MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Regulatory Impact Statement: Modernising charging practices for the Electrical Worker Scheme

Decision sought	*Cabinet decisions on regulatory options to ensure full cost recovery of services provided by the Electrical Workers Registration and Licensing Scheme*
Agency responsible	*Ministry of Business, Innovation and Employment*
Proposing Ministers	*Minister for Building and Construction*
Date finalised	27 March 2025

Briefly describe the Minister's regulatory proposal
This proposal seeks to modernise cost recovery authorising powers in the *Electricity Act 1992* (the Electricity Act) for the Electrical Workers Registration and Licensing Scheme (the Scheme) as they are no longer fit for purpose.

Modernisation includes establishing a levy-making power and aligning fee provisions with other occupational regulation regimes, such as the Licensed Building Practitioners scheme, to ensure good practice cost recovery, administrative efficiency, and fiscal sustainability of the Scheme.

The proposal would enable costs to be effectively and transparently recovered as required by public sector guidelines. This proposal is not seeking to increase charges to regulated parties or fund additional services; the introduction of a levy would be offset by a reduction in fees.

Summary: Problem definition and options

What is the policy problem?
The Ministry of Business, Innovation and Employment (MBIE) considers the cost recovery authorising provisions for the Scheme are no longer fit for purpose and are inconsistent with public sector guidelines for cost recovery.

Current authorising provisions for the Scheme do not sufficiently describe cost recovery for non-specified services which are part of legislated functions that are required to be delivered. Other parts of the Scheme's authorising provisions are also outdated and inconsistent with comparable occupational regulation regimes, adding complexity to routine fees reviews and limiting effective cost recovery.

What is the policy objective? To ensure the Scheme is aligned with public sector guidelines whilst recovering costs to deliver all of its legislative functions. Where possible, we are also seeking to modernise the Scheme's fee setting provisions to be in step with other regulated occupations and to increase efficiency. This proposal does not seek to increase charges to regulated parties or fund additional services.
What policy options have been considered, including any alternatives to regulation? There are two parts of this proposal to modernise the Scheme. The first relates to the Scheme's cost recovery not being aligned with public sector guidelines and the second relates to outdated fee provisions for the Scheme in the Electricity Act. In this impact analysis, regulatory options involve changes to legislation and/or regulations. Both parts of the proposal only include regulatory options, because: • all options relating to the issue of *unaligned cost recovery* require changes to legislation or regulations • the issue of *outdated fee provisions* is specific to provisions found in primary legislation. <u>Part 1: Unaligned cost recovery - Section 2 of this Regulatory Impact Statement (RIS):</u> • Option One – Status quo • Option Two - Establish a levy power for the Scheme (**PREFERRED** by both MBIE and the Minister) • Option Three - Commit ongoing Crown funding to cover costs that are not clearly aligned with licensing and registration activities. One other option for Part 1 has been identified but was not considered further as it only partially achieves objectives sought in relation to the policy problem. This option would involve committing a portion of the Building Levy to cover costs for some non-specified services provided by the Scheme. <u>Part 2: Outdated fee provisions - Section 3 of this RIS:</u> • Option One – Status quo • Option Two – Align empowering provisions with Licensed Building Practitioners scheme (**PREFERRED** by both MBIE and the Minister) • Option Three – Develop standardised legislation across comparable regulated occupations.
What consultation has been undertaken? The Electrical Workers Registration Board (EWRB) has been consulted on the options examined in this RIS. Board members discussed the consultation paper, dated 13 March 2025, and agreed with the preferred proposals including: • amending the Electricity Act to establish a levy making power for the Electrical Worker's Scheme to ensure its ongoing financial sustainability and alignment with public sector guidelines for cost recovery regimes (Part One – Option Two); and • aligning Electrical Workers Scheme empowering fee provisions with those of the Licensed Builders Practitioners Scheme (Part Two - Option Two). The changes proposed will not have any immediate direct effect on Scheme users. Under the preferred options, which include establishing a levy power for the Scheme and aligning

