

Statement of Performance Expectations

1 July 2023 - 30 June 2024

Presented to the House of Representatives pursuant to section 149L of the Crown Entities Act 2004.

This Statement of Performance Expectations (SPE) is a partner document to the Statement of Intent 2021 - 2025 (SOI) first published in June 2021 and amended in June 2023.

The SOI sets out our long-term strategic intentions for a four-year period. It is published at least every three years.

The SPE is published annually. It details our planned work and financial forecasts for one year.

The SOI is available at: <http://www.ea.govt.nz/about-us/strategic-planning-and-reporting/statement-of-intent/>

For further information about the Electricity Authority's work, visit www.ea.govt.nz

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Glossary and abbreviations

There are many technical terms used in the electricity sector, and some of these occur in this document. To assist readers, a glossary of common electricity industry terms is on our website at www.ea.govt.nz/glossary/

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Introduction

The Electricity Authority's (Authority) purpose is to enhance New Zealanders' lives, prosperity, and environment through electricity. We oversee the operation of the electricity system and markets by developing, setting, and enforcing the rules the market must follow and through contractual arrangements with market service providers. We also hold the industry accountable by actively monitoring the market's behaviour and performance.

We do this so consumers benefit from a competitive, reliable, and efficient electricity system – so the lights stay on, and they get a fair deal.

Our work is closely linked to the Government's Emissions Reduction Plan, which focuses on a transition to net zero carbon emissions by 2050, and building a more productive, sustainable and inclusive economy – with the ambitious goal to transition to 50 percent of all energy consumed to come from renewable sources by 2035.

New Zealand is now transitioning to a low-emissions future, and the role the electricity sector will play in the transition is growing with some dramatic transition required.

Mass electrification, including that of transport and process heat, retirement of thermal generation, a volatile climate, and technological changes will put unprecedented pressure on the electricity system over the coming decades.

It will be vital that the Authority can confidently and strategically navigate the electricity system through this transformation, and we see our role as including:

- supporting the electricity sector to decarbonise; and
- preparing the electricity sector and system for the increased electrification that will come from other sectors doing the same – all while keeping the lights on for New Zealand.

The New Zealand market has a solid foundation from which to work. We need to reinforce and strengthen this foundation to anticipate and manage a renewable system with increased intermittent generation.

We need to anticipate the changes that will occur and eliminate constraints to the uptake of renewables where we can, for example facilitating demand side participation. The move to renewables is already taking place quicker than we had anticipated five years ago. As the regulator, we need to keep pace and work with industry to continue to promote a competitive, efficient, and reliable system for the long-term benefit of consumers, while also doing more to protect the needs and interests of domestic and small business consumers in Aotearoa.

We have several multi-year workstreams that pave the way through this transformation, including ensuring the future security and resilience of the system, preparing for a renewable market, and encouraging participants to realise the benefits of real-time pricing and maximise the benefits of demand side response. All this work is grounded in the people we regulate on behalf of and how we can ensure ample, accessible, and affordable electricity now and into the future.

Weather events continue to test the electricity industry. Despite extreme conditions, the industry responded quickly and collaboratively to the destruction left by Cyclone Gabrielle in February 2023. At the time of writing this, the response is still underway, and the next few months will see the balance tip to recovery as the country deals with the long-term impact of such destruction and ask how we can work together to create a more resilient system for the uncertainty of weather impacts.

The pace of change required and the increased volatility in our external environment means we must work differently to keep up and keep regulation fit for purpose, so all consumers benefit from

a low-carbon future. Our people are our greatest asset, and we are building capacity and capability so we can be nimble and work alongside the industry quickly, yet with rigour, to reduce any barriers to the changes we see now and in the future. Our focus is on making decisions that are impactful and robust enough to stand the test of time.

Retaining and growing our people will be a priority this year, as well as attracting new talent to deliver our work programme.

The Electricity Industry Amendment Act 2022 gives the Authority clearer powers to protect the interests of small electricity consumers in relation to their electricity supply and increases our ability to hold industry participants to account. This will be an important focus for the Authority over the next year.

The last 20 years have seen flat demand and incremental changes. The next few years will see a significant build to meet increased demand and moving from a system dominated by the supply side to one where the demand side actively participates, and consumers decide when and where they want to consume.

There is a lot to do and not a lot of time to prepare, and just as the sector changes, we too need to change with it. In late 2022, the Authority proposed increases to our baseline funding to ensure we have the right resources and capabilities to deliver on the important work ahead of us.

To support this process, we are (as at 1 March 2023) taking part in a baseline review that will help us understand current spend, future funding needs, and where reprioritisation may need to occur. The results of the review and next steps will be made available upon completion.



Dr Nicola (Nicki) Crauford
Electricity Authority Chair
26 June 2023

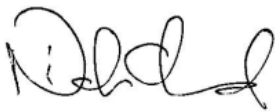
Statement of Responsibility

The Crown Entities Act 2004 requires the Electricity Authority to prepare a Statement of Performance Expectations, including prospective financial and non-financial information, before the start of each year, to promote our accountability to the public. The prospective financial and non-financial information may not be appropriate for any other purpose and is unaudited.

We acknowledge responsibility for the preparation of the prospective financial and non-financial performance statements included in this Statement of Performance Expectations for 1 July 2023 – 30 June 2024. This includes the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures, pursuant to the Crown Entities Act 2004.

We acknowledge the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of our performance and financial reporting.

In our opinion, the prospective statements fairly reflect our forecast financial position at 30 June 2024 and the results of our financial and service performance for the period ending on that date. We therefore authorise the issue of the prospective statements.



Dr Nicola (Nicki) Crauford
Chair
26 June 2023



Paula Rose, QSO
Member | Audit and Finance Committee Chair
26 June 2023

Purpose of the Statement of Performance Expectations

This Statement of Performance Expectations (SPE) outlines our plan for the 2023/24 financial year. It includes information about our activities and business-as-usual functions, as well as our forecast financial statements.

The SPE is a partner document to our Statement of Intent 2021-2025 (SOI), published in June 2021 and amended in June 2023. The SOI sets out our long-term strategic intentions for a four-year period, while this SPE details our planned work and financial forecasts for the 2023/24 financial year. It outlines how we plan to use each of our appropriations and what we aim to achieve.

The SPE 2023/24 has been informed by:

- our strategic framework
- our key market development activities
- submissions we received on the consultation for our 2022/23 and 2023/24 levy-funded appropriations
- responses we received in our annual surveys.

It also takes into account:

- annual priorities of the Minister of Energy and Resources
- ongoing Government priorities and expectations.

Reflecting government priorities

While the Authority is part of the wider public sector, the independence of our decision making is important and is further reinforced by our status as an independent Crown entity.

Each year the Minister of Energy and Resources issues a letter of expectations to the Authority Board, communicating priorities and expectations of the Authority over the coming year.¹ We take the expectations and priorities and ongoing government priorities into account in our annual planning.

Key workstreams we're undertaking in 2023/24 also respond to the Emissions Reduction Plan, with the electricity system acting as a key enabler to achieve the Government's emissions targets and the broader economic plan.² We're focused on the transition to a low-emissions economy, enabling the electricity sector to decarbonise while preparing it for increased demand that will come from greater electrification.

