



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

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# Electricity markets policy: How government works

Energy Economics Summer School

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# The next 30 minutes

- How government works
- This government's priorities for electricity
- Electricity markets policy work
  - The sector
  - MBIE Electricity Markets Policy areas of focus, and the policy cycle
- Others in government and outside
- A day in the life of an MBIE policy official
- What makes good policy advice / advisor?

Then – questions and discussion



# How government works

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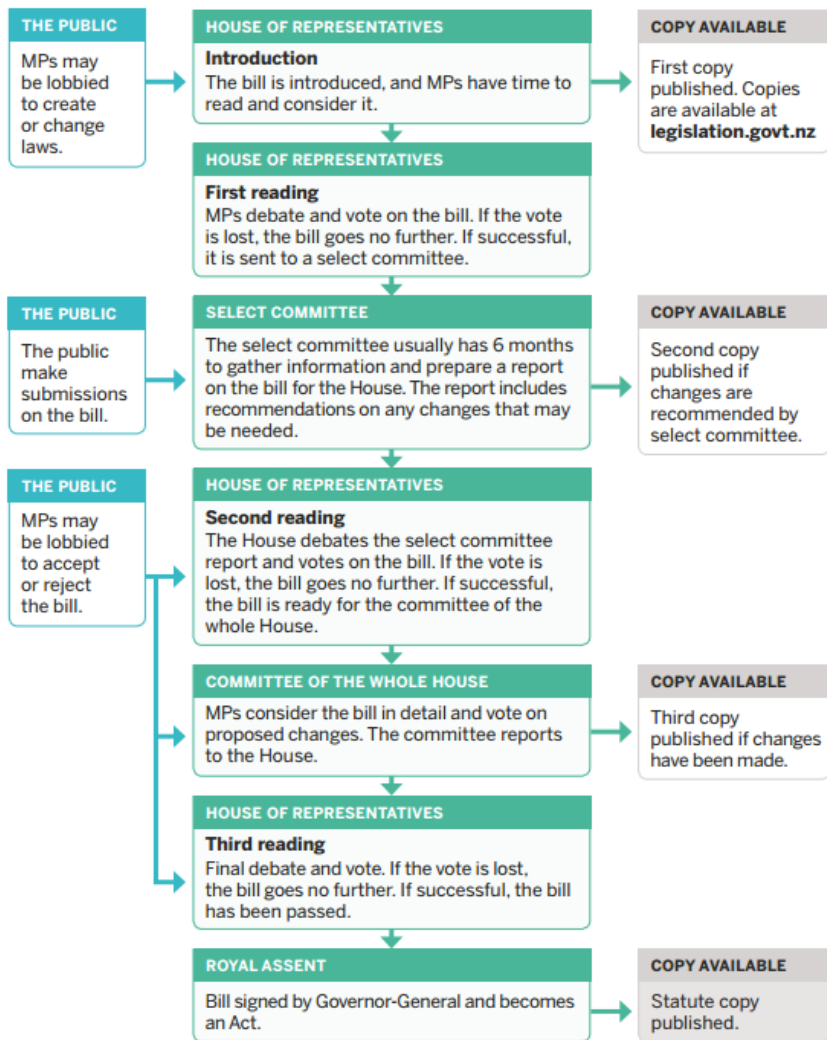


# Our system of government

- **Head of State**
  - New Zealand's head of State is the Sovereign, King Charles III of New Zealand. The Governor-General is the King's representative in New Zealand.
- **Constitutional arrangements**
  - New Zealand has no single written constitution or any form of law that is higher than laws passed in Parliament. The rules about how our system of government works are contained in a number of Acts of Parliament, documents issued under the authority of the King, relevant English and United Kingdom Acts of Parliament, decisions of the court, and unwritten constitutional conventions.
- **Parliament**
  - New Zealand's Parliament consists of the Sovereign and the House of Representatives. The Sovereign's role in Parliament includes opening and dissolving Parliament, and giving the Royal assent to bills passed in the House of Representatives.
- **New Zealand's Parliament is unicameral.** This means it has only one chamber (the House of Representatives) and there is no upper house such as a senate.
  - The House of Representatives consists of members of Parliament who are elected as the people's representatives for a term of up to 3 years. The usual number of members of Parliament is 120, but there are electoral circumstances when this could vary.
- **Responsible government**
  - 'Responsible government' means the system where the Government is formed by appointing Ministers who must first be elected members of Parliament. It means that in New Zealand the Government can stay in power only while it has the support ('confidence') of the majority of House of Representatives. This support can be tested in a confidence vote, such as passing the Budget. Ministers are responsible to Parliament, both collectively for the overall performance of the Government, and individually for the performance of their portfolios.