empowering provisions with Licensed Building Practitioners (Options Two of both Part 1 and 2), Scheme users would be consulted in the future as part of setting the fee and levy levels under the new authorising provisions. We believe public consultation is not appropriate at this time due to: • no increase in charges • planned consultation within the preferred options (Option Two for both parts) • the urgency in resolving administrative issues. Consultation with Scheme users at this stage would not include proposed future charging levels which are of most interest to them, and what affects them. Unnecessary concern or confusion may be generated by consulting without this detail. Proposed future charging levels are unavailable due to a lack of certainty on implementation timeframes which are required for accurate modelling. Subject to Cabinet approval, public consultation will happen at a later date.
Is the preferred option in the Cabinet paper the same as preferred option in the RIS? Yes – the Minister's preferred options are the same as option two in sections two and three.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)
Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect) There is a non-monetised cost for the status quo, being inefficiencies in administering the Scheme's cost recovery and difficulty for scheme users to understand the charging structure. The preferred option has no additional ongoing costs relative to the status quo. As this proposal does not seek to increase overall charges to Scheme users or fund additional services there are no anticipated distributional impacts on regulated parties or impact on competition.
Benefits (Core information)
Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect) The proposal would enable the costs for existing services to be recovered in alignment with current public sector guidelines, which will improve transparency of charges and fiscal sustainability of the Scheme. In turn, this supports our ability to ensure practitioners are held to account and to ensure public safety, resulting in maintained public confidence in the Scheme. The proposal also provides an opportunity to modernise existing fee setting provisions to align with other regulated occupations and good practice. This would ensure aligned and effective cost recovery, minimise time taken to adjust fees, and ensure consistency with comparable occupational regulation regimes. Overall, this will speed up and streamline administration for the regulator and Government.

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

The benefits of the proposal (aligned cost recovery for all legislated functions and modernised and consistent charging provisions) outweigh the costs of the status quo (unaligned cost recovery and lack of transparency).

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

The modernised fee provisions and levy-making power would be introduced in the next suitable legislative vehicle. After that, a fees review would use the new authorising provisions for setting levels of fees and a Scheme levy. The fees review would involve a Cost Recovery Impact Statement (2) and public consultation.

There are negligible risks for implementation as changes to the Scheme's cost recovery authorising provisions will not increase the scope or number of practitioners, employers, or businesses impacted by cost recovery. Additionally, this proposal does not seek to increase charges or fund additional services.

Limitations and Constraints on Analysis

A constraint on this analysis is that we have not consulted users of the Scheme. As a result, we do not know how users:

- believe they have been affected by the charging practices we are proposing to address
- would be affected by the options examined in this RIS.

Additionally, we've adopted certain constraints (discussed in the relevant section) on the options analysed but are satisfied these reflect genuine feasibility concerns.

Taken together, these limitations and constraints do not, in our assessment, preclude Ministers from making an informed decision on how best to address the problem identified.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

	Nicola Treloar Director, Operational Policy and Regulatory Systems		
Signed by the responsible Manager(s)		Date:	21 March 2025

Quality Assurance Statement

Reviewing Agency: MBIE	**QA rating:** Meets expectations

Panel Comment:

A panel comprising officials from the Ministry of Business, Innovation, and Employment has reviewed this Regulatory Impact Statement (RIS) and found that the RIS meets Cabinet's quality assurance criteria for impact analysis.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Background on the Scheme and its cost recovery