¹ The Minister's Letter of Expectations and the Authority's formal response for 2023/24 are available on our website: <https://www.ea.govt.nz/about-us/what-we-do/>

² The Emissions Reduction Plan is focused on a just transition to net zero carbon emissions by 2050, with the ambitious goal to transition to 50 percent of all energy consumed to come from renewable sources by 2035. The Government's Economic Plan is focused on supporting Aotearoa New Zealand to become a high-wage low-emissions economy that provides economic security in good times and bad.

Our future security and resilience workstream ensures New Zealand's power system remains stable, secure and resilient as it evolves over the coming decades. In the more immediate term, we're working with others to ensure security of supply and responding to the recommendations made following the 9 August 2021 outages. Already, we have taken significant steps to avoid potential outages during winter 2023, and are working on the longer-term actions required.

As the electricity sector transitions to low-emissions, we're continuing to update the regulatory system to respond to the changing nature of the power system. We're strengthening settings to promote wholesale market competition and to facilitate investment in new renewable generation. This work includes facilitating the growth of the demand response market and increasing information and transparency in the wholesale market. This work is underpinned by our Wholesale Market Review and the work of the Market Development Advisory Group.

In distribution networks we're seeking to improve competition and innovation and support increased amounts of electricity passing through the networks. Alongside this, we're promoting the ongoing reform of the distribution pricing settings to support better investment and use of the networks. This includes reviewing connection charging approaches, such as for public EV chargers, and developing potential options to address any identified issues, with an issues paper expected in July, and potentially, consultation on proposed Code amendments in late 2023.

We will also continue to focus on ensuring that benefits of a well-functioning wholesale market support competition in the retail sector. This includes improving our collection and analysis of retail data, allowing us to better respond to issues as they emerge.

We're building on our monitoring of industry participants, continuing our focus on wholesale market trading conduct, and on outcomes for consumers, to ensure we are protecting the interests of domestic and small business consumers, including medically dependent and vulnerable consumers. We will also continue our focus on increasing our compliance function in accordance with the Compliance Strategy we published in 2022.

This is some of the work included in our Annual Corporate Plan which sets out our key development work, including targets, milestones, and deliverables for the 2023/24 year, and is available on our website.³ We publish progress reports against the Annual Corporate Plan in four-monthly increments, and delivery of the Annual Corporate Plan is one of our performance measures used later in this SPE.

³ The Annual Corporate Plan is available with our Corporate Documents: <https://www.ea.govt.nz/about-us/corporate-documents/>

Our strategic framework

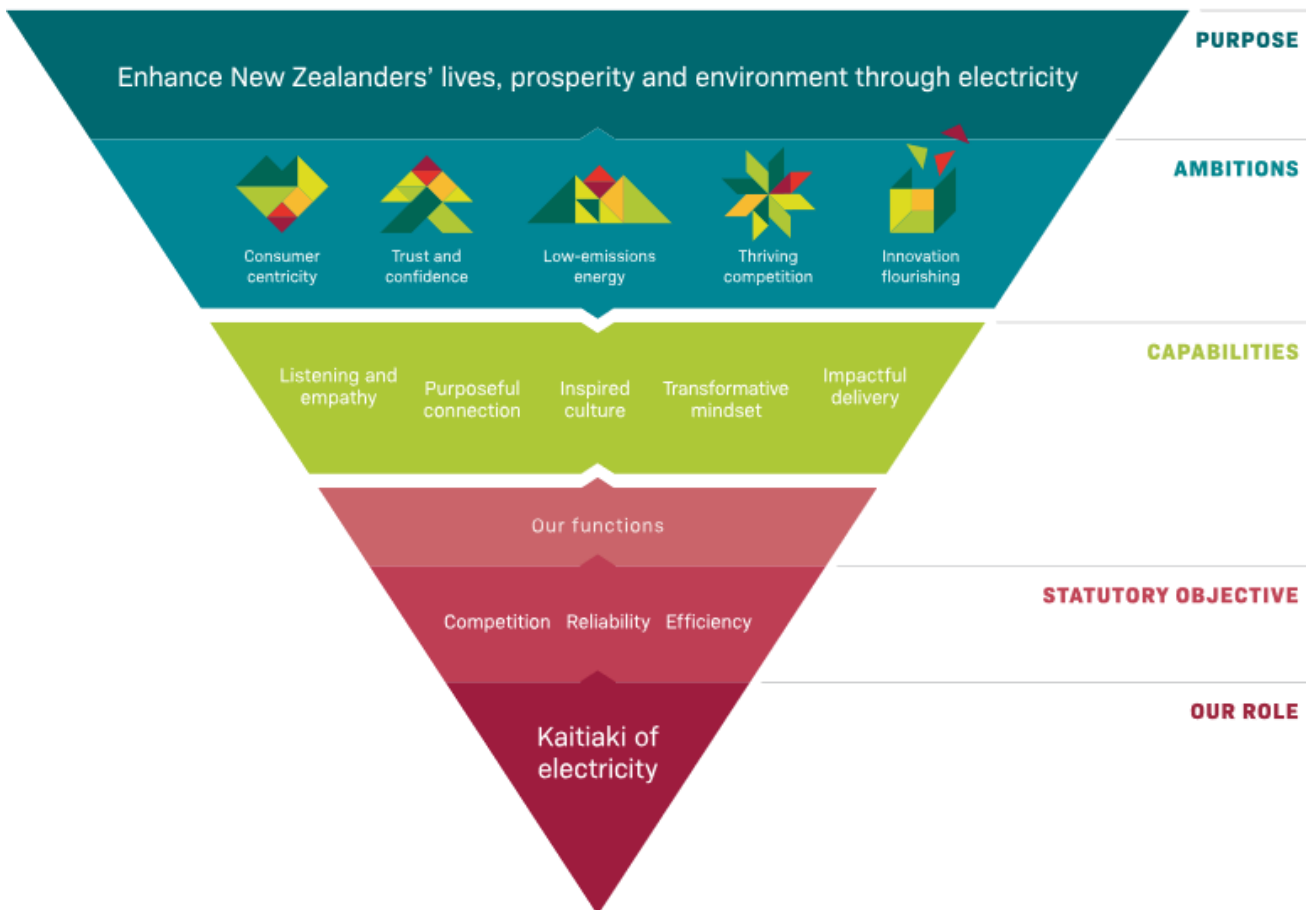
Regulators are often expected to think more broadly about the wider environment and the interaction of their sector with others – considering long-term economic, social, cultural and environmental implications together, and embed principles of te Tiriti o Waitangi to ensure the right rules are in place that both enable and guide change.

As the regulator of New Zealand’s electricity system, our work provides a platform for the country to achieve its aspirations for enhanced quality of life, growth and prosperity, the environment, and the transition to a low-emissions economy.

Our integrated framework sets out five strategic ambitions for the sector that guide the prioritisation of our work. This framework is aligned to the tikanga-based values of kaitiakitanga (long-term sustainability), manaakitanga (social responsibility), whanaungatanga (social connections) and whairawa (thriving whanau), which are implicit in our purpose.

Our SOI 2021–2025 sets out our strategic framework, along with impact measures and targets reflecting our long-term strategic intentions for the next four years.⁴

INTEGRATED STRATEGIC FRAMEWORK



⁴ The Integrated Strategic Framework diagram was developed in 2020 as part of the Authority’s strategic refresh. As such, it does not include the additional statutory objective to protect the interests of domestic and small business consumers, which came into effect on 31 December 2022. The framework will be updated to reflect the Authority’s refreshed brand and to include the additional objective by July 2023.

