to downward pressure on prices (i.e. competition in generation, new generators entering New Zealand market, versus increasing the number of retailers).
 - Must demonstrate that its resources are prioritised towards the right areas to deliver better outcomes. MEUG recommends that the Authority look at setting public facing key performance indicators (KPIs) where it could demonstrate how the Authority's work is leading to improvements across the energy trilemma. For example, KPIs could look at areas such as downward pressure on spot prices and futures prices at the Otahuhu (OTA) and Benmore (BEN) nodes, number of times the System Operator calls for public conservation efforts (such as 10 May 2024) in a year. Consumers need to be reassured that they are getting benefits from any increases sought in funding.
 - Ensure that all its consultation processes clearly set out the market problems that the Authority are seeking to address and how any interventions or Code changes will impact which group(s) of consumers and what magnitude of change / impact.

⁴ \$5.7 million for the system operator and \$0.8 million for other service providers.

⁵ As set out here: https://www.ea.govt.nz/documents/5835/Priority_Work_Programme_pdf.pdf

⁶ <https://www.ea.govt.nz/news/general-news/authority-makes-organisation-changes-to-better-align-with-our-priorities/>

11. MEUG considers that a funding option that is midway between Option 2 (+\$5.7 million) and Option 3 (+7.8 million) would be more appropriate for 2025/26. We recommend an “Option 2A”, that a request for funding of between \$7.0 to \$7.4 million be put up to Government.

Priorities for the coming year

12. The Authority has asked for feedback on its indicative work programme for 2025/26. For MEUG, we seek a focus on the following areas (listed in no particular order):
- Completion and successful implementation of all Energy Competition Taskforce actions
 - Completion of the first tranche of recommendations from the Market Development Advisory Group’s (MDAG) final report, and planning underway for the next tranche
 - Establishment of the next steps following sector feedback on the Risk Management review
 - Support towards any actions or recommendations that might arise from the Government’s review of electricity market performance.
 - Actions to ensure sufficient security and firming of the electricity market, in both the coming winter where concerns have been raised, and in the long-term. We consider that ideas such as procuring a strategic reserve of thermal fuel (i.e. coal, then moving to biomass) for dry years could be a beneficial measure to avoid issues such as what occurred this winter.
 - Actions to address issues with competition and market power in the wholesale market.
 - Progressing options to mature demand-side response in the market, given the opportunities and challenges that MEUG has identified in our recent demand response case studies (noting this is also an item in the Task Force)
 - Effectively utilising the Electricity Authority Advisory Group’s (EAAG) skills and expertise to guide and inform the Authority’s work programme.
13. For each of these areas, MEUG feels that it is essential that the Authority demonstrate the value of any interventions and Code changes to New Zealand Inc.
14. We have appreciated the increased engagement with the Authority in recent months. There has been greater transparency, more frequent updates on projects, and greater opportunities to meet with Authority staff to discuss issues from a business perspective. We look forward to working closely with the Authority in the coming year.

Welcome opportunity to discuss our comments further

15. 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