1. The Scheme oversees the competence of licensed practitioners in protecting the health and safety of New Zealanders and ensures practitioners are held to account for any substandard work.
2. The Scheme is third-party funded, governed by an independent board, and administered under the Electricity Act.
3. MBIE and the EWRB deliver legislative functions for the Scheme, including:
    a. the registration and licensing of practitioners and setting of associated requirements
    b. setting requirements for competency programmes
    c. complaint investigation
    d. disciplinary activities.
4. Since its establishment, the Scheme's registration and licensing fees have recovered the cost of delivering the Scheme's legislated functions. As part of regulatory stewardship and operating with the *Public Finance Act 1989*, MBIE routinely monitors and manages the Scheme's cost recovery through a memorandum account. The Scheme's fees are typically reviewed and adjusted every three to five years.
5. The Scheme's last fees review was in 2018, with the current fee structure implemented in January 2019. Since then, the authority to recover costs has been increasingly scrutinised including by the Regulations Review Committee (RRC). This scrutiny has been similar to observations across a range of other regimes, identifying that that some of the legislation underpinning fee and levy processes is no longer fit for purpose, limits effective cost recovery, and adds to the time it takes to adjust fees.
6. The Scheme's memorandum account as at 30 June 2024 is in deficit of $0.924 million and is forecast to continue to incur a minor deficit increase each year and MBIE is not currently able to take such costs onto its own balance sheet. This downward trend indicates that an adjustment of charges is required to ensure a sustained deficit is not maintained.

Identification of powers no longer being fit for purpose

7. In early 2024, MBIE undertook a high-level assessment of the Scheme's costs and services against the current fee structure in line with public sector guidelines for administering cost recovery regimes and periodic reviews[1].

s 9(2)(h)

[1] Controller and Auditor-General "Setting and administering fees and levies for cost recovery: Good practice guide" (August 2021)

9. MBIE's assessment has identified that the Scheme's authorising powers for cost recovery are no longer fit for purpose in light of changes in public sector guidelines, and the RRC's advice that the authority to charge a fee should be able to be clearly understood from the empowering provision. Ensuring the Scheme has the necessary settings to maintain the trust of fee payers and continue delivering all Scheme activities is viewed as a high priority by MBIE.

How the status quo is expected to develop

10. Normally MBIE would manage a memorandum account's sustained deficit trend by adjusting fees in a fees review. However, it would not be good practice to undertake a fees review due to the issues around the Electricity Act's current authorising provisions for cost recovery.
11. Annual deficits are cash funded from MBIE's capital reserves and compromise Capital investments. It is not fiscally prudent to maintain a deficit position over time and MBIE will be unable to absorb the Scheme's under recovered costs through its own balance sheet in the medium term.
12. If there is no change to the Scheme's authorising powers for cost recovery and no alternative funding to ensure full cost recovery for the Scheme's services, MBIE may be forced to reduce services provided by the Scheme and manage exacerbated risks. This would significantly impact integrity of the Scheme as those services deliver legislated functions that are vital to protect health and safety as well as holding electrical workers to account.

What is the policy problem or opportunity?

13. The Electricity Act's authorising powers for the Scheme's cost recovery are no longer fit for purpose as they do not adequately support MBIE to recover costs of the Scheme in alignment with public sector guidelines[2]. The authorising powers cause administrative inefficiency as we have to undertake more work to explain out-dated provisions and why they are inconsistent with comparable occupational regulation regimes.
14. The policy problem has been split into two parts. The first part relates to MBIE's current cost recovery no longer being fit for purpose and not aligned with public sector guidelines; the second part relates to outdated fee provisions for the Scheme.
15. The Scheme's current regulation making power provisions:

    a. permit recovery of costs through fees for the registration and licensing of electrical workers, but do not extend to recovery of costs for non-specified services;

    b. s 9(2)(h) which is required by public sector guidelines for cost recovery of non-specified services;

    c. empower the Registrar to collect fees to recover certain costs, however these fees do not have the ability to respond to changing individual or industry circumstances eg a practitioner renewing their licence for less than the standard period cannot receive discounted fees. The Scheme lacks modern tools, such as discounts or refunds, which would enable responsive recovery of costs;

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[2] This refers to relevant publications from the Treasury, the Office of the Auditor General and other government agencies.

d. add to the time it takes to adjust fees due to the broad and high-level authorising language causing legal uncertainty and requiring greater effort to ensure transparency with the public. In practice, this has meant that work to change cost recovery settings for the Scheme takes longer than in other regulatory systems with more modern legislation. The extended time for adjusting fees increases the risk of under-recovery of costs; and
e. are inconsistent with provisions in comparable full cost recovery occupational regulation regimes, such as the Licensed Building Practitioners scheme, and no longer align with good practice for cost recovery authorising legislation.