# How a bill becomes law



# This government's priorities for electricity

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# A new government



<https://www.parliament.nz/en/mps-and-electorates/political-parties/>

Home » MPs and Electorates » Parliamentary parties

There are six parliamentary parties in the 54th Parliament. These are the Act Party, Green Party, Labour Party, National Party, NZ First Party and Te Pāti Māori.



Labour Party

The New Zealand Labour Party (Labour Party) has 34 members of Parliament, 17 elected from the party list and 17 electorate seats.

[Read more](#)



Green Party

The Green Party of Aotearoa / New Zealand (Green Party) has 15 members of Parliament, 12 from the party list and 3 electorate seats.

[Read more](#)



National Party

The New Zealand National Party (National Party) has 49 members of Parliament, 5 elected from the party list and 44 from electorate seats.

[Read more](#)



ACT Party

The ACT Party has 11 members of Parliament, 9 from the party list and 2 electorate seats.

[Read more](#)



Te Pāti Māori

Te Pāti Māori has 6 members of Parliament, all electorate seats.

[Read more](#)



New Zealand First Party

The New Zealand First Party (NZ First) has 8 members of Parliament, all from the party list.

[Read more](#)

# Policy statements so far..

- *Electrify NZ will cut red tape to drive investment in renewable electricity generation so New Zealand can double its supply of affordable, clean energy and become a lower emissions economy.*
- *National wants a future where buses and trains are powered by clean electricity, where we go on holiday in cars powered by clean electricity, and where industrial processing plants are powered by clean electricity, not coal. But to do that, we need to double the amount of renewable electricity we produce from New Zealand's abundant natural resources – particularly solar, wind and geothermal. National will make it happen.*
- *To deliver on New Zealand's climate goals, whole sectors of the New Zealand economy must switch to clean electricity. It makes no sense to encourage the shift to electric vehicles if the power comes from burning coal. New Zealand must have enough renewable electricity to meet the rising demand*



