

# Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister for Infrastructure

Minister of Energy and Resources

Minister for Building and Construction

Associate Minister of Finance



Dr Nicola Crauford  
Chair  
Electricity Authority  
PO Box 10041  
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06 APR 2023

By email to: [nicki@riposte.org.nz](mailto:nicki@riposte.org.nz)

Dear Nicki

## **2023/24 Letter of Expectations for the Electricity Authority**

As is usual for Crown entities, I am writing to set out my expectations for the Board of the Electricity Authority (the Authority).

### ***Government priorities***

The Government's economic plan is to support New Zealand to become a high wage, low emissions economy that provides economic security in good times and bad. This is being achieved through the Government's support of businesses to retain jobs and support to Crown companies and entities to protect and maintain important services.

We acknowledge that the current operating environment and the economic outlook are challenging and uncertain. However, this environment makes the focus on delivering value even more important along with addressing the 'bread and butter' issues. Investing in critical infrastructure and public services will be important to our economic success, along with a focus on renewable energy, waste reduction, sustainability, resilience, and pursuing carbon neutrality.

Crown-owned companies and entities through their operations will play an important role in the social and economic success of New Zealand. Responsible management of assets and finances, including careful control of debt, capital expenditure and investments are part of the contribution the Authority makes to the Government's goals.

### ***Sector-related issues***

The Government is focused on a just transition to net zero carbon emissions by 2050, and building a more productive, sustainable and inclusive economy. The Government has published the first Emissions Reduction Plan (ERP) that incorporates sector specific policies to meet the first emissions budget for 2022 to 2025, including for the energy sector.

New Zealand is on the path to a low emissions, climate resilient future. The ERP commits to the development of a New Zealand Energy Strategy (the Energy Strategy) that will set the policy direction and priorities for the New Zealand energy sector. The Energy Strategy will need to enable

creative local responses and network innovation to decarbonise and meet the goals of the energy trilemma. We have set ambitious goals, including to transition to 50 per cent of all energy consumption to come from renewable sources by 2035 and an aspirational goal for 100 per cent renewable electricity by 2030. To assist this, the first ERP incorporates sector specific policies to meet the first emissions budget for 2022 to 2025. There is a significant amount of work to be done across government and regulatory agencies to deliver on actions set out in the ERP.

Removing fossil fuels from our electricity system, while we also increase demand by electrifying transport and industrial heat, requires major change and new investment in modern solutions. Significant change is occurring across our energy system beyond decarbonisation, including increased decentralisation and increased digitalisation.

Consumers have high expectations of what our energy system will deliver. As we transition, we must ensure that energy remains accessible and affordable, energy supply is secure, resilient and reliable throughout the transition and beyond. Effective development and management of our energy infrastructure will support the wellbeing of all New Zealanders over the long-term.

The Authority will play an important role in this transition, enabling New Zealand consumers to benefit from a competitive, reliable, and efficient electricity industry. This role requires the Authority to be agile in considering and fostering innovative approaches to the issues of tomorrow as well as today, such as multiple trading relationships and virtual power plants.

The Authority's role will require active engagement with the Ministry of Business, Innovation and Employment (MBIE), the Energy Efficiency and Conservation Authority, Gas Industry Company, and the Commerce Commission to ensure the energy regulatory system as a whole supports service innovation and consumer choice. As kaitiaki of the electricity sector, keeping a strategic lens over your aspirations for the sector, while ensuring your delivery is effective and efficient is an expected organisational tension to navigate and manage.

### ***Entity-specific expectations***

My specific expectations for the Authority are as follows:

- Assist my consideration of the backstop regulation power in section 44B of the Electricity Industry Act 2010 by publishing a report before 1 September 2023, explaining, for each of the matters specified in subsection 44B (2), how the Code addresses the matter and how it will further the Authority's statutory objectives.
- Address recommendations related to the 9 August 2021 event to maintain confidence in the market and ensure security of supply in Winter 2023 and beyond.
- Monitor for the exercise of market power in the wholesale electricity market and increase the focus on the Authority's compliance function.
- Continue to support the continued growth of renewable generation, sufficient firming capacity and demand-side participation.
- Maintain focus on the regulatory settings for the distribution sector, including how connection costs and pricing for public electric vehicle (EV) chargers can facilitate the electrification of transport, and how access to metering information can better support demand flexibility. In particular, within the next four months, investigate and develop actions to address variation in EV connection charges for public EV chargers across the country, as well as other regulatory barriers to the roll-out and adoption of EV technology.
- Deliver improved outcomes in relation to the Authority's additional objective to protect the interests of domestic and small business consumers, including to consider the Electricity Price Review's recommendation to establish mandatory minimum standards for vulnerable and medically dependent domestic consumers.

- Monitor retailers' conduct regarding vulnerable consumers and prompt payment discounts and late payment fees, and support broader sector initiatives such as the Consumer Advocacy Council, Energy Hardship Expert Panel, and the Energy Hardship Reference Group.
- Provide me with advice on the findings of the Strategic Baseline Review, and work constructively with my officials at MBIE to implement recommendations as appropriate.

#### *Preparation of accountability documents*

As you will be aware, the Crown Entities Act 2004 mandates the requirements for the accountability documents of Crown entities.

Could you please arrange for the Authority to prepare a draft Statement of Performance Expectations and provide this by 1 May 2023 for my consideration.

#### *General governance and reporting expectations*

Ministers expect all boards to be cognisant of the Government's 2019 *Enduring Letter of Expectations* to all statutory Crown entities, which asks that boards and their agencies:

- Support a unified, value-based government for all New Zealanders.
- Support future-focussed Māori Crown relations.
- Contribute to improving wellbeing.

In addition, MBIE's publication titled *Monitoring arrangements for MBIE-monitored Crown entities* sets out general governance, 'no surprises' and reporting expectations for Crown entities. Consistent with this, please provide four-monthly reports on the Authority's progress one month after the end of each four-month period.

#### *Board self-evaluation*

Boards are expected to evaluate their performance as a whole and that of individual members on an annual basis, and to advise Ministers and MBIE of the results of this assessment. This helps MBIE when providing advice to the Minister on board reappointments. Some tools for board performance review are available from the Institute of Directors in New Zealand.

#### *Other matters*

The Government expects all Crown entity boards to operate with a high standard of integrity and to have procedures in place to appropriately manage conflicts of interest, should any arise.

Thank you in advance for your contribution to the successful operation of the Authority and for its contribution to the Government's wider objectives. Should you have any questions about any of the above, please do not hesitate to contact my officials at MBIE.

#### *Response*

Your advice on how you propose to respond to the expectations set out in this letter would be appreciated.

I look forward to continuing our working relationship over the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Woods', written in a cursive style.

Hon Dr Megan Woods

**Minister of Energy and Resources**

Copy to: Sarah Gillies, Chief Executive, Electricity Authority [sarah.gillies@ea.govt.nz](mailto:sarah.gillies@ea.govt.nz)