

29 November 2021

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Via email: appropriations@ea.govt.nz

SUBMISSION ON LEVY-FUNDED APPROPRIATIONS

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's '2021/22 and 2022/23 Levy-funding Appropriations' consultation paper.

ERANZ is the industry association representing companies that sell electricity to kiwi households and businesses. Our members supply over 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

ERANZ agrees with the Electricity Authority's ('the Authority') refined Statement of Intent for 2021-2025 that covers the organisation's ambitious strategic goals. The focus on consumer centricity, low-emissions energy, trust and confidence, and thriving competitions is similar to our focus here at ERANZ.

The 2021/22 financial year is challenging. Between Covid-19 and the unusual events in the electricity sector, all our members have focused on providing as excellent service to customers as possible.

We agree with the Authority's summary that "Constrained gas deliverability, higher carbon prices and variable weather conditions will continue to be reflected in wholesale prices as the market responds to underlying supply conditions by using more expensive fuel options, and demand response, to manage security of supply."

ERANZ supports the role the Authority must play as the regulator during more difficult times. We note the market, as described above, is behaving rationally and as a functioning market is expected to perform.

Within this context of current events, is the backdrop of climate change and our need to reduce emissions through greater use of mostly renewable electricity. The government is changing how it labels its target of 100 per cent renewable electricity by 2030, now calling it "aspirational", and we are welcoming the Authority adopting this language. ERANZ supports the target of 100 per cent renewable electricity, although it may take longer than nine years to maintain the reliability of supply and affordability.

ERANZ supports the Authority's focus on ensuring New Zealand "maintains a supportive and stable investment environment, with robust rules and clear price signals."

We note consumers are ultimately the payers of all the Authority's expenses. In that context, this consultation paper does not elaborate on any savings or cost efficiencies the Authority is managing to produce. When additional costs are incurred, such as for the review into the 9 August event or the wholesale market competition review, consumers expect the Authority to first try and fund these through baselines. Only if savings are not possible should the extra costs be passed on to consumers. Therefore, this paper would benefit from the Authority listing savings found this financial year.

ERANZ supports the proposed appropriations for the Authority. The breakdown of proposed expenditure on electricity industry governance, market operations, managing the security of New Zealand's electricity supply, and the litigation fund is fair and reflects previous appropriations. The obvious, prominent exception is the additional \$18 million for the market-making scheme. This significant project reflects an appropriation increase of 20.8 per cent in just two years. Although we note this is not the subject of this consultation paper.

Consultation questions

Do you support the increase to the Electricity Industry Governance and Market Operations appropriation for 2021/22?

Yes.

The Authority is proposing that the operational appropriation for Electricity Industry Governance and Market Operations in 2022/23 is \$94.397 million. Do you support the Authority's proposal for funding of \$94.397 million?

Yes.

The Authority is proposing the contingent appropriation for Managing the Security of New Zealand's Electricity Supply renews for another six years. Do you support the Authority's proposal for maintaining this contingent funding at its current level?

Yes.

The Authority is proposing the contingent appropriation for the Electricity Litigation Fund for 2021/22 and outyears is \$1.500 million. Do you support the Authority's proposal for this contingent funding?

Yes.

Would you like to provide any other comment on the Authority's proposed 2021/22 or 2022/23 funding?

The paper would benefit from more evidence of the Authority's attempts to find savings and deliver value for money so additional projects such as the wholesale market competition review and UTS investigations do not end up costing consumers as much.

ERANZ would like to thank the Authority for your consideration of our submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cameron Burrows', with a long horizontal flourish extending to the right.

Cameron Burrows
Chief Executive