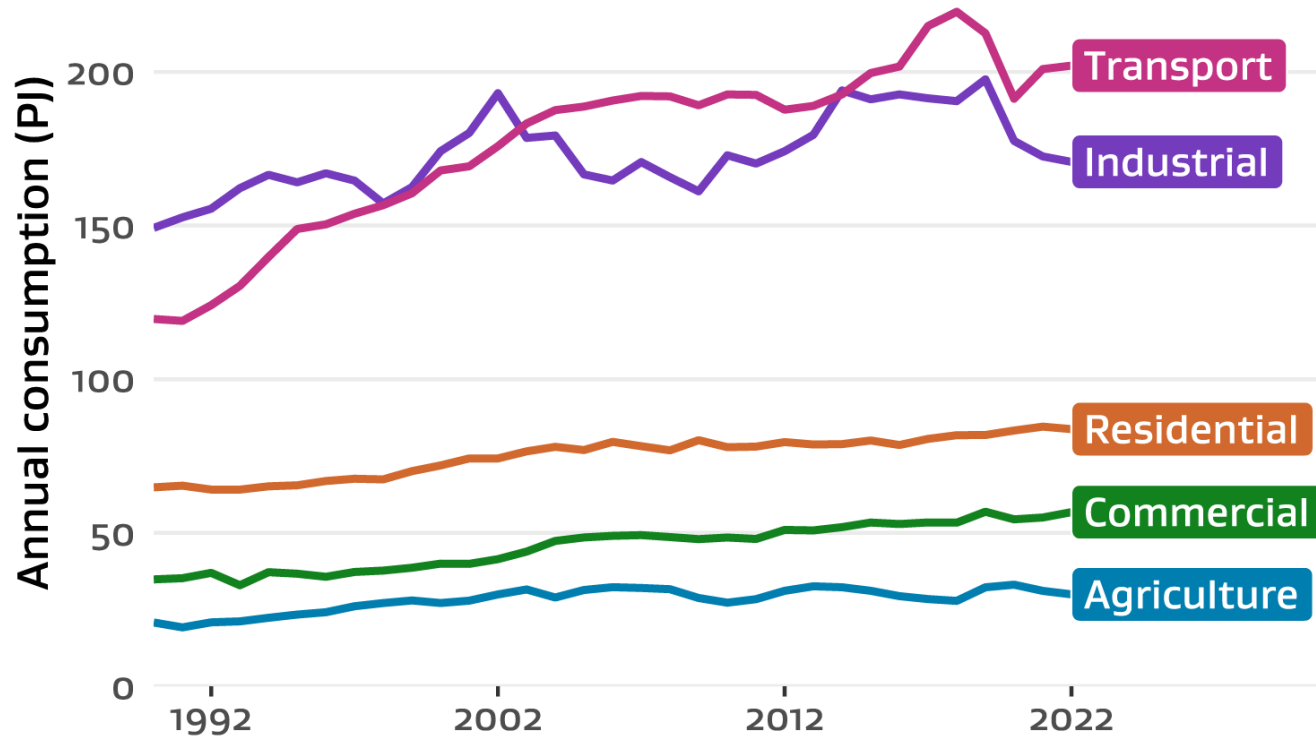


# The decarbonisation challenge

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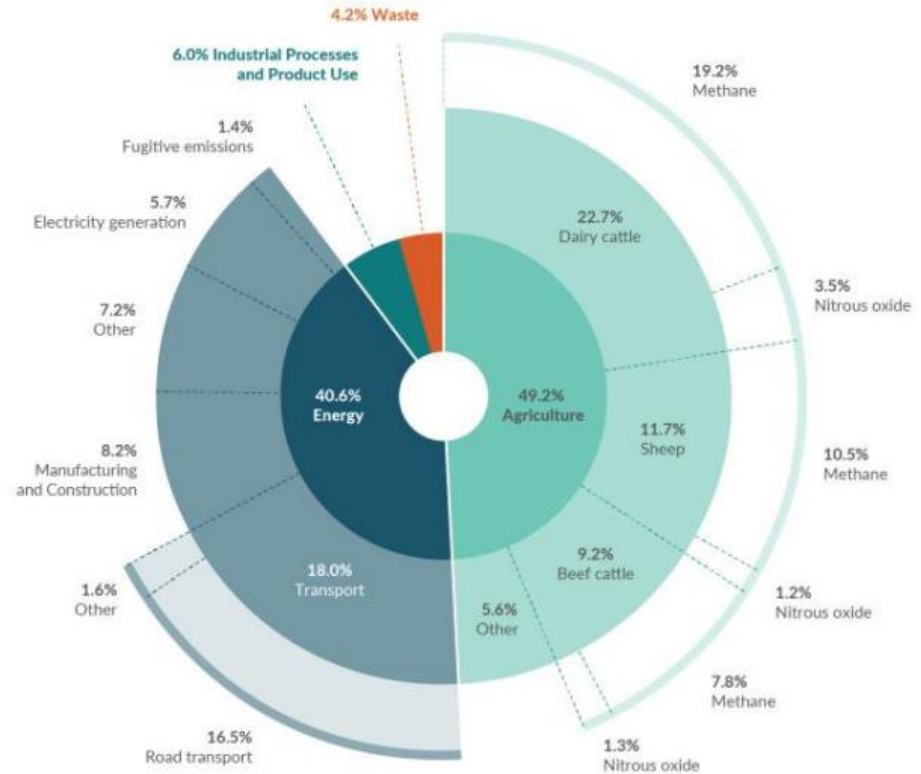


