

Fortnightly report for the Minister for Energy

1 March 2024

This report summarises items that may be of interest to the Minister for Energy but not necessarily require a formal briefing. Further information on any topic can be provided on request. Substantive items and decision papers will be provided to the Minister in the form of briefings.

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1. Current and upcoming publications and advice

Strategic priority	Title	Purpose	Action and timing
Improving security of supply	Decision to finalise prices: 9 August 2021	Response to the High Court's decision	For noting Media release published 1/03/24
Organisation development	Electricity Authority 2024/25 levy – further information	Further information on the Electricity Authority 2024/25 levy as requested by the Minister	For noting BR-24-0011 sent 1/03/24 Ref BR-24-0010
Organisation development	Annual levy funded appropriations	Decision on Authority's annual levy process including request for \$14.2m more money.	Requires Minister decision BR-24-0010 sent 9/02/24
Organisation development	Commercial Market-Making Scheme: New provider from 1 July 2024	Decision to procure a new commercial market maker from 1 July 2024 for 2 years.	Delayed: note advice in BR-24-0011 regarding additional information for the levy
Organisation development	Updates to the Consultation Charter the Code amendment request process and advisory groups	Decision on changes made to the Charter, CAR process and advisory groups	For noting BR-24-0008 sent 26/01/24 Decision published 27 Feb 2024

2. Consultations underway

Strategic priority	Title	Purpose	Action and timing
Improving security of supply	Future system operation	Consultation on future of New Zealand's system operation.	For noting BR-24-0003 sent 23/01/24 Consultation released 15/02/24
Data for better performance Consumer protection and understanding	Options to support consumer plan comparison and switching.	Consultation on eight options to improve consumer plan comparison and switching.	For noting BR-24-0007 sent 19/01/24 Consultation released 01/02/24

Improving security of supply	Potential solutions for peak electricity capacity issues	Consultation on additional rules to support security of supply during winter peaks.	For noting BR-23-0049 sent 04/12/24 Consultation released
Data for better performance Consumer protection and understanding	Improving retail monitoring	Consultation on increasing retail data transparency and monitoring.	For noting BR-23-0052 sent 27/10/23 Consultation released

3. Upcoming Electricity Industry Participation Code Amendments

Electricity Industry Participation Code Amendments that need to be presented to the House **within 20 working days** following the date on which it is made. The Minister's office must ensure the established procedure for presentation is followed and the amendments presented.

N/A - no amendments currently in need of presentation

4. Proposed additional verbal briefings

Name	Purpose	Indicative date*	Authority attendees
Market 101 briefing	Support understanding of the electricity market	20 March 2024 – as part of CE/Minister meeting	Sarah Gillies, Andrew Miller, Chris Otton, Doug Watt
Update on security of supply	Update on security of supply ahead of Winter 2024	10 April 2024- as part of CE/Minister meeting	Sarah Gillies, Doug Watt, Chris Otton, Airihi Mahuika
Authority project into risk management in the retail market	Understanding of Authority work underway to respond to complaints from independent retailers about competition in the market	8 May 2024 - as part of CE/Minister meeting	Sarah Gillies, Andrew Millar, Rob Bernau

5. Key external engagements

- 5-6 March 2024 – Downstream conference
- 27 March 2024 – Consumer and industry hui (ERANZ, ENZ, CTU, ComCom – led by the Electricity Authority)
- Minister and Authority CE/SLT meeting: timing and focus noted above
- Minister and Authority Chair meeting: 3 April 10.30am-10.50am

6. Spotlight: Expected power bill increases

Fortnightly reports will regularly 'spotlight' certain topics that will likely be of interest to you. Given recent media reporting, this section spotlights the topic of the expected increase in household power bills from 1 April 2025.

The need for investment must be balanced with the cost to consumers

A large increase in consumer power bills is expected from 1 April 2025, following the Commerce Commission's (the Commission) five-yearly reset of regulated revenues for the 16 price-controlled distributors and Transpower in November 2024¹. The size of the overall increase in bills is uncertain, as it depends on decisions yet to be made by the Commission, the Authority, distributors and retailers, as well as the wholesale market.

The investment required for electrification needs to be paid for

The expected price increase is driven largely by increases in distributors' and Transpower's costs, including the cost of debt (higher interest rates), operating costs (higher inflation) and capital expenditure to replace aging infrastructure. Key drivers also include the new investment in network infrastructure to enable the electrification of the economy and greater renewable generation. This new investment is likely substantial, eg, projections of over \$20 billion of distribution-related investment in each of the next three decades.² To have the confidence to make the investments required for electrification, infrastructure investors will require long-term predictability around the recovery of these costs.

The Authority is concerned and uncomfortable about the impact of the expected price rise on consumers, particularly those facing energy hardship

Household energy bills will ultimately be lower on average (estimated at around 10% lower in 2030 and 45% lower in 2050), as consumers benefit from significant fuel savings due to the electrification of transport.³ However, these savings are some years away and lower-income consumers will be the last to benefit from savings (as wealthier households are likely to be the earlier adopters of electric vehicles).

The Authority's work will put downward pressure on household bills

The briefing *Electricity Authority 2024/25 levy funded appropriation - further information* [BR-24-0014] outlines how the Authority's work puts downward pressure on household bills. You have also previously received an A3 that outlines how this work aligns to each component of a consumer's bill.

Next steps

The Authority will continue to closely monitor the possible increase in household power bills and identify options to put downward pressure on bills and support households. The Authority will provide you with regular updates on this as new information comes to light.

¹ The other electricity distribution businesses are consumer owned and cover around 20% of New Zealand's businesses and households – these electricity distribution businesses are subject to the Commission's information disclosure regulation but have no constraints on how they set their target revenue.

² The Future is Electric: a Decarbonisation Roadmap for New Zealand's Electricity Sector, October 2022, Boston Consulting Group, page 118

³ The Future is Electric: a Decarbonisation Roadmap for New Zealand's Electricity Sector, October 2022, Boston Consulting Group, page 7