

# Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Dr Nicola Crauford  
Chair  
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[nicki@riposte.org.nz](mailto:nicki@riposte.org.nz)

Dear Nicki

## ANNUAL LETTER OF EXPECTATIONS FOR 2022/23

I write to convey my strategic and performance expectations for the Electricity Authority (the Authority) in relation to the 2022/23 financial year and beyond.

The Government's vision is for an affordable, secure, and sustainable energy system that provides for New Zealanders' wellbeing in a low emissions world.

New Zealand is on the path to a low emissions, climate resilient future. The government's energy strategy will set the policy direction and priorities for the New Zealand energy sector and will focus on a just transition to net zero carbon emissions by 2050. New Zealand's national 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 the Government's priorities to transition to 100 per cent renewable electricity by 2030. To assist this, the Government is developing the first Emissions Reduction Plan which 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.

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 digitisation.

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 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. 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.

## **Specific priorities and expectations for the Electricity Authority**

During the 2022/23 financial year, I expect the Authority to continue to develop and execute its programmes in line with the Government's energy goals.

My specific expectations for the Authority during 2022/23 are:

### *Energy sector strategic planning*

- Prioritise implementation and delivery of the policies and strategies required in the Emissions Reduction Plan (ERP), including through collaboration with other parties and supporting cross government actions.
- Contribute to the development of the Energy Strategy, including consideration of how the Authority's existing or planned work programmes can support this strategy, and how the Authority can work collaboratively to give effect to the new strategy.

### *Confidence in the market*

- Keep me informed of any electricity market issues and the progress of any efforts by the Authority, if relevant, to resolve or manage them.
- Continue with the increased focus on real time market monitoring and investigation of observed anomalies, proactively releasing results of monitoring of trading conduct, and proactive gathering of information from participants and relevant non-participants to ensure you have a comprehensive view of the electricity system
- Continue to monitor the electricity market, with a particular focus on times of stress, and assemble this evidence so I can better understand how the market is responding to immediate and future challenges (and opportunities) as they arise.
- During times of heightened hydro storage risk increase monitoring activities, market information, and incentives on the industry to prudently manage fuel, and keep me informed of the situation and expected market responses.
- Continue to increase the focus on the Authority's compliance function, proactively monitoring behaviour in the market, encouraging voluntary compliance through education, enforcing the rules and holding industry participants to account in a timely manner.
- Continue to deliver, address and report on the recommendations contained within the reviews of the events of 9 August 2021, in particular the Ministry of Business, Innovation & Employment (MBIE) commissioned "Investigation into electricity supply interruptions of 9 August 2021".

### *Wholesale market*

- Continue to prioritise actions that will strengthen competition in the wholesale market, including through greater demand-side participation and monitoring the trading conduct provisions.

### *Consumer protection*

- Deliver the improved outcomes anticipated by the regulatory framework provided in the Electricity Industry Amendment Bill. In particular, a more explicit focus on protecting the interests of domestic and small business consumers.
- Support broader sector initiatives such as the newly established Consumer Advocacy Council, Energy Hardship Expert Panel and the Energy Hardship Reference Group.

### *Energy Sector - Readiness for change*

- Focus on ensuring progress on regulatory settings for distribution networks, transmission and distribution pricing reform.
- Develop proportionate and targeted rules to address any competition-related problems arising in contestable markets.
- Engage actively with MBIE, the Energy Efficiency and Conservation Authority, Gas Industry Council, and the Commerce Commission to ensure the energy regulatory system as a

whole supports service innovation and consumer choice, including through the Council of Energy Regulators forum.

The Authority will need appropriate organisational capability to continue to respond to the increasingly complex and dynamic electricity sector and deliver against these expectations. I expect the Authority will maintain effective succession planning to capture and harness institutional knowledge and minimise any resourcing or capability risks.

### **Enduring letter of expectations and general governance expectations**

I reiterate the Government's 2019 [Enduring letter of expectations](#) to all statutory Crown entities, which asks that the Authority:

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

I ask that the Authority consider and provide information to MBIE about how these expectations are given effect in your organisation through the business planning process.

I expect the Authority to work constructively with the Government to keep my officials updated with progress towards fulfilling my expectations and priorities. I also expect the Authority and MBIE to work closely together with regular communication and strong alignment of respective, and overlapping, work programmes.

In addition, I expect the Authority to follow governance and monitoring expectations contained in the MBIE publication *Monitoring arrangements for MBIE-monitored Crown entities*.

Further enduring expectations and general governance expectations are set out in **Annex 1**.

### **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



Hon Dr Megan Woods

**Minister of Energy and Resources**

Copy to: Mr James Stevenson-Wallace, Chief Executive, [james.stevenson-wallace@ea.govt.nz](mailto:james.stevenson-wallace@ea.govt.nz)

# Annex 1: Further enduring expectations and general governance expectations

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## ***Enduring expectations***

Below are recently issued or amended Government statements, policies and plans that apply to the Authority

### *Government Workforce Policy Statement*

On 5 May 2021 a [Government Workforce Policy Statement](#) (Workforce Policy) was issued, which sets out the Government's expectations about public sector agencies' management of employment relations and emphasises the importance of pay restraint in the COVID-19 environment and the fiscal context of the Government.

### *Public Service Pay Gap Action Plan*

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams. On 15 November 2021, the Government launched The [Public Service Pay Gap Action Plan](#) (Action Plan), which aims to help close pay gaps and create fairer workplaces for all employees. I look forward to seeing your progress as you implement the Action Plan.

### *Carbon Neutral Government Programme*

In pursuit of our carbon reduction ambitions, the Carbon Neutral Government Programme (CNGP) has been set up to accelerate the reduction of emissions within the public sector. We encourage the Authority to support the Government by joining with businesses and communities already leading the way to reducing their emissions.

## **General governance expectations**

### *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 responsible Ministers and MBIE of the results of this assessment. This helps MBIE when providing advice to the Minister on board appointments. Some tools for board performance review are available from the Institute of Directors in New Zealand.