16. Changes to the Scheme's cost recovery authorising provisions are not likely to increase the scope or number of persons and entities impacted by cost recovery. Any changes to charges imposed on users would only occur as a result of a subsequent fees review which would involve a Cost Recovery Impact Statement (2) and public consultation.

What objectives are sought in relation to the policy problem?

17. Support the regulator (MBIE) to ensure fiscal sustainability and effectively recover costs for all legislated functions in alignment with public sector guidelines. In this context, it is particularly important to focus on fulfilling the principles of transparency and simplicity[3].
18. Ensure costs are recovered in alignment with other regulated building occupations and good practice for cost recovery authorising legislation.
19. Enable the regulator to respond and adapt to changing circumstances that affect how its resources are deployed.

What consultation has been undertaken?

20. The EWRB has been consulted on the options examined in this RIS. Board members discussed the consultation paper, dated 13 March 2025, and agreed with the preferred proposals.
21. The changes proposed will not have any immediate direct effect on Scheme users. Under both preferred options (Option Two for both parts), Scheme users would be consulted in the future as part of setting the fee and levy levels under the new authorising provisions.
22. We believe public consultation is not appropriate at this time due to no increase in charges and planned future consultation within the preferred options (Option Two for both parts).
23. Consultation at this stage would not include proposed future charging levels which are of most interest to Scheme users and what affects them. Unnecessary concern or confusion may be generated by consulting without this detail. Proposed future charging levels are unavailable due to a lack of certainty on implementation timeframes which are required for accurate modelling.

[3] Treasury "Guidelines for Setting Charges in the Public Sector" (April 2017)

Section 2: Assessing options to address the policy problem – unaligned cost recovery

24. This section analyses the first part of the policy problem which relates to MBIE's current cost recovery no longer being fit for purpose and not aligned with public sector guidelines.

What criteria will be used to compare options to the status quo?

25. **Aligned:** allows for cost recovery to be aligned with public sector guidelines and consistent with other regulated building occupation regimes.
26. **Fiscally sustainable:** supports full cost recovery of all legislated functions.
27. **Responsive**: enables reprioritisation and reallocation of resources to meet changing needs, demands, and requirements within the regulatory environment.
28. **Transparent**: supports the people being charged to understand how costs have been allocated and provides clarity on the relationship between costs and charges.
29. **Simple:** administratively straight forward and efficient, and easily understood by users.

What scope will options be considered within?

30. Policy options that fully achieve objectives sought in relation to the policy problem are in scope for consideration. Options two and three are regulatory options, as they require changes to legislation or regulations. The options considered are:
    a. Option One – Status quo
    b. Option Two - Establish a levy for the Scheme (**PREFERRED** by MBIE and the Minister)
    c. Option Three - Commit ongoing Crown funding to cover costs that cannot be recovered through fees.
31. One other option was identified but has not been progressed as it only partially achieves objectives sought in relation to the policy problem and makes it more difficult for the public to understand the funding structure. This option would involve committing ongoing funding from the Building Levy collected under the *Building Act 2004* (the Building Act) to cover costs for some non-specified services, with the remaining costs for non-specified services recovered from the Crown. This option is fairly similar to Option Three, however it has more disadvantages.

What options are being considered?

Option One – Maintain the status quo

32. This option is not fiscally sustainable as the Scheme is currently under-recovering costs, experiencing a prolonged trending deficit and cost pressures which MBIE is unable to manage through existing cost recovery or the normal practice of adjustments through a fees review.
33. Barring alternative funding to ensure full cost recovery for the Scheme's services, MBIE may be forced to reduce services provided by the Scheme and manage exacerbated risks.