# NZ Energy consumption by sector



# Shifting to a low-carbon energy system is the big challenge

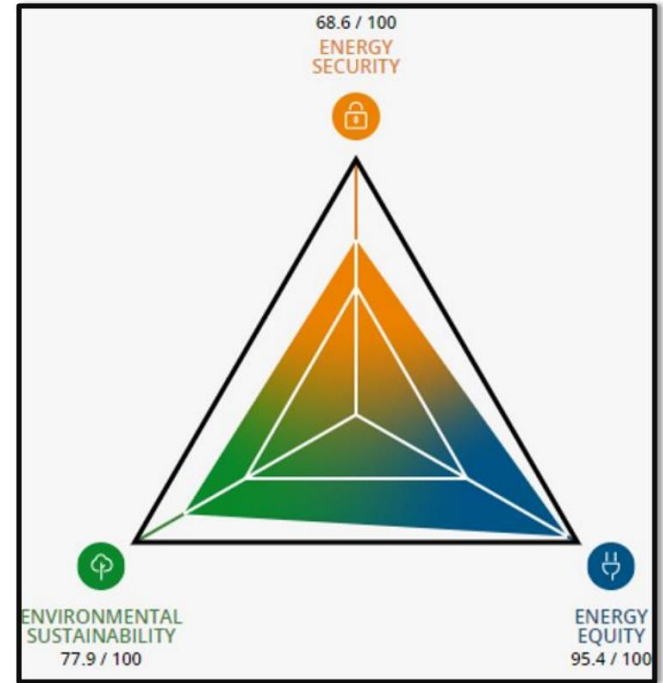
- The energy system is responsible for around 40% of our greenhouse gas emissions
- To get to net zero 2050, this has to reduce substantially



Gross gas emissions in 2021 by sector, sub-category and greenhouse gas type

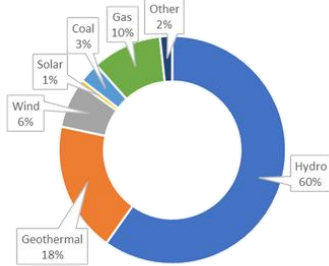
# Our energy system, overall, serves us well

- The energy system underpins transport, heating, manufacturing, and countless other essential uses
- NZ ranked 10th overall out of 91 countries, International Energy Agency
- 4th in the OECD for proportion of electricity from renewable sources



# Energy in New Zealand 2022-3

Electricity Generation Sources, 2022 (GWh)



## 2023:

- The wettest and warmest winter on record led to above average hydro lake inflows and snow storage in the second half of the year
- Industrial electricity demand dropped 1.3%, and residential electricity demand dropped 1.9%
- The number of EVs in New Zealand doubled over 18 months
- 2022 saw record electricity generation from both wind and geothermal.



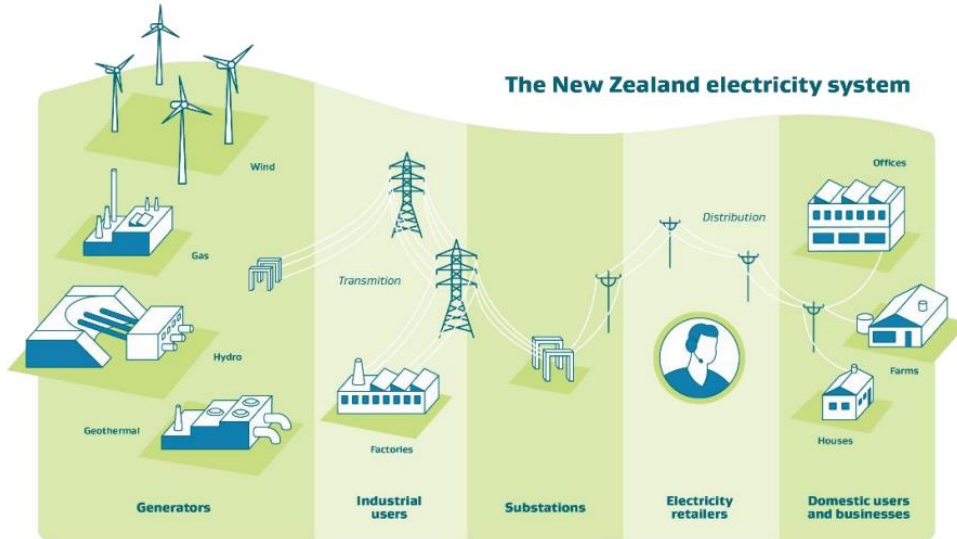
# Electricity markets policy work

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The Electricity Generation, Infrastructure and Markets Policy team ('EMP')



# EMP: The sectors we cover



## Generation:

Growing renewable generation

## Markets:

Competitive markets

Retail markets that drive change in how and when we use power

## Networks for the transition

Transmission

Distribution

## Responsive demand

Industrial, businesses, households and smarter systems

## • Other Energy branch teams:

- Energy Use
- Offshore Renewable Energy & Hydrogen
- Gas & fuel

# Our areas of focus

- Stay across what's going on across regulators and sector and inform and advise the Minister
- Work areas:

## Security of supply

- Keeping the lights on. Work underway at the Authority.
- The pipeline of new generation: mainly intermittent. We might need more peaking and firming plant. And long-duration energy storage.

