

Briefing to the Incoming Minister

NOVEMBER 2023



**ELECTRICITY
AUTHORITY**
TE MANA HIKO



Our strategic framework

Consumers have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prospers.

STATUTORY OBJECTIVES

To promote **competition in, reliable supply by, and the efficient operation of,** the electricity industry for the long-term benefit of consumers.

And, to **protect the interests of small consumers,** in relation to the supply of electricity to those consumers.

PURPOSE

Enhance New Zealanders' lives, prosperity and environment through electricity.

STRATEGIC AMBITIONS



Low-emissions energy



Thriving competition



Innovation flourishing

STRATEGIC IMPACTS

Electrification is a key enabler in the transition to a low-emissions economy.

Market competition is a key enabler to deliver a better energy future – driving progress, affordability, efficiency and valuable outcomes for New Zealand.

Evolution of the electricity system will be achieved through innovation and disruption, with both participants and the Authority thinking beyond the status quo.



Consumer centricity

When decision-making is centred around consumer outcomes more diverse needs can be met, and expectations exceeded.



Trust and confidence

High levels of trust and confidence drive action, acceptance, and reduce intervention.



New Zealand's electricity system is undergoing transformational change

Our context

The Electricity Authority Te Mana Hiko (Authority) has a vital role to play in enabling an electrified economy at least cost to consumers. The Authority is focused on making sure the transition to a net zero carbon future is as efficient as possible, while maintaining energy security, system adaptability and affordability for consumers.

Significant investment in clean electricity generation, transmission and distribution networks is necessary to support the electrification of the country. Mass electrification will help us meet our climate change commitments and help power a growing and productive economy.

Regulation needs to keep up with changes driven by new technologies and consumer behaviour and expectations. We no longer have the benefit of time or a steady environment in which to develop and implement incremental reform.

The Authority is responding by working differently, and ensuring market rules enable, rather than hinder, better outcomes. We are working to shift gear, move faster, collaborate more and provide regulatory certainty through increased transparency, engagement and fit-for-purpose regulation. And we are doing this while still making sure there is a reliable supply of electricity for all consumers.

What we do

The Authority regulates the electricity system and markets. Through our work we seek to ensure a reliable, efficient and competitive electricity industry for the long-term benefit of all consumers. The Authority successfully combines the functions of rule-making and rule enforcement to regulate how the market operates and to support incentives for industry investment and development.

A well-functioning electricity market is critical to the transition to an electrified economy with all the benefits that brings across multiple industries and sectors. We already have a strong platform. The electricity market has served consumers well and it provides a solid foundation for the future.

The market will continue to play a critical role in attracting new investment across our transmission and distribution networks. An unprecedented pipeline of potential generation projects is being pursued to meet future demand and there is encouraging signs of an uptake in demand response.

Regulating for the consumer of the future

A stable regulatory framework is essential to enable transformation while making sure the power stays on and the public has confidence in the system and the regulator. The Authority has shifted to a more collaborative approach, working closely with regulated parties, agencies and consumer groups to address immediate stresses on the system while securing the foundations for consumers to benefit from a very different electric future.

New technologies and artificial intelligence will serve to empower the consumer. The energy consumers of the future are connected, commercial, and autonomous. They are no longer constrained by a one-way passive relationship with their energy provider.

They are conscious of their carbon footprint and have more control to manage it, personalise their energy use and to maximise value for money. Consumers will expect those providing energy services to meet their individual requirements – there will be no one-size-fits-all.

More intermittent renewable generation and more active players in an increasingly complex system will drive innovation and shape what the electricity system will look like in the coming years.

Regulation needs to keep up with technological change and enable the consumer of the future while keeping the power on. We need to scale up so we can keep pace with the rate of change required and better serve all consumers. The pace of change is unprecedented. We no longer have the benefit of time or a steady environment in which to develop and implement incremental reform – the transition is here.