Option Two – Establish a levy power for the Scheme PREFERRED

34. This option is the most robust and transparent proposal. It requires amendment to the Electricity Act to provide for more transparent cost recovery by adding a levy for the recovery of non-specified costs of the Scheme. Subsequently, this will enable a fees

review to ensure cost recovery for all functions of the Scheme in alignment with public sector guidelines, resolve the Scheme's under-recovery, and address any future cost pressures.

35. The features of the proposed levy making power would be based on guidelines from Treasury and the Office of the Auditor General (OAG), including:

    a. requiring consultation to be undertaken before any levy is implemented
    b. specifying a cost allocation process for calculating the levy or levies
    c. requiring the use of memorandum accounts to manage the collection of revenue
    d. periodic reviews.

36. Changes to the Scheme's cost recovery authorising provisions would not increase the scope or number of persons and entities impacted from cost recovery. A levy would not materially change the overall charges paid by a Scheme user as no additional services are being sought in this option. Any changes to charges imposed on users would only occur as a result of a fees review which would involve a Cost Recovery Impact Statement (2) and public consultation.

Option Three – Commit ongoing Crown funding to cover costs that cannot be recovered through fees

37. Under this option, Crown funding would be sought each financial year to supplement cost-recovery and fund costs associated with non-registration and licensing services.
38. This option would support ongoing use of fees in alignment with public sector guidelines without legislative change, however it deviates from the policy intent of the Scheme to be fully cost recovered from users. This approach is also out of alignment with other regulated building occupation regimes.
39. At the start of implementing this option, a cost model review would have to be undertaken to confirm the costs that would be funded from the Crown, followed by a proposal for Crown funding included in a Budget bid or approved separately by Cabinet. A fees review would then progress proposed fees to recover the remaining cost of services provided under the Scheme.
40. This option is not preferred as it is unlikely that Crown funding will be forthcoming, it is administratively complex, and it does not resolve the crux of the policy problem, being that the authorising provisions in the Electricity Act are no longer fit for purpose.

How do the options compare to the status quo?

	Option One – Maintain the status quo	Option Two – Establish a levy power for the Scheme PREFERRED	Option Three – Commit ongoing Crown funding to cover costs that cannot be recovered through fees
Aligned	- - Cost recovery practices within the Scheme have been consistent since 1992, however, this is now out of alignment with public sector guidelines and inconsistent with other regulated building occupation regimes such as the Licensed Building Practitioners scheme. .	+ + Cost recovery would be aligned with public sector guidelines and more modern regulated occupation regimes. Enables regular adjustment of charges for specific and non-specific goods/services to ensure appropriate fiscal management.	+ The use of collected fees would be in alignment with public sector guidelines. However, the cost recovery approach would be inconsistent with comparable regimes intended to be full cost recovery.
Fiscally sustainable	- - This option is not fiscally sustainable as the Scheme is currently under-recovery and MBIE cannot take such costs onto its own balance sheet.	+ + This option supports full cost recovery in current and future conditions, including changes to public sector guidelines.	+ This option supports fiscal sustainability so long as funding is ongoing.
Responsive	- Restricted ability to reallocate resources due to inflexibility in the regulator's cost recovery authority.	+ + Improves the ability to respond to changes in the regulatory environment as this option enables reprioritisation and reallocation of resources as required.	- Fees and funding can only be used for specified purposes. Does not increase ability to respond to changes in the regulatory environment.
Transparent	- - Does not provide transparency as authority for cost recovery is too generic and lacks specificity on the relationship between costs and charges.	+ + This option is transparent as information on charges related to specific and non-specific goods/services would be open and available.	+ This option is more transparent than the status quo as fees from that point onwards would be targeted towards specific goods/services.
Simple	- - Charges are simple and easy to administer. However, administration efficiency is significantly hindered due to unalignment with public sector guidelines and additional time required for adjusting fees.	0 The charging process would remain relatively simple and not be significantly harder to understand by users. Administration would not be significantly more complex and should become more efficient.	0 Users would continue to find charges simple. However, administration simplicity and efficiency would reduce.
Overall assessment	-9	8	2