## Planning system reforms

- 'Cut red tape' as 'planning is the main barrier to electrification'. Fast track. RM reforms.

## Transmission and distribution infrastructure

- Questions around network regulation for transmission and distribution networks – Part 4 of Commerce Act.
- Distribution regulation settings: Part 4 IM decisions by Commerce Commission.

## Demand side response – for SOS and affordability

- Support for work across agencies to encourage industrial demand response, and demand flexibility by business and households, and entry of flex intermediary providers

## Switching transport and energy to clean electricity

- Address challenges charge point operators (CPOs) are facing to roll out public EV chargers and others face re new connections.
- Authority's work on connection costs, on reg settings for distribution networks, Commission's work on information disclosure requirements





# The policy cycle



# Policy challenges consulted on in mid- 2023

<https://www.mbie.govt.nz/dmsdocument/26909-measures-for-transition-to-an-expanded-and-highly-renewable-electricity-system-pdf>



## Measures for Transition to an Expanded and Highly Renewable Electricity System

AUGUST 2023

# Others in government

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And beyond



# MBIE collaborate across many agencies..



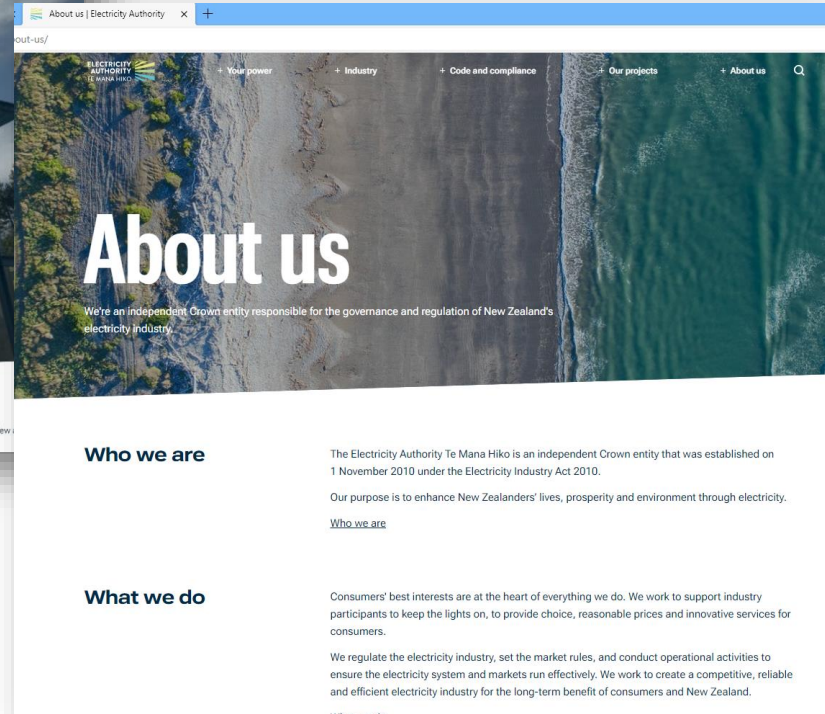
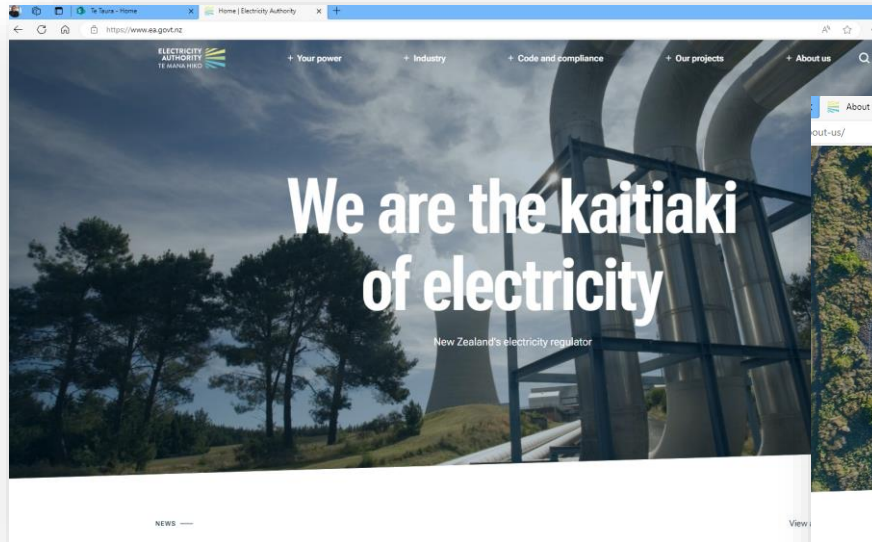
# ..and engage with the sector



