Stage 1 Cost Recovery Impact Statement

Modernising charging practices for the Electrical Worker Scheme

Status quo

The Electrical Worker Registration and Licensing Scheme (the Scheme) oversees the competence of licensed practitioners to protect the health and safety of New Zealanders and ensure practitioners are held to account for any substandard work. The Scheme is third-party funded, governed by an independent board, and administered under the *Electricity Act 1992* (the Electricity Act). The Ministry of Business, Innovation and Employment (MBIE) and the Electrical Workers Registration Board (EWRB) deliver legislative functions for the Scheme, including:

- registration and licensing of practitioners, and setting associated requirements
- setting requirements for competency programmes
- complaint investigation
- disciplinary activities.

The current statutory authority to charge Scheme users is under s169 of the Electricity Act. Since its establishment, the Scheme's registration and licensing fees have recovered the cost of delivering all of the EWRB's legislated functions. The decision for the Scheme to be fully cost recovered was made during the establishment of the Electricity Act, and this intent remains.

The preferred option seeks the ability to recover costs through a new Scheme levy as well as fees, and to modernise fee provisions for the Scheme. It does not seek to increase charges to regulated parties or fund additional services. Introducing a levy-making power and modernising fee provisions for the Scheme would:

- support effective and efficient cost recovery for costs associated with specified and non-specified goods/services provided by the Scheme
- align the Scheme's charging authorisations with public sector guidelines for administering cost recovery regimes
- enable MBIE to commence a fees review to ensure the Scheme is fiscally sustainable.

Policy rationale: Why a user charge? And which type is most appropriate?

Costs associated with delivering the EWRB's functions have been fully cost recovered from Scheme users through a regulated fee structure since the formation of the Scheme, and it is appropriate to continue this third-party cost recovery approach in the current environment as the EWRB continues to deliver policy objectives. The Scheme's goods/services fit the criteria for club and private goods[1] which provides an appropriate basis for user charging.

Under the preferred option, charges imposed on existing users of the Scheme would be across both fees and a new Scheme levy. The introduction of a levy would not materially change the overall amount paid by a Scheme user; the introduction of a levy would be offset by an equivalent reduction in fees. Fees and a levy would be used as follows:

- Fees for specified private goods/services, such as registration and licensing activities. These activities are specific to an individual. They can only be used for activities that benefit an individual, and fit the criteria of a private good.
- A levy[2] (proposed Scheme levy) for non-specified goods/services providing a club benefit, eg some information and education activities. These activities better fit the criteria for club goods as they produce a good/service that benefits all users of the Scheme, not just an individual.

[1] A club good has the property that people can be excluded from its benefits at low cost, but its use by one person does not detract from its use by another. A private good has the property that people can be excluded from its benefits at low cost, and its use by one person detracts from its use by another.

[2] A departmental levy would be collected by MBIE and reflected as 'revenue other' to fund the departmental appropriation Occupational Licensing within Vote Building and Construction.

High-level cost recovery model (the level of the proposed charges and its cost components)

We can use the current Scheme revenue and costs to provide an indicative charging structure for this proposal. As this charging structure is a result of a previous estimation of costs and volumes from the last fees review in 2019, this model is for illustrative purposes only in this CRIS.

The model identifies the key functions undertaken and allocates costs across these functions. Preparation of this indicative cost model included a review of the cost allocation methodology used for the last fees review across the different fee and levy activities, specifically:

- the identification of direct and indirect costs from 2019
- cost allocation weightings for each expense category
- identifying any additional costs that would be required for the future integrity of the Scheme and offsetting these against operational savings
- previous assessment of staff time and input, using the informed estimate basis
- previous forecasting of the volumes of the specific activities based on economic market indicators.

Where costs cannot be allocated directly, allocation assumptions are made. For example, the model allocates costs based on the amount of time staff spend on specific services (ie, application types), as well as projected volumes. The estimated cost of these functions is then allocated to chargeable services and divided by the estimated number of users in an average year to develop a unit cost. This unit cost forms the basis of the fee or levy.

The main cost drivers for the Scheme include personnel costs, technical services, depreciation, other expenses, and systems support. These are broadly defined and estimated in Table 1 below. Table 2 shows the estimated unit cost for Scheme services utilising both fees and a levy, rather than fees only. Diagram 1 illustrates how the use of a levy does not materially increase costs for Scheme users, as 2019 cost recovery data split across both fees and a levy amounts to the same as fees only charges. **Note that the tables and diagram are for illustrative purposes only – in the future fees review there would be an assessment to produce the actual cost model and proposed charges captured by a Cost Recovery Impact Statement (2).**

