Electricity markets policy: How government works

Energy Economics Summer School
21 February 2024
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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
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
A new government

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.

<table>
<thead>
<tr>
<th>Party</th>
<th>Members of Parliament</th>
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<tbody>
<tr>
<td>Labour Party</td>
<td>17 from the party list and 17 electorate seats.</td>
</tr>
<tr>
<td>Green Party</td>
<td>15 members of Parliament, 12 from the party list and 3 electorate seats.</td>
</tr>
<tr>
<td>National Party</td>
<td>49 members of Parliament, 5 elected from the party list and 44 from electorate seats.</td>
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<tr>
<td>ACT Party</td>
<td>9 from the party list and 2 electorate seats.</td>
</tr>
<tr>
<td>Te Pāti Māori</td>
<td>6 members of Parliament, all electorate seats.</td>
</tr>
<tr>
<td>New Zealand First Party</td>
<td>All members of Parliament, all from the party list.</td>
</tr>
</tbody>
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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.

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**National’s Electrify NZ Plan**

1. Turbo-charge new renewable power projects including solar, wind and geothermal by requiring decisions on resource consents to be issued in one year and consents to last for 35 years.

2. Unleash investment in transmission and local lines by eliminating consents for upgrades to existing infrastructure and most new infrastructure.
The decarbonisation challenge
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
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

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

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:

<table>
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<tr>
<th>Security of supply</th>
<th>Planning system reforms</th>
<th>Transmission and distribution infrastructure</th>
<th>Demand side response – for SOS and affordability</th>
<th>Switching transport and energy to clean electricity</th>
</tr>
</thead>
</table>
| • 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.  
| • ‘Cut red tape’ as ‘planning is the main barrier to electrification’. Fast track. RM reforms.  
| • Questions around network regulation for transmission and distribution networks – Part 4 of Commerce Act.  
  • Distribution regulation settings: Part 4 IM decisions by Commerce Commission.  
| • Support for work across agencies to encourage industrial demand response, and demand flexibility by business and households, and entry of flex intermediary providers.  
| • Address challenges charge point operators (CPOs) are facing to roll out public EV chargers and others face 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

Others in government

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.

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.

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Part 1 Preliminary provisions
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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
A day in the life..

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

• Predictable:
  • That your day will never be as planned!
  • Scheduled meetings with Minster 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?

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

Questions?

Ministry of Business, Innovation & Employment
www.mbie.govt.nz