Our purpose

We guide the nation's electricity system on behalf of all New Zealanders – promoting positive consumer outcomes today and ensuring continued enhancement and reliability for future generations.

We are the **kaitiaki of electricity.**

Our purpose is to **enhance**
New Zealanders' lives,
prosperity and
environment through electricity.

Our work provides the platform from which electricity can be used to make things better.

Electricity plays a critical role in the quality of our lives and businesses, the state of our environment, strength of our communities, performance of our economy and the nation as a whole.

Electricity is an enabler – a mechanism for change and progress.

Electricity regulation is the tool through which we can contribute to wider outcomes. Electrification of the wider energy system will play a key role in the transition to a low-emissions economy.

Statutory objectives — the outcomes we seek

Section 15 of the Electricity Industry Act 2010 sets out our main statutory objective:

...to promote **competition** in, **reliable** supply by, and the **efficient** operation of the electricity industry for the long-term benefit of consumers.

Competition

Competition helps ensure New Zealanders have plenty of choice about how they get and use electricity, and that they have access to competitive pricing. We encourage competition in all electricity-related markets, right across the supply chain, taking into account long-term opportunities that will lead to better outcomes for consumers.

Reliability

Reliability is important because homes and businesses depend on a continuous supply of electricity. We seek reliable day-to-day and long-term security of electricity supply for consumers. Our regulatory focus on reliability will become even more important as the country reduces emissions through increased electricity use.

Efficiency

When efficiency is high, electricity system resources and investments are focused in the right areas, and the system costs less to run. Ongoing innovation and improvements help create greater efficiency. For a consumer, greater efficiency should translate into more affordable electricity and services.

The Electricity Industry Amendment Act 2022 amends Section 15 to also set out our **additional objective**, which came into force on 31 December 2022:

...to **protect** the interests of **domestic consumers** and **small business consumers** in relation to the **supply of electricity** to those consumers.

Protecting the interests of domestic and small business consumers is key to ensuring that all New Zealanders have access to the electricity they need. Our focus is on the conduct and dealings that electricity retailers and other industry participants have with small consumers, where an imbalance of power could result in adverse outcomes for those consumers.

We have more detailed information about our statutory objectives and outcome measures for **Competition, Reliability, Efficiency, and Protection of Small Consumers** in our SOI.

Strategic ambitions — the impact we have

Five strategic ambitions for the sector guide the prioritisation of our work. They focus the pursuit of our statutory objectives and our purpose – ensuring we create wider long-term benefit for New Zealand.

Successful delivery of our functions and statutory objectives are a fundamental part of all five ambitions – meaning continued focus on delivery of high-quality operational activities, increasing retail and wholesale market competition, enforcing compliance, and improving the regulatory and pricing settings for the transmission and distribution systems.

Low-emissions energy

The Climate Change Commission’s advice shows the need to electrify New Zealand’s heat and transport and increase low-carbon electricity generation. Making the most of New Zealand’s renewables advantage is essential in our transition to a low-emissions economy. Significant levels of investment in new generation will be required.

We need to promote a stable investment environment with robust rules and clear price signals. This will ensure the transition is as efficient as possible while maintaining energy security, system adaptability, and affordable electricity for consumers.

Consumer centricity

Expectations of both regulator and industry have shifted – recognising a need to think more broadly about the wider environment we interact with, strengthen the consumer voice, and deeply consider how our decisions affect outcomes for all consumers – whether they be domestic, community, small, medium or large businesses, or industrial consumers.

We will put consumers and our understanding of their varied perspectives and aspirations front and centre of what we do and how we do it. Consumer-centricity in energy system development is a key enabler for innovation, and further improving consumers’ access to better pricing, control, and ability to participate in energy markets.

Trust and confidence

Actively building trust and confidence in the industry and regulation through greater transparency, understanding and improved behaviours is increasingly important. Consumers expect participants to be held accountable to the rules. Participants require a stable investment framework and regulatory environment to enable decision-making that will deliver further benefit to consumers.

As regulator, we need to continue using markets and our compliance function to create the right incentives for progress, work with participants to ensure better practice by all of industry and enhance consumers’ and stakeholders’ understanding of the electricity industry and how it delivers benefit.

Thriving competition

Increased disruption to traditional electricity business models and industry structure through competition improves choice, control and affordability for consumers. Competition and competitive pressure now need to expand across new parts of the supply chain to drive efficiency, reliability, innovation, and integrate new technology.

We're committed to encouraging participation and reinforcing competition in traditional and emerging markets by putting in place the mechanisms needed to maintain a level playing field. Our regulatory environment needs to enable participants to better manage risk and provide consumers value for money through a growing range of innovative products, services, and opportunities to participate.

Innovation flourishing

Innovation and new technology will affect how electricity is generated, distributed, and consumed, and will ultimately change the cost and competitive structure of our industry. Data transparency, insights and automation will act as key enablers for increased deployment of distributed energy resources, and support consumers' ability to control their energy use and participate in new ways.

Our role is to help unlock the full benefits of innovation for consumers by making sure the settings are conducive to innovation and industry success. This demands a proactive, agile, and forward-looking regulatory approach to match the pace of change and help innovation flourish.

Measuring our strategic ambitions and statutory objective

We report the progress of our strategic ambitions and statutory objective every year in our *Annual Report*.

Strategic ambitions...

Each *strategic ambition* has a series of *impact measures* that relate to it. Our impact measures are designed to measure the contribution our work makes towards achieving our strategy.

Statutory objectives...

Each part of our *statutory objectives* (competition, reliability, efficiency, and protection of small consumers) has a series of *outcome measures* that relate to it. Our outcome measures are designed to measure the contribution our work makes towards achieving our statutory objectives.

Further details on our impact and outcome measures can be found in our SOI.

Our functions – what we do

Our statutory functions are set out in section 16 of the Electricity Industry Act 2010. The exercise of our functions supports the activities set out in our Annual Corporate Plan and makes a valuable contribution to our strategic priorities.⁵ The SPE sets out these functions, along with the measures and targets used to report our performance over the coming year.

We have five operating functions covering the business we carry out from day to day, including our work programme. We also have two contingent functions, which are only expected to be carried out if certain events or situations occur.

Our five major functions and their contribution to our strategic priorities are summarised in the table below, where the tick's size indicates the relative importance of contributions.

Table 1: The strategic impact of Electricity Authority functions

Our functions	Links to our strategic ambitions				
	Low-emissions energy	Consumer centricity	Trust and confidence	Thriving competition	Innovation flourishing
Promote market development	✓	✓	✓	✓	✓
Monitor, inform and educate	✓	✓	✓	✓	✓
Operate the electricity system and markets	✓		✓	✓	✓
Enforce compliance		✓	✓	✓	✓
Protect the interests of small electricity consumers		✓	✓	✓	

Linking our strategy, functions, and planned activities

We review our planned activities and the exercise of our functions each year to meet changes in our operating environment and ensure alignment with our strategy.

In this SPE, we describe how our work for the coming year is expected to contribute to achieving our strategic ambitions, the links between our strategy and functions, as well as the performance measures and targets we intend to achieve through the exercise of our functions.

