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Electricity Authority
Wellington, 6143

30 January 2024

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2024/25 Levy Appropriations

Thank you for the opportunity to respond to the Electricity Authority's (the Authority's) consultation on its levy-funded appropriations.

The Authority has proposed a baseline increase of \$14.2m to its *Electricity Industry Governance and Market Operations* appropriation for 2024/2025 to deliver timely and fit for purpose regulation under Option 2. We support an increase in the Authority's baseline funding to ensure that security of supply is maintained, and the regulatory framework can adapt to meet the challenges of electrification.

We answer the Authority's questions in the Appendix below.

Yours faithfully,

Joel Cook
Head of Regulation

Appendix – response to questions

Question	Transpower NZ Ltd response
1. 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 Authority's request for a permanent baseline funding increase.
2. 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.
3. 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
4. Do you have any comments on the Authority's proposed funding 2024/25?	<p>We support the Authority's recommended Option 2.</p> <p>Ensuring that the regulatory framework supports security of supply and is not a barrier to electrification is critical. The electricity market and system are getting more complex. The Electricity Industry Participation Code has several areas that have not been reviewed since its introduction. An unresponsive regulatory framework can quickly lead to higher costs and less favourable outcomes for consumers.</p> <p>As reported by the Market Development Advisory Group (MDAG), the future is happening faster than expected and it is imperative that we prepare now for the transformative role electricity will play in our economy and day to day lives.</p>
5. Do you have any comments on the Authority's vision and intended outcomes?	<p>We support the Authority's outcomes; however the proposed vision's wording is not clearly linked to these outcomes. We consider that the Authority's current vision "Our vision is to be a world-class electricity regulator, delivering long-term benefits for consumers and contributing to the New Zealand economy" is more appropriate than its proposed alternative. Providing consumers choices to access energy does not, in an of itself, necessarily deliver them long-term benefits.</p> <p>We also note that "a diverse range of renewable electricity solutions (generation and storage) are integrated into the power system" does not</p>

	<p>appear to sit within the sustainable outcome. An outcome of a "very high proportion of renewable electricity solutions" (or something like this) may sit better sustainability outcome.</p>
<p>6. Do you have any comments on the Authority's indicative work programme for 2024/25?</p>	<p>We are pleased that the Authority has reinstated its industry and consumer meetings We believe this provides an improved way for stakeholders to make contributions to the indicative work programme, such as the code changes.</p> <p>We note that the Authority's 24/25 work programme does not refer to any activities in relation to the Grid. The Benchmark agreement, Core Grid definition, and Grid Reliability Standards are all relatively untouched since they were initially set, for example (aside from urgent changes to accommodate the new TPM) the Benchmark agreement is unchanged since 2008. We consider that the Benchmark agreement should be on the Authority's short-medium term work programme. Other specific Grid related elements in the Code do not need immediate review, however as we transition to greater electrification reviewing these settings will need to be considered.</p> <p>We appreciate the Authority's reintroduction of the omnibus to support progress on more targeted, technical, and incremental Code amendment proposals. We consider a lot more work needs to be done in this area and Transpower, particularly the grid owner, has several outstanding Code amendment proposals that have stalled. As we have previously suggested, we encourage to Authority to consider setting up an industry and consumer forum to support the assessment of Code proposals and provide recommendations to the Authority. We also reiterate our previous submission points the importance of having a consultation process that is systematic and transparent to stakeholders. We consider the Authority could improve the transparency of the process by publishing the Code requests received, who requested them, a brief description of why the amendment has been submitted, and when they were received.</p>