+ Independent retailers



# The Authority is the sector regulator



# Statutory objectives and the Code

## Our establishment

The Electricity Authority Te Mana Hiko is an independent Crown entity that was established on 1 November 2010 under the Electricity Industry Act 2010.

We are tasked with governing the electricity market under the Electricity Industry Act 2010 (Act). The Act authorises the making of regulations and the Electricity Industry Participation Code 2010 (Code). The Code sets out the rules for the electricity sector.

The Ministry of Business, Innovation and Employment monitors the Electricity Authority on behalf of the Minister of Energy and Resources, carrying out the role set out in Section 27A of the Crown Entities Act.

[View a history of electricity governance](#)

## Our statutory framework

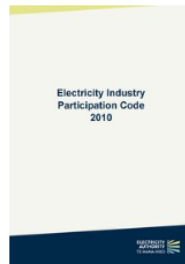
The Electricity Industry Act 2010 provides the framework for the regulation of the electricity industry. Section 12 of the Act establishes the Electricity Authority as an independent Crown entity governed by the Crown Entities Act 2004. Section 15 of the Act sets out our main statutory objective:

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

Section 15 of the Act also sets out an additional objective for us to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

## Our independence

As an independent Crown entity, we can select our own work programme as long as it meets our statutory objectives. It also means we can test ideas and challenge the status quo with consumers' best interests at the heart of everything we do.



## Electricity Industry Participation Code 2010

The Code is the set of rules that governs nearly every aspect of New Zealand's electricity industry – from generation, to transmission, system operation, security of supply, market arrangements, metering, distribution and retail. It is each industry participant's responsibility to comply with electricity industry legislation, but we're here to support and advise.

 1,435 pages

## Contents

**Part 1 Preliminary provisions**

**Part 2 Availability of information**

**Part 3 Market operation service providers**

**Part 4 Force majeure provisions relating to ancillary service agents**

**Part 5 Regime for dealing with undesirable trading situations**

**Part 6 Connection of distributed generation**

**Part 6A Separation of distribution from certain generation and retailing**

**Part 7 System operator**

**Part 8 Common quality**

**Part 9 Security of supply**

**Part 10 Metering**

**Part 11 Registry information management**

**Part 12 Transport**

**Part 12A Distributor agreements, arrangements, and other provisions**

**Part 13 Trading arrangements**

**Part 14 Clearing and Settlement**

**Part 14A Prudential requirements**

**Part 15 Reconciliation**

**Part 16 Special provisions relating to Rio Tinto agreements [Revoked]**

**Part 16A Audits**

**Part 17 Transitional provisions**

# A day in the life

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# A day in the life..



## • Unpredictable:

- Media lines or fact checking
- Oral PQs
- WPQs
- OIAs
- Briefings for Minister meetings with stakeholders
- Urgent meetings – colleagues, Minister, or his staff
- Internal reporting

## • Predictable:

- That your day will never be as planned!
- Scheduled meetings with Minister or his office staff
- Policy workstreams – policy discussions, time drafting advice
- Team meetings, 1/1s, regular stakeholder engagements



# What makes a good policy advice and advisors?

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<https://www.dpmc.govt.nz/our-programmes/policy-project>



# Good policy advice



<https://www.dPMC.govt.nz/our-programmes/policy-project/policy-improvement-frameworks/quality-policy-advice>