In developing this SPE, we have engaged with the Minister of Energy and Resources (Minister), taking into account her annual letter of expectations; as well as the Ministry of Business, Innovation and Employment (MBIE); and Audit New Zealand.

⁵ Each year, we publish an Annual Corporate Plan, detailing our planned workstreams and activities to address our statutory objective and strategic priorities: <https://www.ea.govt.nz/about-us/corporate-documents>

Our organisational capabilities

A critical component of our strategic framework is our strategic capability. We have set out five key strategic capabilities we will rely on to deliver our strategy:

- listening and empathy
- purposeful connection
- inspired culture
- transformative mindset
- impactful delivery

We go into more detail on our organisational capabilities in the SOI.⁶

While our role as kaitiaki of electricity and our purpose statement identify why we exist, our values and behaviours provide the how – who we are, what we stand for and how we work. These values and behaviours map to our capabilities.

In 2022/23, as an extension to the Senior Leadership Team's agreed behaviours, we engaged Authority employees in an interactive process to refresh our values which resulted in the shaping of a set of 12 behaviours that underpin how we work. The Authority continues to implement initiatives to embed these behaviours across the organisation and further develop our capability to support the five key strategic capabilities. This includes ensuring that, as kaitiaki of electricity, we appropriately reflect the principles of te Tiriti o Waitangi. The Authority is committed to supporting Māori-Crown relationships through improved engagement and understanding of tikanga Māori and te ao Māori. A key priority over the next four years is to build our staff's Māori cultural capability and to engage appropriately and often with Māori.

We continue to engage with Diversity Works and Pride Pledge to guide us on our journey towards embedding a respectful workplace culture that addresses diversity, equity, and inclusion. The Authority works proactively to eliminate and address the gender pay gap and any gender bias in recruitment and remuneration. In 2021/22, the Authority took significant steps to close the gender pay gap within the organisation through an annual review to measure any pay gaps at the Authority and, where necessary, worked to close those gaps. The Authority will continue to review and measure any pay gaps on an annual basis.

We actively review and implement strategies to attract and retain the right talent on a regular basis to support the success of our organisation. In 2022/23, the Authority focused on several initiatives including:

- enhancing our employee value proposition to increase competitiveness in a challenging recruitment market
- focusing on progressions and succession planning, and internal career growth
- providing leadership, team, and individual training
- enhancing our engagement opportunities for staff
- improving our office working environment while retaining flexible work options

In April 2023, we undertook an annual staff engagement survey, measuring our progress against the improvements identified in 2022 and encouraging further feedback on what we are doing well and areas for further improvement in 2023/24.

⁶ Available on the Electricity Authority website: <https://www.ea.govt.nz/about-us/corporate-documents/>

Our appropriations

The Authority receives funding from the Crown through appropriations of public money each financial year. The Crown recovers the cost of this funding, up to the level of actual expenditure incurred, through a levy on industry participants. Any over-recovery of levy revenue is refunded to participants.

To obtain these funds, we prepare an appropriations request for the Minister, outlining the costs of performing our functions and exercising our powers and duties under the Electricity Industry Act 2010. Before making this request, we consult on the proposed appropriation levels with those affected by the levy, and the outcome of this consultation is reported to the Minister at the time the appropriations request is submitted.

We are funded by the Crown from three appropriations within Vote Business, Science and Innovation:

Table 2: Electricity Authority functions per appropriation

Electricity Authority appropriations	Our functions under the appropriation
Operating appropriation:	
1 Electricity Industry Governance and Market Operations	Promote market development
	Monitor, inform and educate
	Operate the electricity system and markets
	Enforce compliance
	Protect the interests of small electricity consumers
Contingent appropriations:	
2 Managing the Security of New Zealand's Electricity Supply	Addressing funding requests from the system operator for the management of security of supply events.
3 Electricity Litigation Fund	Taking enforcement action and defending cases against the Authority.

Under each appropriation, the following sections of the SPE will describe:

- what is intended to be achieved
- the scope of appropriation
- functions provided under this appropriation
- 2023/24 performance measures and targets
- the 2023/24 appropriation.

Performance measures used in the 2023/24 Estimates of Appropriations

Some performance measures we use in the SPE are also used in the 2023/24 Estimates of Appropriations. These performance measures are shown in **bold**.

Reporting performance targets

The following pages detail our performance measures and targets for our functions in 2023/24. We will report on how we have performed against these targets in the Annual Report 2023/24.

Assessment of our performance against the targets will be based on the following rating system:

Criteria	Rating
On target or better	Achieved
Within 5% of the target	Substantially achieved
More than 5% below the target	Not achieved

Service performance reporting standard

The New Zealand Accounting Standards Board (XRB) has issued a Standard for Service Performance Reporting: Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48), effective for all reporting periods commencing on or after 1 January 2022.

While PBE FRS 48 largely impacts how we report on our non-financial performance information at year end, this SPE has been prepared to align with the new standard.⁷

Service performance judgements and assumptions

In preparing this SPE, the Authority has made the following judgements and assumptions in the selection of our non-financial performance measures and targets:

- we have reviewed the performance measures used, and deemed the ones selected as best capturing the work we do to deliver our functions.
- it is our judgement that the performance measures also adequately inform progress towards delivering the ambitions and outcomes in the SOI.
- in our view, the performance information in this SPE will meet the requirement of our stakeholders, including industry participants, consumers, and related government entities.

Further to the above judgements being made in the selection of performance measures, we also apply judgements in the measurement, aggregation, and presentation of performance information. In alignment with PBE FRS 48, judgements and assumptions based on performance measure results will be disclosed in the Annual Report 2023/24.

⁷ For the purposes of PBE FRS 48, this SPE is our forecast statement of service performance. 'Non-financial performance information' refers to service performance in the standard.

Electricity Industry Governance and Market Operations

The Electricity Industry Governance and Market Operations appropriation is the Authority's operational appropriation. Approximately 53 percent of this appropriation is used to fund the service providers that operate the electricity system and markets, with the remainder funding the Authority's own operating costs (28%), the market-making scheme (14%), and the real-time pricing project (5%).

What is intended to be achieved

This appropriation is intended to achieve the promotion of competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers; and to achieve protection of domestic and small business consumers' interests in relation to the supply of electricity to those consumers.

Scope of appropriation

This appropriation is limited to formulating, monitoring and enforcing compliance with the regulations and Code governing the electricity industry and other outputs in accordance with the statutory functions under the Electricity Industry Act 2010 (Act); and delivery of core electricity system and market operation functions carried out under service provider contracts.

In 2023/24 the budget for this appropriation is \$100.813 million. Further information is provided later in this section, and in the prospective financial statements.

Functions provided under this appropriation

This appropriation funds our operations, including Board members' costs, the Rulings Panel, the Security and Reliability Council and advisory groups. It also funds the operation of the electricity system and market operations and the exercise of our five operating functions:

- Operate the electricity system and markets.
- Monitor, inform and educate.
- Enforce compliance.
- Promote market development.
- Protect the interests of small electricity consumers.

2023/24 performance measures

Promote market development

We promote development of the electricity markets by making amendments to the Electricity Participation Code 2010 (Code) and through market facilitation measures.