Which option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

41. Option Two is MBIE's preferred option as it meets all the Scheme's policy objectives and performs the best across all criteria. This option has no ongoing additional costs and has significant benefits such as an increase in administrative efficiency and responsiveness which may lead to savings in the long-term.
42. A levy power would:
    a. enable cost recovery to be aligned with public sector guidelines for administering cost recovery regimes
    b. ensure the Scheme is fiscally sustainable as it enables a fees review to fully recover the appropriation provided for the Scheme's activities, and will support any required non-legislative changes in the future to continually ensure full cost recovery
    c. ensure transparency of charges imposed on users of the Scheme.
43. Implementing a levy would not materially change the overall charges paid by a Scheme user.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

44. The Minister's preferred option is the same as Option Two noted in this RIS.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing or one-off), evidence and assumption (eg, compliance rates), risks*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column*
Additional costs of the preferred option compared to taking no action			
Regulated groups	No cost to the group as charges would not materially change.	None	High
Regulators	No cost. Improved administrative efficiency may lead to savings in the long-term.	None	Medium
Others (eg, wider government, consumers, etc.)	None	None	High
Total monetised costs			
Non-monetised costs	*None, potential savings in the long-term.*	*None*	*Medium*

Additional benefits of the preferred option compared to taking no action			
Regulated groups	Improved transparency increases understanding of charges.	Low	Medium
Regulators	Cost recovery would be aligned with public sector guidelines.	High	High
	Increase in administrative efficiency and responsiveness.	High	Medium
Others (eg, wider govt, consumers, etc.)	Supports system-wide consistency and alignment which supports regulation being easy to understand and comply with.	Low	Medium
Total monetised benefits			
Non-monetised benefits	*Medium*	*Medium*	*Medium*

45. Option Two would have little material impact to any group aside from the Scheme's regulator. Option Two would ensure the Scheme can fully cost recover and deliver all legislated functions in alignment with public sector guidelines.

Section 3: Assessing options to address the policy problem – outdated fee provisions

46. This section analyses the second part of the policy problem which relates to the Scheme's outdated fee provisions.

What criteria will be used to compare options with the status quo?

47. **Aligned:** allows for cost recovery to be aligned with public sector guidelines and consistent with other regulated building occupation regimes.
48. **Fiscally sustainable:** supports full cost recovery of all legislated functions.
49. **Responsive**: enables reprioritisation and reallocation of resources to meet changing needs, demands, and requirements within the regulatory environment.
50. **Transparent**: supports the people being charged to understand how costs have been allocated and provides clarity on the relationship between costs and charges.
51. **Simple:** administratively straightforward and efficient.
52. **Implementation speed:** the option can be implemented quickly and not cause any delay to the preferred option for part one of the policy issue.

What scope will options be considered within?

53. Only regulatory options are being considered as the issue is specifically regarding provisions in primary legislation.

What options are being considered?

Option One – Status quo

54. The regulation-making power under the Electricity Act uses drafting language that is broad and high-level, where similar provisions in more modern legislation provide more specificity to assure the authority to charge a fee. The RRC's stance is that "it should not be such a laborious or complex process for one to ascertain the authority to charge a fee, through extensive explanation of logic."[4]
55. When reviewing any proposed changes, the broad and high-level authorising language causes uncertainty and requires greater effort to ensure transparency with the public. In practice, this meant work to change cost recovery settings in the Scheme has taken longer than in other regulatory systems with more modern legislation. More modern approaches to cost recovery, such as the use of discounts or refunds, are also limited in the Scheme.
56. As there is an immediate need to update the cost recovery provisions in the Electricity Act to introduce a levy for the Scheme, we consider it would not be best practice to continue with the current drafting. Further changes to the current authorising provisions would provide greater transparency for the public and would enable fees in the Scheme to be more responsive and consistent with other regulated occupations.