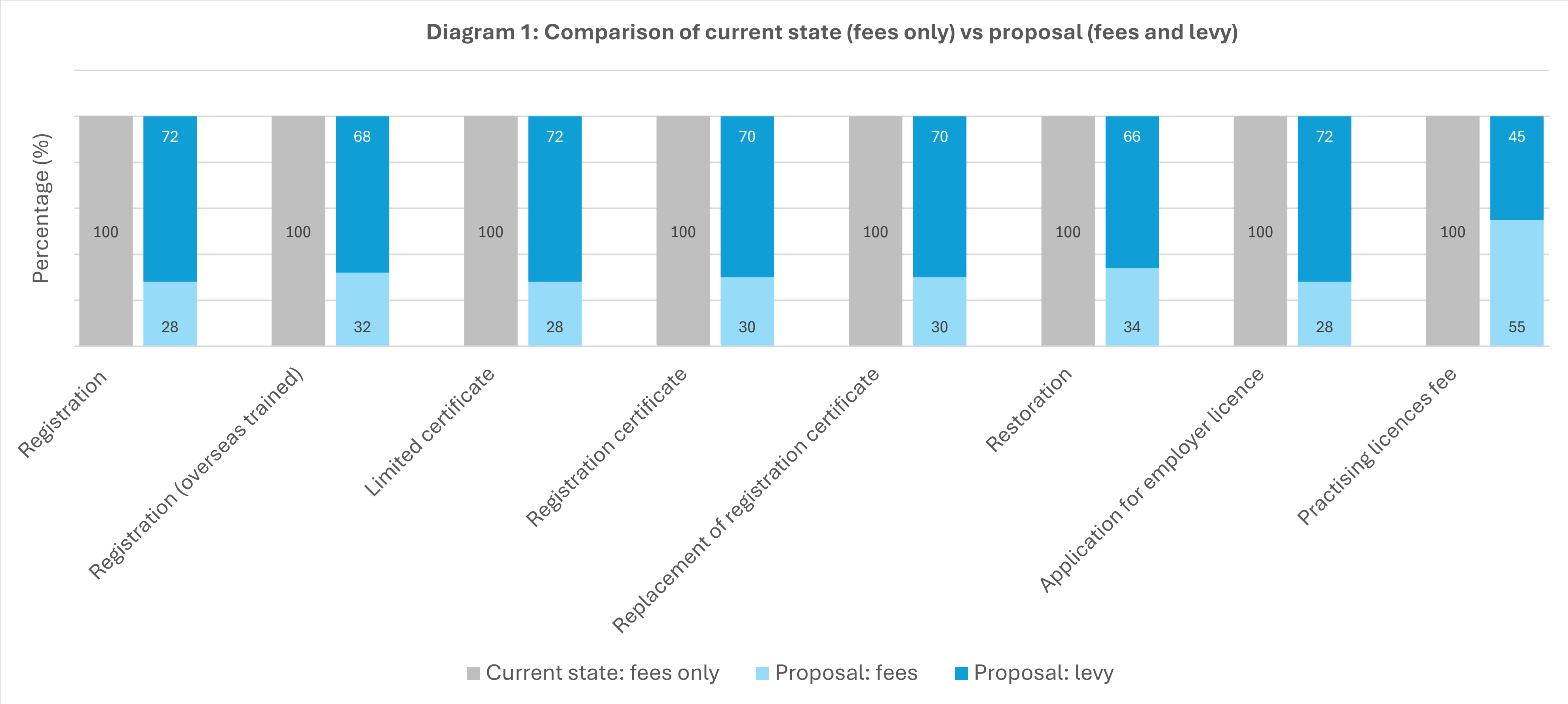
Table 1: Electrical workers cost driver description

Cost drivers	Description
1. Personnel	Represents salary costs and other staff support costs, including training
2. Professional services	Technical services including external legal support, service call centre and IT system support costs
3. Depreciation and capital charge	Relates to the IT online system asset which supports the operations of the Scheme
4. Other expenses	Includes general administration, travel and board fees and expenses
5. MBIE support	Allocation from MBIE functional support functions ie Finance, CE, IT systems, property etc.

Table 2: Estimated unit cost breakdown by function within each service (cost estimations based on 2019 fees review model)

Unit cost breakdown by function	2019 volumes	Estimated unit cost of functions within each service					Estimated unit cost
		Personnel	Professional services	Depreciation/ Capital Charge	Other Expenses	MBIE support	
Registrations							
Registration	1,665	$14.88	$2.55	$14.58	$61.43	$36.52	$129.97
Registration (overseas trained)	928	$51.82	$8.89	$50.78	$81.69	$127.18	$320.37
Limited certificate: registration & renewal	2,720	$9.23	$1.59	$9.05	$13.98	$22.66	$56.51
Other services related to registration							
Registration certificate	1,822	$1.92	$0.33	$1.88	$2.61	$4.71	$11.44
Replacement of registration certificate	73	$7.10	$1.22	$6.96	$9.67	$17.43	$42.38
Restoration of name to register	16	$1.56	$0.27	$1.53	$2.13	$3.84	$9.34
Application for employer licence (first & subsequent renewals)	18	$13.35	$2.29	$13.09	$29.61	$32.77	$91.12
Proposed Levy							
Levy on all registrations and practising licences (for a 2-year period)	13,354	$54.64	$22.34	$0.00	$36.42	$101.26	$214.66
Licences							
Practising Licences fee (for a 2-year period)	13,354	$2.28	$18.96	$22.51	$72.15	$5.60	$121.50

Diagram 1: Comparison of current state (fees only) vs proposal (fees and levy)



Consultation

The Electrical Workers Registration Board (EWRB) has been consulted on the options examined in the RIS. Board members discussed the consultation paper, dated 13 March 2025, and agreed with the preferred proposals.

The changes proposed will not have any immediate direct effect on Scheme users. Under the preferred options, 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, and the urgency in rectifying administrative issues.

Consultation at this stage would not include proposed future charging levels which are of most interest to Scheme users and what affects them. Without this detail, consultation at this stage may generate unnecessary concern or confusion. Proposed future charging levels are unavailable due to a lack of certainty on implementation timeframes which are required for accurate modelling. As a result, Scheme users will not have the information they need to assess whether they will be affected by the cost recovery issues that we are proposing to address, or how they would be affected by the options examined in the associated regulatory impact statement.