Market facilitation measures are the actions we can take short of amending the Code or recommending changes to regulations. This can include working directly with participants to develop desired results, education programmes, publication of guidelines, and publication of model agreements.

Measure	2021/22 Result	2022/23 target	2023/24 target	Relevant ambition
1 Planned activities that promote market development achieve published annual outcomes.	Not achieved. 75%*	80%	80%	▪ All
2 Our market development decisions and processes are lawful and appropriate.	Achieved.	Zero (0) legal challenges that result in an Authority market development decision being overturned	Zero (0) legal challenges that result in an Authority market development decision being overturned	▪ All
3 Transparent, rigorous post-implementation reviews are conducted to establish whether Code amendments or market facilitation measures deliver intended benefits and impacts on market behaviour.	Achieved	One review completed.	One review completed.	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing

Additional notes to the performance measures

1 Planned activities that promote market development are published in our Annual Corporate Plan, available on our website: <https://www.ea.govt.nz/about-us/corporate-documents/>

*The 2021/22 result was reported as not achieved because the substantially achieved criteria was introduced in 2022/23.

2 Our decisions include market development decisions to implement Code amendments or market facilitation measures. These decisions can be disallowed, appealed, or judicially reviewed – on the process used to reach the decision, and/or on the lawfulness, reasonableness or appropriateness of the decision itself.

An appeal or judicial review can overturn a market development decision by directing us to reconsider a decision or re-run a process. The House may also overturn a Code amendment if it accepts a Regulations Review Committee recommendation for it to be ‘disallowed’ – meaning the Code amendment decision will no longer have force.

Monitor, inform and educate

We monitor market behaviour, make data, information and tools available, and educate consumers and participants.

Measure	2021/22 result	2022/23 target	2023/24 target	Relevant ambition
4 The Authority regularly publishes evidenced-based monitoring reports.	Achieved	4 quarterly reviews published, regular trading conduct reports published	4 quarterly reviews published, regular trading conduct reports published	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing
5 The Authority actively promotes understanding of its work and the electricity system to a wide audience.	Total website views: 671,431 Total social media followers (Twitter/LinkedIn): 2,776	Increase in activity across all public-facing channels.	Increase in activity across all public-facing channels	<ul style="list-style-type: none"> ▪ Consumer centricity ▪ Trust & confidence
6 Content on EMI is reviewed and revised as needed to maintain relevance.	Five pieces of EMI content were reviewed and revised	Increase on prior year	Increase on prior year	<ul style="list-style-type: none"> ▪ All
7 Data and analytical tools are made available to support the Authority's decision-making process.	38 items of data or analytical tools were made available to support the Authority's decision-making processes. *	Increase on prior year*	Increase on prior year*	<ul style="list-style-type: none"> ▪ Low-emissions energy ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing

Additional notes to the performance measures

- 4 The Authority publishes a weekly trading conduct report throughout the year except for the December holiday period. The Authority also publishes Market Performance Quarterly Reviews.
- 5 The Authority's public-facing channels include its website (ea.govt.nz), general media, and social media. An increase in activity includes an increase in website views and social media followers.
- 6 The Electricity Market Information website (EMI) is the Electricity Authority's channel for publishing data, market performance metrics, and analytical tools to facilitate effective decision-making within the New Zealand electricity industry.
- 7 Data and analytical tools includes the use of tools such as Tableau and Delta internally, to provide information in a way that supports the decision-making at the Authority.

*The 2021/22 result is for a new measure introduced in the 2022/23 financial year the Authority baselined in the Annual Report 2021/22. In the 2021/22 financial year, 38 items of data or analytical tools were made available to support the Authority's decision-making processes. The 2021/22 baseline number is atypical because tables were created as part of the data migration to Databricks/Delta. The Authority does not anticipate the number of new data and analytical tools will be as high each year going forward.

Operate the electricity system and markets

We are responsible for the day-to-day operation of the electricity system and markets, delivered through contracts with service providers.

Measure	2021/22 result	2022/23 target	2023/24 target	Relevant ambition
8 Market operation service providers' (MOSPs) performance meets agreed standards and contract requirements, or a remedial plan is agreed and actioned by specified date.	Achieved. Not all relevant performance standards were met but remediation actions or processes were agreed or underway in all cases	Achieved	Achieved	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Low-emissions energy ▪ Thriving competition ▪ Innovation flourishing
9 Any significant issues in MOSP systems, as identified in audit processes, have a remedial plan agreed and actioned by specified date.	Achieved. Audits of market operations service providers have not raised issues of substantial concern, and remedial plans are in place for those issues that were raised.	Achieved	Achieved	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Low-emissions energy ▪ Innovation flourishing

Additional notes to the performance measures

8/9 MOSPs include the system operator and other service providers. Performance in measure 8 is focused on processes and procedures (measured through the system operator annual performance assessment, and regular monitoring and reviews), while measure 9 is focused on MOSP software systems (measured through audits of the systems).

For example, significant service provision issues identified in audit processes may include breaches of the Code and/or issues that have affected market confidence, and/or issues that have resulted in multiple complaints and/or a warning letter to the CEO.

Enforce compliance

We monitor, investigate, and enforce compliance with the Act, relevant regulations and the Code.

Measure	2021/22 result	2022/23 target	2023/24 target	Relevant ambition
10 Percentage of investigations decided within 12 months of the investigation being opened.	Not achieved, 89%	100%	100%	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Consumer centricity ▪ Thriving competition ▪ Innovation flourishing
11 Our compliance decisions are lawful and appropriate.	Achieved	Zero (0) legal challenges that result in a compliance decision being overturned	Zero (0) legal challenges that result in a compliance decision being overturned	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing

Additional notes to the performance measures

- 10 Investigations in this context include all fact-finding enquiries as well as formal investigations of alleged breaches of the Code.

In 2021/22 the Authority reviewed the methodology used to calculate this measure, which relied on reporting investigations as they were closed. Going forward, this measure will include any open investigations that have exceeded the 12-month timeframe during the relevant financial year. This change in methodology will help to provide a more current assessment of the Authority's performance in this area.

The Authority has made significant inroads into eliminating the backlog of cases and will continue to work to improve the timeliness of compliance interventions.

- 11 The Compliance Committee makes decisions on alleged breaches of the Act, various regulations, and the Code. The committee determines appropriate enforcement responses, whether settlements should be approved, or further investigation undertaken and makes recommendations to the Board regarding the laying of formal complaints with the Rulings Panel and instigating prosecutions with the Courts.

These decisions can be appealed or judicially reviewed – on the process used to reach the decision, and/or on the lawfulness, reasonableness, or appropriateness of the decision itself. A successful appeal or judicial review could overturn a compliance decision.

Protect the interests of small electricity consumers

We undertake actions to protect the interests of domestic and small business consumers in relation to the electricity supply to those consumers.

The work we do under this function also contributes to our additional statutory objective and protection of small consumers outcome, which came into effect in December 2022 (see pages 6 and 15 of the SOI 2021-2025 amendment).

Measure	2021/22 result	2022/23 target	2023/24 target	Relevant ambition
12 Increased monitoring of and reporting on retail competition.	NEW	Baseline to be established*	Establish regular monitoring and reporting of retail competition	<ul style="list-style-type: none"> ▪ Consumer centricity ▪ Trust & confidence ▪ Thriving competition

Additional notes to the performance measures

12 This performance measure is an interim measure and may change as the Authority grows its consumer protection function. The regularity of reporting will be established during the financial year.