Option Two – Align empowering provisions with the Licensed Building Practitioners scheme (Building Act 2004) PREFERRED

57. In this option, a new fees authority would be included in the Electricity Act that matches the cost recovery provisions set out in the s402 of the Building Act to support licensing, disciplining and registration of building practitioners. This is a comparable regulated occupation in the construction sector that is administered by MBIE but has more modern drafting with greater specificity about the authority to recover costs.
58. There would be some small variation to the drafting (for example, language which reflects that the Scheme undertakes both licensing and registration as the Building Practitioners scheme only undertakes licensing), however, the primary change with this option would be to confirm the specific activities for which MBIE can cost recover.
59. This option would provide greater transparency to the public and greater certainty to MBIE about what charges are authorised by Parliament. It would also make interpretation of legislation easier within MBIE when updating third party fees, as language would be consistent across schemes. However, this approach would not reflect any changes or improvements to drafting practices that have been identified since the relevant Building Act provisions were updated in 2008 and 2012.

[4] Regulations Review Committee "Investigation into the Plumbers, Gasfitters and Drainlayers (Fees and Disciplinary Levy) Amendment Notice 2015" (25 November 2015).

Option Three – Develop standardised legislation across comparable regulated occupations

60. In this option, a new fees authority would be included in the Electricity Act that reflects both the Licensed Building Practitioners cost recovery provisions in the Building Act and subsequent advice from the RRC and Parliamentary Counsel Office (PCO) regarding best practice for cost recovery authorising legislation.
61. This option would ensure that the authority to charge fees reflects current advice and experiences from the RRC and would support this Scheme to keep up-to-date with modern drafting practices. It would provide greater transparency to the public and greater certainty to MBIE about what charges are authorised by Parliament.
62. MBIE does not have an agreed template or best practice drafting for cost recovery provisions at this stage. These would need to be developed, preferably informed by advice from PCO. If this work is prioritised, it would take approximately five months to develop and agree drafting that could be applied in the future across MBIE-administered regulated occupation regimes. While this option would provide greater efficiency improvements for MBIE than Option Two, the time to progress this option would delay the introduction of a levy required to ensure full cost recovery of the Scheme. Given the importance of the levy to ensure full cost recovery and fiscal sustainability of the Scheme, this option could instead be considered for future legislative change.

How do the options compare to the status quo?

	Option One – Status quo	Option Two – Align empowering provisions with Licensed Building Practitioners scheme (Building Act 2004) PREFERRED	Option Three – Develop standardised legislation across comparable regulated occupations
Aligned	- - MBIE is able to use fees for registration and licensing services in alignment with public sector guidelines. However, provisions in the Electricity Act are inconsistent with comparable full cost recovery regimes, such as the Licensed Building Practitioners scheme.	+ This option would provide more certainty around the limits of MBIE's fee powers, which would support cost recovery in alignment with public sector guidelines and more modern regulated occupation regimes.	+ + This option would provide more certainty around the limits of MBIE's fee powers and allow consistent powers across MBIE systems. The approach would be consistent with other regulated occupations that MBIE oversees and supported by internal principles on fee powers for regulated occupations.
Fiscally sustainable	- - Current cost recovery is out of step with good practice which means changes to the Scheme's cost recovery take longer than other systems. This increases the risk of under-recovery of costs. The Scheme is currently under-recovering costs and experiencing cost pressures.	+ + More fiscally sustainable approaches could be used to manage the memorandum account, such as temporary discounts to fees.	+ + More fiscally sustainable approaches could be used to manage the memorandum account, such as temporary discounts to fees.
Responsive	- Restricted ability to reallocate resources due to legal uncertainty about the extent of fee setting authority. This limits the ability to introduce new fees or respond to changing individual or industry circumstances (eg through the use of discounts or exemptions).	+ Some increase in the ability to introduce new fees or respond to changing individual or industry circumstances (eg through the use of discounts or exemptions).	++ Most modern set of powers to introduce new fees or respond to changing individual or industry circumstances (eg. through the use of discounts or exemptions).
Transparent	- Cost recovery process is transparent, but very broad legislative provisions may make it hard for the public to understand what types of services MBIE is authorised to charge for.	+ More detailed legislative provisions would provide better transparency to the public about what specified services (and therefore, types of fees) can be charged, and how costs have been allocated.	+ More detailed legislative provisions would provide better transparency to the public about what specified services (and therefore, types of fees) can be charged, and how costs have been allocated.
Simple	0 Administration efficiency is significantly hindered due to legal complexities and additional time required for adjusting fees.	+ Administration would become more efficient.	+ Administration would become more efficient.
Implementation speed	N/A	+ + This option is highly unlikely to delay establishment of a levy power for the Scheme.	- It will take an estimated five months to develop the standardised legislation (if work is prioritised) which will likely delay establishment of a levy power for the Scheme.
Overall assessment	-6	8	7