Our key focus areas reflect today and tomorrow

- System security and resilience
- Enabling investment and innovation
- Consumer protection
- Monitoring, compliance, education and enforcement
- Building trust and confidence through improved capability, transparency and engagement

More information about each area and how they deliver against our statutory objectives is detailed in our [Annual Corporate Plan](#).



The regulator is part of a wider system of agencies and organisations

We are one of several agencies and organisations with distinct roles in the electricity sector. We work closely with regulated parties, consumer groups and the following organisations.

- **MBIE** is the policy adviser to the Government. Its role includes advising on Acts and regulations. MBIE also has a monitoring role in respect to the Authority.
- The **Commerce Commission** regulates monopoly suppliers of electricity lines services under the Commerce Act 1986.
- **Transpower** has dual roles as the national grid owner and the system operator. As system operator, Transpower operates the wholesale electricity market through which generators sell electricity to retailers and ensure supply matches demand.
- The **Energy Efficiency and Conservation Authority (EECA)** works to improve the energy efficiency of New Zealand's homes and businesses and encourage the uptake of renewable energy.
- The **Gas Industry Company** is the industry body that works alongside industry and government to co-regulate gas.

The **Council of Energy Regulators** facilitates a whole-of-system approach to opportunities, issues and risks within the energy markets' regulatory system. This ensures the members collectively meet the Government's Expectations for Good Regulatory Practice as they relate to the regulatory system.

The Council convenes regularly to:

- coordinate and collaborate on their activities and those of other actors in the system
- proactively monitor emerging risks (both within and outside of government)
- exchange information and align on each other's work programmes.

Other relevant organisations

- Sector associations, such as the Electricity Retailers' Association of New Zealand and Electricity Networks Aotearoa.
- Independent Advisory Groups, such as the Market Development Advisory Group.
- Industry participants and representatives including Transpower and large and small retailer and network companies.
- Consumer advocacy and advisory groups, such as Consumer Advocacy Council, Consumer NZ and Utilities Disputes.
- Other government agencies working on energy related projects.

In addition to cross agency collaboration, there are a range of industry networks and initiatives underway aimed at decarbonisation.

Regulatory certainty to unlock investment, innovation, and productivity growth

The Authority is committed to ensuring regulation enables innovation and new technologies, while maintaining security of supply.

We are working on key projects that will enable change across the system while making sure regulation is fit for purpose and is building on the strong foundation of a market that has stimulated investment in and growth of the sector for over 20 years.

The future landscape of electricity will be a diverse mix of energy sources that give individuals, communities and regions more control over their energy production and use.

The operation of the future system will need to reflect the diversity and orchestrate the many and varied energy resources from large generation plant to the increasing uptake of energy storage and solar.

Demand management will take an increasingly important role as our geography and external shocks require us to think differently about powering communities. The work we have underway will help maximise the economic opportunities these changes present.

Key events before the end of 2023

Project streams	Information	Timing
Levy consultation	Briefing	Dec 23
Security of supply; winter 23 analysis	Briefings	Dec 23
Risk management review in the electricity market	Briefings	Dec 23
Market Development Advisory Group pricing in a renewables-based electricity system	Recommendations to Board	Dec 23

Appendix A: Background, governance and management

Background

The Authority was established on 1 November 2010 under the Electricity Industry Act 2010 as an independent Crown entity. We regulate the electricity industry for the long-term benefit of consumers. Our primary function is to regulate New Zealand's electricity system and markets, enforcing the rules and holding industry participants to account through active monitoring and enforcement.

Our work

We are a kaitiaki of electricity. Our purpose is to enhance New Zealanders' lives, prosperity and environment through electricity.

The Authority's main statutory objective is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

Our additional objective is to protect the interests of domestic and small business consumers, in relation to their supply of electricity. This objective applies to the Authority's activities in relation to the direct dealings between participants and these consumers.

Where required, we facilitate the development and enhancement of electricity markets to ensure they are robust and deliver long-term benefits to consumers.