*Where there is a new measure without an existing baseline, this will be collected alongside the performance measures used in the Annual Report 2022/23.

2023/24 appropriation and cost breakdown

Electricity Industry Governance and Market Operations appropriation	Actual 2021/22 (\$000)	Budget* 2022/23 (\$000)	Budget* 2023/24 (\$000)
Revenue from the Crown	77,372	97,654**	100,813***
Expenditure	77,372	97,654	100,813
<p>* The budget for 2022/23 corresponds to the Supplementary Estimates of Appropriations for the year ending 30 June 2023. The budget for 2023/24 corresponds to the Estimates of Appropriations for the year ending 30 June 2024.</p> <p>** An expense transfer of \$1.702 million, from 2021/22 to 2022/23, was confirmed in the October 2022 baseline update. The Authority received an increase of \$0.500 million for 2022/23 to cover work already underway that could not be met by reprioritised resources.</p> <p>*** The Authority received a permanent baseline increase of \$4.6 million for 2023/24 and outyears to fund key workstreams and major regulatory reform from the Government's Emissions Reduction Plan, work arising from the review of the events of 9 August 2021, implementing the Electricity Industry Amendment Act 2022 and work required to improve wholesale market competition.</p>			

Electricity Industry Governance and Market Operations expenditure breakdown	Actual 2021/22 (\$000)	Budget* 2022/23 (\$000)	Budget 2023/24 (\$000)
System operator—operating expenses	27,088	28,309	29,611
System operator—capital-related expenses	13,735	13,961	17,454
System operator expenses	40,823	42,270	47,065
Service provider—clearing manager	2,383	2,526	3,128
Service provider—wholesale information and trading system	1,696	2,052	1,942
Service provider—pricing manager	736	781	0**
Service provider—reconciliation manager	894	947	990
Service provider—registry	739	795	778
Service provider—FTR manager	820	869	908
Service provider—depreciation and amortisation	1,144	1,800	1,199
Service provider—IT costs	3	24	24
Other service provider expenses	8,415	9,794	8,969
Market making	3	14,400	14,400
Authority operating expenses	28,131	31,190	30,379
Total expenses	77,372	97,654***	100,813****
<p>* An expense transfer of \$1.702 million, from 2021/22 to 2022/23, was confirmed in the October 2022 baseline update.</p> <p>** Pricing Manager no longer exists as it has been superseded by Real-Time Pricing (RTP). Any residual functions that could not be taken over by RTP have been taken over by the clearing manager.</p> <p>*** The Authority received an increase of \$0.500 million for 2022/23 to cover work already underway that could not be met by reprioritised resources.</p> <p>**** The Authority received a permanent baseline increase of \$4.6 million for 2023/24 and outyears to fund key workstreams and major regulatory reform from the Government's Emissions Reduction Plan, work arising from the review of the events of 9 August 2021, implementing the Electricity Industry Amendment Act 2022 and work required to improve wholesale market competition.</p>			

Managing the Security of New Zealand's Electricity Supply

What is intended to be achieved

This appropriation is intended to achieve enhanced security of supply in the electricity system during periods of emerging or actual security situations. These situations are expected to be rare and the appropriation is not drawn on in the normal course of events.

Scope of appropriation

This appropriation is limited to the management by the system operator (Transpower) of actual or emerging emergency events relating to the security of New Zealand's electricity supply. The system operator can request funding from this appropriation to:

- increase monitoring and management responsibilities in the event of an emerging or actual security situation.
- plan and run an official conservation campaign.

Managing the Security of New Zealand's Electricity Supply is a multi-year appropriation for the period 2022/23 to 2026/27. Expenses under this appropriation can only be incurred by the system operator — we cannot incur any expenses of our own under this appropriation.

The budget for this appropriation is \$6.000 million over five years, or \$1.200 million a year. Further information is provided later in this section, and in the prospective financial statements.

Functions provided under this appropriation

The system operator is responsible for ongoing security monitoring and emergency management.⁸ The security management functions of the system operator include the preparation of the emergency management policy, which is incorporated into the Code by reference following our review and approval. The policy sets out the steps the system operator will take and encourage industry participants to undertake in the event of an extended emergency.

Our primary role in respect to security of electricity supply is to ensure the Code promotes an efficient level of supply reliability. This includes specifying the functions of the system operator, how the functions are to be performed, and setting the requirements for transparency and performance. We also monitor the system operator's performance. This work is covered under the *Electricity Industry Governance and Market Operations* appropriation, in the *promote market development and operate the electricity system and markets* functions.

⁸ Section 8(2) of the Electricity Industry Act 2010 states that as well as acting as system operator for the electricity industry, the system operator must (a) provide information and short- to medium-term forecasting on all aspects of security of supply; and (b) manage supply emergencies. Information about the system operator's security management role is available on its website at <https://www.transpower.co.nz/system-operator/about-system-operator/security-supply-and-capacity>

Our role in respect to this appropriation is limited to addressing requests from the system operator to use these funds. Our approval of any request is subject to an agreed process and criteria. The process requires the system operator to provide evidence of an actual or emerging security event, and to describe the actions it intends to take using the funds and how the use of these funds will be monitored. Agreeing this information in advance helps us assess the effectiveness of the actions and the funding during and after the event.

The system operator would seek our approval for funding from this appropriation on a case-by-case basis when it considers increased monitoring or security management actions are justified. However, the system operator can, acting on a 'good faith' basis, incur up to \$300,000 of costs in this area without prior approval if it is not reasonably practicable to seek that approval.

2023/24 Performance measures

Managing the Security of New Zealand's Electricity Supply contributes to our reliability outcome (see page 36 of the Statement of Intent 2021-2025 amendment). The effective management of dry years and emergency events, as measured by case-by-case-analysis, is one of a suite of statistics we use to measure whether there are efficient levels of reliable electricity supply. Should the system operator seek funding under this appropriation to manage a dry year or emergency event, how it uses the funding would be reviewed as part of the subsequent analysis. The results of the review would be published on our website and a summary reported in our Annual Report.

Given the relevant outcome and function performance measures are already captured elsewhere, the measure below is limited to one that demonstrates we have fulfilled our obligations for this appropriation.

Measure	2021/22 result	2022/23 target	2023/24 target	Relevant ambition
13 Electricity Authority decisions relating to system operator requests for access to funding are made in accordance with the agreed process and criteria.	Not applicable. The Authority did not receive any applications for funding during the 2021/22 year.	Achieved	Achieved	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Low-emissions energy

Additional notes to the performance measures

- 13 We have an agreed process and criteria for the system operator to follow. For example, correct documentation is provided; appropriate signoff by system operator management; evidence that there is an actual or emerging security event; intended actions are clearly described; and monitoring and reporting are specified.

2023/24 Appropriation

Managing the Security of New Zealand's Electricity Supply appropriation*	Actual 2021/22 (\$000)	Budget** 2022/23 (\$000)	Budget** 2023/24 (\$000)
Revenue from the Crown	-	1,200	1,200
Expenditure	-	1,200	1,200

Note:

* This is a multi-year appropriation of \$6.000 million over five years. Following the expiry of the previous appropriation, a new appropriation has been established, starting on 1 July 2022 and expiring on 30 June 2027. This appropriation is contingent in nature and is not routinely used. For consistency with the appropriations contained in the Government's Estimates documents for Vote Business, Science and Innovation, annual budgeted amounts have been included in the above appropriation table. However, as it is not routinely used, no amounts in relation to this appropriation have been included in the budgets within the other prospective financial statements contained in this SPE.