# Good policy advice

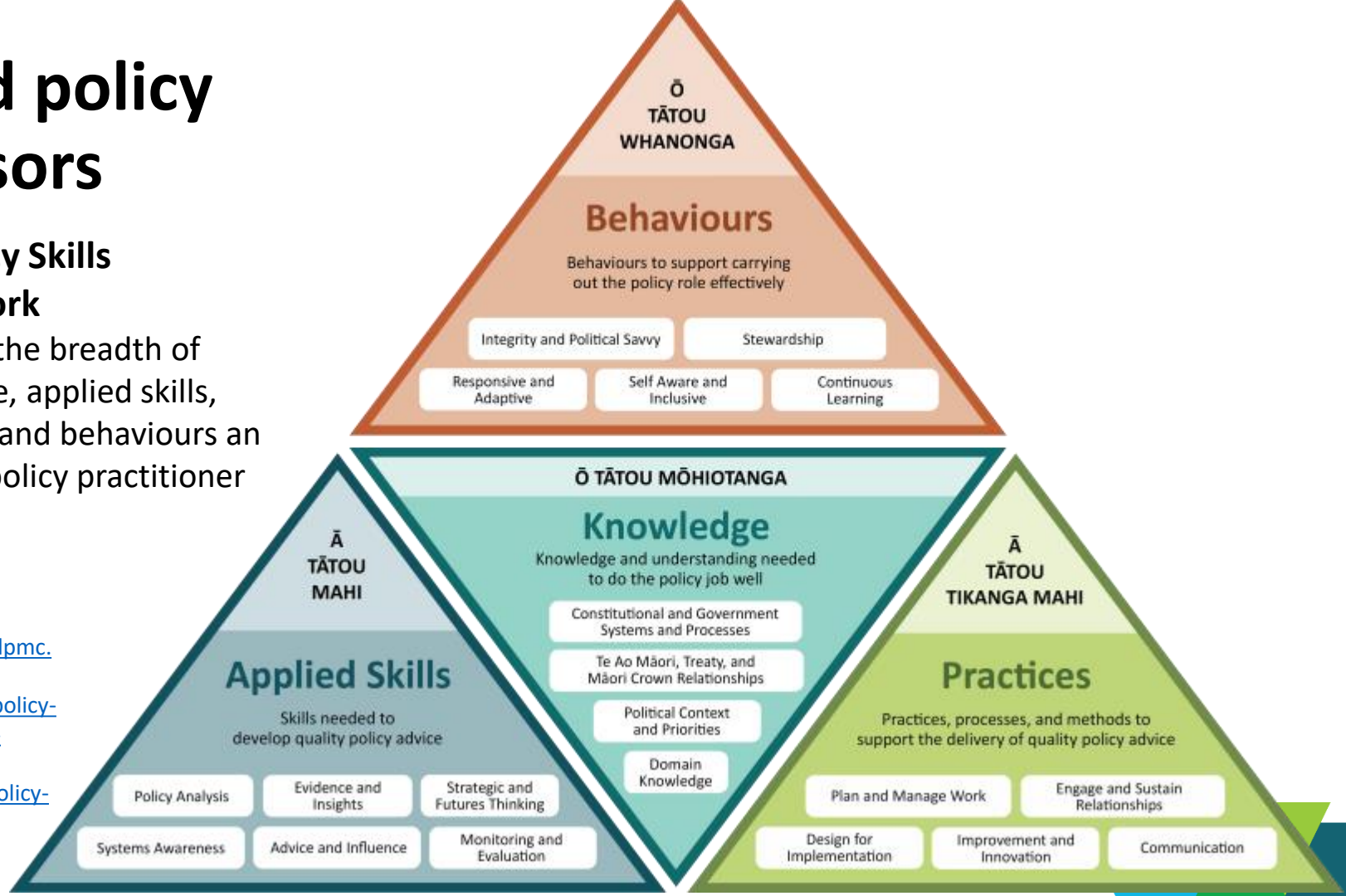


# Good policy advisors

## The Policy Skills Framework

identifies the breadth of knowledge, applied skills, practices, and behaviours an effective policy practitioner requires.

<https://www.dpmc.govt.nz/our-programmes/policy-project/policy-improvement-frameworks/policy-skills>



# Thank you

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Questions?

Ministry of Business, Innovation & Employment  
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