Our legislative framework

Electricity Industry Act 2010

This is the primary Act that relates to our work.

The Electricity Industry Participation Code 2010

The Authority sets rules that govern nearly every aspect of the New Zealand electricity industry.

Electricity Industry Amendment Act 2022

The Act was amended to implement recommendations from the 2019 Electricity Price Review and provide an effective regulatory framework for the electricity industry in view of rapidly evolving technologies and business models. The main amendments strengthened the consumer voice including expanding the Authority's role to give it an additional statutory objective to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

Other legislation applicable to our work:

- The Public Finance Act 1989
- The Crown Entities Act 2004

Government expectations

As an independent Crown entity, the Authority is independent of government when exercising its regulatory responsibilities. The Authority's work is informed by Government priorities, and these are communicated in the enduring letter of expectations to Crown entities and the annual letter of expectations to the Authority from the Minister.

Our functions

The Act sets out our functions, describing the activities we perform and the tools through which we can pursue our statutory objectives and ambitions.

Monitor, inform and educate

We monitor market behaviour and make data, information and tools available to help improve understanding of the electricity markets by consumers and industry participants.

Operate the electricity system and market

We are responsible for the efficient day-to-day operation of the electricity system and markets through contracted service providers.

Enforce compliance

We monitor, investigate and enforce compliance with the Electricity Industry Act 2010, its regulations and the Electricity Industry Participation Code 2010 by industry participants to create a fair and competitive market.

Promote market development

We propose and make amendments to the Code to deliver better outcomes for consumers today and in the future.

Protect the interests of consumers

We are responsible for protecting the interests of domestic and small business consumers in relation to the dealings of industry participants with those consumers.

Funding

The Authority is funded by the Crown through appropriations. The Crown recovers this funding through a levy on electricity industry participants. Industry participants may pass this cost on to consumers.

To obtain these funds, we prepare an appropriations request for the Minister, outlining the costs of performing our functions and exercising our powers and duties under the Act. Before making this request, we consult on the proposed appropriation levels with those affected by the levy, and the outcome of this consultation is reported to the Minister at the time the appropriations request is submitted.

Appropriation	Budget 2023/4 (\$000)
System operator service provider costs	47,038
Electricity Authority operations	35,067
Other service provider costs	18,708
Total	100,813

The Authority also has two contingent appropriations that allow us to respond quickly and effectively to certain events or situations:

- Managing the Security of New Zealand’s Electricity Supply – \$6m over 5 years through to 30 June 2027
- The Electricity Litigation Fund – \$1.5m for 2023/24

In October 2022, the Authority consulted on increases to our 2022/23 and 2023/24 appropriations. We also signalled an increase for 2024/25, subject to the Authority taking part in an independent strategic baseline review of our operations.

Following proposals submitted by the Authority to the Minister, the Ministry of Business, Innovation and Employment (MBIE) was tasked with commissioning a baseline review of the Authority to, among other things, provide advice on the Authority’s funding needs. MBIE commissioned Sapere Research Group (Sapere) to undertake the baseline review.

