

Changes to electricity regulation: anticipating innovation as New Zealand pursues decarbonisation

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29 August 2022

On 25 August 2022, the Electricity Industry Amendment Bill (the Bill) passed its third reading and is expected to receive Royal Assent soon. The introduction of the Bill was one of the workstreams initiated by the Government in response to the recommendations proposed in the Electricity Price Review. In broad terms, its amendments to the Electricity Industry Act 2010 (the Act) aim to provide an effective regulatory framework in view of rapidly evolving technologies and business models.

Particular purposes of the Bill include:

- Providing for the establishment of a small electricity consumer advocacy agency to advocate for those consumers' interests, and enabling the levy on industry participants to recover the Government's costs relating to small electricity consumer advocacy
- Removing ambiguity in the Electricity Authority's ability to amend the Electricity Industry Participation Code 2010 (the Code) for the purpose of protecting household and small business consumers in relation to the supply of electricity to them, by including an additional objective of the Electricity Authority in that regard
- Providing greater regulatory agility, to promote competition in evolving contestable markets by shifting a number of existing provisions that restrict a distributor's involvement in generation or retailing activities from the Act to the Code. Shifting the provisions to the Code will mean they can be amended by the Electricity Authority through the Code amendment process, rather than only through legislative amendments. This will provide greater flexibility (and more power to the Electricity Authority) to respond to potential competition-related issues that could arise as the markets evolve
- Ensuring that the Code can regulate distribution and access terms and conditions, including setting quality requirements, as it already does in relation to Transpower. The change to allow the Electricity Authority to regulate quality will make the distributor agreements more effective and less convoluted.

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