** The budget for 2022/23 corresponds to the Supplementary Estimates of Appropriations for the year ending 30 June 2023. The budget for 2023/24 corresponds to the Estimates of Appropriations for the year ending 30 June 2024.

Electricity Litigation Fund

What is intended to be achieved

This appropriation is intended to achieve assurance that the Electricity Authority is able to participate in litigation effectively and without delay.

Scope of appropriation

This appropriation is limited to meeting the cost of litigation activity undertaken by the Electricity Authority arising from it carrying out its functions under the Electricity Industry Act 2010.

In 2023/24 the budget for this appropriation is \$1.500 million. Further information is provided later in this section, and in the prospective financial statements.

Functions provided under this appropriation

Our functions under this appropriation include defending judicial review and appeal cases taken against us and taking enforcement action against participants under our compliance function.

2023/24 Performance measures

Measure	2021/22 result	2022/23 target	2023/24 target	Relevant ambition
14 The electricity litigation fund is used in accordance with the agreed criteria.	Achieved. During 2021/22, the fund was used in accordance with agreed criteria for the costs and expenses.	Achieved	Achieved	▪ Trust & confidence

Additional notes to the performance measures

14 The criteria are set out in our output agreement with the Minister of Energy and Resources.

2023/24 Appropriation

Electricity Litigation Fund appropriation*	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Revenue from the Crown	132	1,500**	1,500**
Expenditure	132	1,500**	1,500**
Note: * As this appropriation is contingent in nature and is only used where certain events or situations arise, no amounts in relation to this appropriation have been included in the budgets within the other prospective financial statements contained in this SPE. ** The budget for 2022/23 corresponds to the Supplementary Estimates of Appropriations for the year ending 30 June 2023. The budget for 2023/24 corresponds to the Estimates of Appropriations for the year ending 30 June 2024			

Financial information

This part of the SPE is the forecast financial statements required by section 149G of the Crown Entities Act 2004.

Prospective financial statements

The purpose of these prospective financial statements is to provide a base against which the Authority's actual financial performance can be assessed to promote public accountability.

These prospective financial statements are prepared for the purpose described above, and the information may not be appropriate for any other purpose. Actual financial results achieved for the period covered may vary from the information presented, and the variations may be material. The information in the prospective financial statements is unaudited.

These prospective financial statements have been prepared to comply with the Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*.

There is no intention to update the prospective financial statements subsequent to their presentation.

Reporting entity

The reporting entity is the Electricity Authority, which is an independent Crown entity in as set out in the Crown Entities Act 2004 and the Public Finance Act 1989. The Authority was established under the Electricity Industry Act 2010.

The Authority is a Tier 1 public benefit entity, as defined under the *External Reporting Board Accounting Standards Framework*, and a reporting entity for the purposes of the Financial Reporting Act 1993, Public Finance Act 1989 and Crown Entities Act 2004.

Statement of compliance and basis of preparation

These prospective financial statements have been prepared on a going-concern basis in accordance with the requirements of the applicable *International Public Sector Accounting Standards*.

The financial statements are presented in New Zealand dollars rounded to the nearest thousand.

The accounting policies below have been applied consistently to all periods presented in the financial statements.

The financial information presented for the 2021/22 year reflects the actual results as published in the Authority's 2021/22 Annual Report. The financial information presented for the 2022/23 year reflects the budget as published in the Authority's 2022/23 SPE. The financial information presented for the 2023/24 year reflects the Authority's intended budget for that year. Budgeted financial information does not include actual transactions and events.

Statement of significant assumptions

These prospective financial statements have been compiled on the basis of government policies and legislation at the time the statements were finalised.

The prospective financial statements are consistent with the delivery of strategies and impacts disclosed in this SPE and the programme of work the Authority expects to undertake during the forecast period.

A conservative view has been adopted, with the assumption that funding will remain at the currently appropriated levels over the forecast period of these statements.

Budget expenditure assumes that the cost of certain inputs will increase in line with general inflation, while others will decrease as cost-saving measures are implemented.

The prospective financial statements have been prepared using the most appropriate assumptions at the time the statements were prepared. As the statements are prospective in nature, actual results will vary from those presented in this SPE.

Factors that may lead to material differences between the prospective financial statements and the subsequent actual financial results reported include:

- the level of litigation activity. In the 2023/24 year, the *Electricity Litigation Fund* appropriation provides the Authority with funding of up to \$1.500 million to ensure that it can participate in litigation effectively and without delay. The actual amount of expenditure incurred will primarily be driven by the number and complexity of legal challenges the Authority is a party to, if any, during 2023/24. As this appropriation is contingent in nature, no revenue or expenditure in relation to this appropriation has been included in the 2023/24 budgets in the prospective financial statements.
- security of supply emergency events. The *Managing the Security of New Zealand's Electricity Supply* appropriation is available to fund the management of emergency events by the system operator. This is a multi-year appropriation of \$6.000 million over five years (starting on 1 July 2022 and expire on 30 June 2027). As this appropriation is contingent in nature and is not routinely used, no revenue or expenditure in relation to this appropriation has been included in the 2023/24 budgets in the prospective financial statements.

Prospective statement of comprehensive revenue and expense

	Note	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Funding from the Crown	1	77,504	97,654*	100,813
Interest revenue		154	130	130
Total revenue		77,658	97,784	100,943
Personnel costs	2	14,800	15,363	16,035
Depreciation and amortisation		1,351	2,459	2,342
Service provider contracts		49,238	50,264	56,781
Other expenses	3	12,115	29,568	25,655
Total expenditure		77,504	97,654**	100,813***
Total comprehensive revenue and expense		154	130	130

Note:

* An expense transfer of \$1.702 million, from 2021/22 to 2022/23, was confirmed in the October 2022 baseline update.

** The Authority received an increase of \$0.500 million for 2022/23 to cover work already underway that could not be met by reprioritised resources.

*** The Authority received a permanent baseline increase of \$4.6 million for 2023/24 and outyears to fund key workstreams and major regulatory reform from the Government's Emissions Reduction Plan, work arising from the review of the events of 9 August 2021, implementing the Electricity Industry Amendment Act 2022 and work required to improve wholesale market competition.