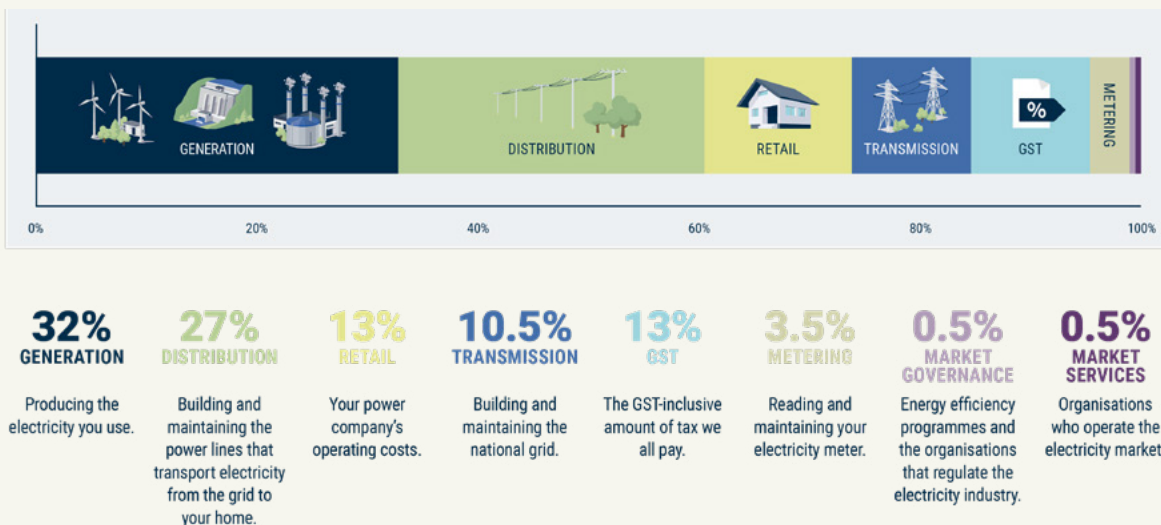
Ahead of that review being completed, in February 2023, the Minister approved an additional \$4.6m for 2023/24 and outyears for the Authority.¹

The 2024/25 levy consultation in November 2023 will be informed by the findings of the baseline review. Note that consulting on a specific levy increase does not lock the Authority into a change of that magnitude, nor does it lock the Minister into any change in appropriation.

Decisions on the appropriation will be made by the Minister in February 2024.

¹ This was less than the amount the Authority consulted on. Of the \$4.6m, about \$1.5m has gone to necessary third-party contracts including the system operator’s contract, with the remaining \$3.1m going to core Authority’s operations.

An average household power bill contributes the following costs²



² These numbers are indicative only and based on publicly information available at a point in time.

Our board



Anna Kominik
Chair

Mob: [REDACTED]

Appointed 2023



Allan Dawson

Appointed 2017;
reappointed 2023



Sarah Gillies
Chief Executive

Mob: [REDACTED]



Dr Cristiano Marantes

Appointed 2023



Paula Rose

Appointed 2023



Lana Stockman

Appointed 2017;
reappointed 2023



Erik Westergaard

Appointed 2023

Andrew Millar
General Manager
Market Policy

Airih Mahuika
General Manager
Legal, Monitoring and Compliance

Mark Herring
General Manager
Corporate and Market Services

Sally Aitken
General Manager
Strategic Communications and
Engagement

Tim Sparks
Director
Network Pricing

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Appendix B:

Rulings Panel, advisory groups and agencies

Rulings Panel

The Rulings Panel is the industry dispute resolution and disciplinary body established under the Electricity Governance Regulations 2003. It hears and determines complaints about breaches of the Electricity Industry Participation Code 2010. The Governor-General appoints panel members.

The Rulings Panel comprises Mel Orange (Chair), Lee Wilson, Matthew Dunning KC and Paul Webber. The members were appointed for five-year terms from 29 June 2023.

Security and Reliability Council

The Security and Reliability Council provides independent advice to the Authority on the performance of the electricity system and the system operator and reliability of supply issues.

Members are Hon. Heather Roy (Chair), Paula Checketts, Barbara Elliston, Chris Ewers, Ben Gerritsen, Phil Gibson, Rebecca Larking, Allan Miller, Nanette Moreau and Mike Underhill.

Advisory groups

The Market Development Advisory Group provides the Authority with independent advice on issues that relate to pricing and cost allocation, risk and risk management, and operational efficiencies.

The Innovation and Participation Advisory Group provides the Authority with independent advice on issues relating to new technologies and business models, and on consumer participation. This group is currently on hold while the Authority consults on the future form and function of its advisory groups.

Other technical groups are formed from time to time and information about these groups is available in the [Annual Report](#) and on the Authority's [website](#).



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