



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Title of Cabinet paper</b>	Electricity Authority levy increase funding the commercial market making scheme	<b>Date to be published</b>	9 November 2021

<b>List of documents that have been proactively released</b>		
<b>Date</b>	<b>Title</b>	<b>Author</b>
September 2021	Electricity Authority levy increase funding the commercial market making scheme	<i>Office of the Minister of Energy and Resources</i>
22 September 2021	Cabinet minute DEV-21-MIN-0180	<i>Cabinet Office</i>

### **Information redacted**

### **YES / NO**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Commercial information.



# Cabinet Economic Development Committee

## Minute of Decision

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### Electricity Authority Levy Increase: Funding the Commercial Market-Making Scheme

**Portfolio**                      **Energy and Resources**

On 22 September 2021, the Cabinet Economic Development Committee:

- 1        **noted** that the Electricity Authority is an independent Crown entity responsible for overseeing and regulating the New Zealand electricity market;
- 2        **noted** that one of the Electricity Price Review's recommendations was to introduce mandatory market-making obligations unless the electricity sector developed an effective incentive-based scheme;
- 3        **noted** that the Electricity Authority has since worked with market-makers to improve the performance of the wholesale market, and the next step to enhance performance is to establish a commercial scheme where commercial market-makers receive payment for services provided;
- 4        **noted** that the commercial market-making is expected to cost about \$14.4 million per year, and the first annual contract will span three months of 2021/22 and 9 months of 2022/23;
- 5        **noted** that to deliver the commercial market-making scheme without delay, the Electricity Authority needs an "out of cycle" increase to its 2021/22 appropriation as the Minister of Energy and Resources has already agreed to its appropriation for 2021/22;
- 6        **noted** that the Electricity Industry Act 2010 and the associated levy regulations provide for change to be made to the appropriation and levy rates during a financial year following consultation;
- 7        **noted** that the proposed increases are cost neutral to the Crown as the costs will be recovered through an increase to the existing levy on electricity industry participants;
- 8        **agreed** to an "out of cycle" appropriation increase of \$3.6 million in 2021/22 so that delivery of year one of the commercial market-making scheme can commence;
- 9        **agreed** to an annual appropriation increase of \$14.4 million from 2022/23 (which includes \$10.8 million in 2022/23 for the remaining cost of year one of the scheme) to provide funding certainty for the Electricity Authority;

- 10 **noted** that the Electricity Authority may increase the level of commercial market-making services in future, but that this would follow consultation with levy payers on the associated cost and a recommendation to the Minister of Energy and Resources on its annual appropriation;
- 11 **approved** the following changes to appropriations to give effect to the decisions in paragraphs 8 and 9 above, with no impact on the operating balance and net core Crown debt:

Vote Business, Science and Innovation Minister of Energy and Resources	\$m - increase/(decrease)				2025/26 and outyears
	2021/22	2022/23	2023/24	2024/2025	
Non-Departmental Output Expenses: Energy and Resources: Electricity Industry Governance and Market Operations	3.600	14.400	14.400	14.400	14.400
Total	3.600	14.400	14.400	14.400	14.400

- 12 **agreed** that the changes to the appropriation for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Gerrard Carter  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
 Hon Dr Megan Woods (Deputy Chair)  
 Hon Chris Hipkins  
 Hon Carmel Sepuloni  
 Hon David Parker  
 Hon Nanaia Mahuta  
 Hon Poto Williams  
 Hon Damien O'Connor  
 Hon Stuart Nash  
 Hon Kris Faafoi  
 Hon Willie Jackson  
 Hon Michael Wood  
 Hon Dr David Clark  
 Hon Dr Ayesha Verrall  
 Hon Meka Whaitiri  
 Hon Phil Twyford  
 Rino Tirikatene, MP  
 Dr Deborah Russell, MP

**Officials present from:**

Office of the Prime Minister  
 Office of the Chair  
 Officials Committee for DEV