Which option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

63. Options Two and Three both meet all the policy objectives and sufficiently address the problem. The difference between them is that Option Three offers higher benefits but could delay the establishment of a levy which is the highest priority in resolving the policy problem of the Scheme's authorising provisions not being fit for purpose.
64. Due to the urgency in resolving this administrative issue, Option Two is preferred as it will ensure no delays in establishing a levy whilst still delivering benefits without any cost. This approach would not prevent the wider work set out in Option Three from progressing at a later date.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

65. The Minister's preferred option is the same as Option Two noted in this RIS.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column*
Additional costs of the preferred option compared to taking no action			
Regulated groups	None	None	High
Regulators	None. Improved administrative efficiency may lead to savings in the long-term.	None	Medium
Others (eg, wider govt, consumers, etc.)	None	None	High
Total monetised costs			
Non-monetised costs	*None*	*None*	*Medium*
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Improved transparency increases understanding of charges	Low	Medium
Regulators	Increase in administrative efficiency and responsiveness	Medium	Medium

Others (eg, wider govt, consumers, etc.)	Supports system-wide consistency and alignment which supports regulation being easy to understand and comply with	Low	High
Total monetised benefits			
Non-monetised benefits	*Medium*	*Medium*	*Medium*

66. Option Two has little material impact, positive or negative, relative to current practice, but significant positive impact in terms of administrative efficiency and responsiveness compared to the status quo.

Section 4: Delivering an option

How will the proposal be implemented?

67. If Cabinet approves the policies recommended in this statement, they will be implemented in the next suitable legislative vehicle. We would work with PCO on the exact parameters and design of new charging provisions in relevant legislation.
68. After amendments to the Electricity Act are enacted, MBIE would undertake a fees review of all charges for the Scheme. As part of the fees review, MBIE would consult on proposed fee and levy levels based on the service provided. This would include disclosure of the costs needing to be recovered and proposed allocation methodology. In line with Treasury guidelines for setting charges in the public sector, the fees review would require Cabinet approval, a Cost Recovery Impact Statement (2), and public consultation on proposed fee and levy levels. Public submissions would then help to inform final fee proposals to amend charges prescribed within the *Electricity (Safety) Regulations 2010*.

How will the proposal be monitored, evaluated, and reviewed?

69. Expenditure and revenue to support delivery of the Scheme is subject to regular reviews. Under the preferred option, this process will continue to inform changes to the charges set by regulations and MBIE will have greater flexibility in allocating charges across fees and levies to avoid adverse outcomes and the need for Crown funding.
70. Regular reviews are in line with Treasury and OAG guidelines for setting charges in the public sector and occur every three to five years. The Scheme's memorandum account is regularly monitored, and a formal fees review can be initiated within a shorter timeframe if required.