Prospective statement of changes in equity

	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Opening balance at 1 July	12,814	13,950	14,080
Total comprehensive revenue and expense	154	130	130
Closing balance at 30 June	12,968	14,080	14,210

Prospective statement of financial position

	Note	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Assets				
Current assets				
Cash and cash equivalents		18,661	15,959	16,198
Receivables and prepayments		944	80	200
GST receivable		-	-	-
Total current assets		19,605	16,039	16,398
Non-current assets				
Property, plant and equipment	4	1,136	1,478	1,930
Intangible assets	5	6,901	4,481	3,189
Total non-current assets		8,037	5,959	5,119
Total assets		27,642	21,998	21,517
Liabilities				
Current liabilities				
Payables and accruals		6,911	6,800	6,000
Employee entitlements		1,223	1,000	1,000
GST payable		443	100	200
Appropriation repayable to the Crown		5,670	-	-
Other provisions		305	-	-
Total current liabilities		14,552	7,900	7,200
Non-current liabilities				
Employee entitlements		20	18	18
Lease		102	-	89
Total non-current liabilities		122	18	107
Total liabilities		14,674	7,918	7,307
Net assets		12,968	14,080	14,210
Equity				
Contributed capital		9,011	9,011	9,011
Accumulated surplus/(deficit)		3,957	5,069	5,199
Total Equity		12,968	14,080	14,210

Prospective statement of cash flows

	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Cash flows from operating activities			
Receipts from the Crown	83,174	95,452	100,813
Interest from investments	154	130	130
Repayment of appropriations to the Crown	(644)	-	-
Payments to suppliers	(63,487)	(76,811)	(77,295)
Payments to personnel	(14,386)	(15,345)	(20,168)
Goods and services tax (net)	501	-	-
Net cash flows from operating activities	5,312	3,426	3,480
Cash flows from investing activities			
Receipts from the sale of fixed assets	-	-	-
Purchase of property, plant and equipment	(1,078)	(1,408)	(771)
Purchase of intangibles	(2,656)	(1,539)	(2,546)
Net cash flows from investing activities	(3,734)	(2,947)	(3,317)
Net increase/(decrease) in cash and cash equivalents	1,578	479	163
Cash and cash equivalents at the beginning of the year	17,083	15,480	16,035
Cash and cash equivalents at the end of the year	18,661	15,959	16,198

Notes to the prospective financial statements

1. Appropriation revenue	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Electricity Industry Governance and Market Operations	77,372	97,654**	100,813***
Managing the Security of New Zealand's Electricity Supply*	-	-	-
Electricity Litigation Fund*	132	-	-
	77,504	97,654***	100,813***

Note:

* The Managing the security of New Zealand's electricity supply appropriation, and the Electricity litigation fund appropriation, are both contingent in nature and not routinely used. For this reason, the Authority's prospective financial statements do not include any budgeted revenue or expenditure in relation to these appropriations.

** An expense transfer of \$1.702 million, from 2021/22 to 2022/23, was confirmed in the October 2022 baseline update.

*** The Authority received an increase of \$0.500 million for 2022/23 to cover work already underway that could not be met by reprioritised resources.

**** The Authority received a permanent baseline increase of \$4.6 million for 2023/24 and outyears to fund key workstreams and major regulatory reform from the Government's Emissions Reduction Plan, work arising from the review of the events of 9 August 2021, implementing the Electricity Industry Amendment Act 2022 and work required to improve wholesale market competition.

2. Personnel costs	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Salaries and contractors	14,188	14,745	15,480
Contributions to defined contribution plans	528	618	555
Increase/(decrease) in leave provisions	84	-	-
	14,800	15,363	16,035

3. Other expenses	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Managing the security of New Zealand's electricity supply*	-	-	-
Electricity litigation fund*	132	-	-
Consultants	6,235	3,904	5,000
Auditor fees	52	50	50
Advisory and working group fees	98	100	100
Board members' fees	574	640	710
Rulings Panel fees	56	180	180
Operating lease expenses	898	612	720
Travel expenses	68	120	120
Market making	3	14,400	14,400
Other operating expenses	3,999	9,562	4,375
	12,115	29,568	25,655

Note:

* The Managing the security of New Zealand's electricity supply appropriation, and the Electricity litigation fund appropriation, are both contingent in nature and not routinely used. For this reason, the Authority's prospective financial statements do not include any budgeted revenue or expenditure in relation to these appropriations.

4. Property, plant and equipment	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Computer hardware	126	70	23
Office equipment	19	20	19
Furniture and fittings	48	488	177
Leasehold improvements	943	900	1,711
Net book value at 30 June	1,136	1,478	1,930

5. Intangible assets	Actual 2021/22 (\$000)	Budget 2022/23 (\$000)	Budget 2023/24 (\$000)
Software	6,901	4,481	3,189
Net book value at 30 June	6,901	4,481	3,189

Statement of significant accounting policies

Revenue

The specific accounting policies for significant revenue items are explained below.

Funding from the Crown

The Authority is primarily funded from the Crown. This funding is restricted in its use for the purpose of the Authority meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

The Authority considers there are no conditions attached to the funding and it is recognised as non-exchange revenue at the point of entitlement. Appropriations received from the Crown are recognised as revenue to the extent that expenditure has been incurred. Appropriations received but not spent are treated as a Crown creditor and shown in the statement of financial position as a provision for refund of appropriations to the Crown.

Levies

The Authority administers a levy on industry participants under the Electricity Industry (Levy of Industry Participants) Regulations 2010 (Regulations). Levies are paid directly to the Crown for reimbursement of funding provided to the Authority. Levies are not recognised as revenue in the Authority's financial statements.

Interest

Interest is earned on bank deposits and is recognised in the period to which it relates.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on-call with banks and other short-term highly liquid investments with original maturities of normally three months or less.

Receivables and prepayments

Short-term receivables are recorded at the amount due, less an allowance for credit losses.

The Authority applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectations of recovery include the debtor being in liquidation.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: computer hardware, furniture and fittings, office equipment and leasehold improvements.

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of each asset class have been estimated as follows:

Computer hardware	3–5 years	20%–33%
Furniture and fittings	5 years	20%
Office equipment	5 years	20%
Leasehold improvements	Shorter of the unexpired lease term and useful life	

Intangible assets

Software acquisition and development

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset when the software becomes operational. Work in progress is recognised at cost less impairment and assessed annually for impairment.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Authority's corporate website are recognised as an expense when incurred.

Costs associated with the implementation of software as a service products are treated as an expense.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The value of additions made to an existing asset are amortised over the remaining useful life of the existing asset.

The useful lives and associated amortisation rates of each asset class are estimated as follows:

Computer software	3–17 years	6%–33%
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Impairment of capital assets

The Authority does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash generating assets

Property, plant and equipment and, intangible assets that have a finite useful life are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised for the amount by which the asset's

carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either depreciated replacement cost, restoration cost, or service units. The most appropriate approach depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Payables and accruals

Short-term payables and accruals are recorded as exchange transactions at their face value.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date and sick leave.

Sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent that the Authority anticipates it likely to be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain timing when there is a present obligation (either legal or constructive) due to a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus/(deficit).

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) at balance date is included as part of receivables, current assets, or payables, current liabilities, in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Authority is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Changes in accounting policies

There have been minor changes to accounting policies.

Appendix A 2023/24 performance measure review

In preparation for the 2023/24 financial year, the Authority has reviewed measures used in this SPE to ensure they are still fit for purpose.

The Authority has added one new performance measure in support of its new function to protect the interests of domestic and small business consumers in relation of the electricity supply to those consumers.

Material changes to measures

Area / function	Measure	Target	Action	Rationale
Protecting the interests of small consumers	Increased monitoring of and reporting on retail competition.*	Establish regular monitoring and reporting of retail competition.	New measure	This measure was created to enable the Authority to report on performance against its new function to protect the interests of domestic and small business consumers in relation of the electricity supply to those consumers.

*This performance measure is an interim measure and may change as the Authority grows its consumer protection function.