

# **Statement of performance expectations 2024/25**

**1 July 2024 – 30 June 2025**

**Amendment 13 December 2024**

Amendment presented to the House of Representatives in line with section 149K of the Crown Entities Act 2004.

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# Statement of responsibility

This document constitutes the Electricity Authority Te Mana Hiko's *Statement of performance expectations* as required under the Crown Entities Act 2004.

The descriptions of our purpose, role and functions are consistent with the Electricity Industry Act 2010.

This *Statement of performance expectations* covers a one-year period between 1 July 2024 and 30 June 2025 and should be read in conjunction with our *Statement of intent 2024-28*, available at [www.ea.govt.nz/about-us/corporate-documents](http://www.ea.govt.nz/about-us/corporate-documents)

The Board is responsible for the content of this statement, which includes the prospective financial and non-financial statements for the year, as well as the assumptions on which they are based and the judgements used in preparing them.

We have prepared this statement in accordance with the Crown Entities Act and the prospective financial statements in accordance with generally accepted accounting practice in New Zealand.

In accordance with the Crown Entities Act, the Electricity Authority Te Mana Hiko has consulted with the Minister for Energy in preparing this statement.



Anna Kominik  
Chair  
10 December 2024



Paula Rose QSO  
Audit and Finance Committee Chair  
10 December 2024

## Electricity Authority Board



Anna Kominik  
Chair



Allan Dawson  
Deputy Chair



Dr Cristiano Marantes



Paula Rose QSO



Lana Stockman



Erik Westergaard

# Foreword

This amendment to our *Statement of performance expectations 2024/25* details how the Electricity Authority Te Mana Hiko intends to measure our progress over the coming year, as we support a competitive, reliable and efficient electricity industry for the long-term benefit of consumers and New Zealand.

In February, we outlined a multi-year delivery plan for the energy transition – setting out what we expect to deliver in the short, medium and long term – and the benefits it will provide to consumers.

We set a new vision providing consumers with choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper.

Our plan is anchored in security of supply, and a competitive and efficient electricity market where investment and innovation flourish. It also incorporates the Market Development Advisory Group's advice on how to strengthen the wholesale market.

The Authority's high priority work is focused on laying the foundation for Market 2.0 – for a wholesale electricity market that can meet consumer demand with an increasingly renewables-based electricity system. This requires an evolution of the market – and of the way we regulate.

It's been a tough winter and we expect the next few years will continue to challenge the market, the sector and the Authority. There are several measures already in place to help ease the price pressure and right the spot market.

The Energy Competition Task Force, established with the Commerce Commission, is rapidly developing actions to improve the performance of electricity markets for consumers. The Task Force is focused on encouraging new generators and independent retailers into the market, increasing competition and providing more affordable options for households and businesses.

While the change and innovations in our sector will deliver significant benefits, it is also challenging – the legacy rules and expectations of industry are no longer fit for purpose, and neither is the culture of regulation.

This places demands on the Authority to change the rules, and also to change the way we regulate – to be genuinely open, accessible and supportive of new ideas, to accelerate innovation and enable change. We need to become more agile and work at pace to deliver our strategic outcomes – this requires prioritisation.

We have identified the work we need to do that will deliver the largest benefit to consumers, and clarified our priorities. As a result, we've reprioritised our work programme to align with our vision and strategic outcomes.

The work we do contributes to three strategic outcomes – *affordable*, *efficient*, and *secure and resilient*, which in turn will contribute to achieving the Authority's consumer-focused vision.

We've grouped the projects that contribute to our strategic outcomes into six priority work streams:

- **Consumer care & affordability:** ensuring consumers receive the care and protection they need and have access to affordable energy.
- **Effective competition:** delivering reliable electricity to consumers at lowest possible cost.
- **Accurate and efficient pricing:** rewarding market participation and the allocation of scarce resources.

- **Innovation & distributed energy:** supporting new initiatives and technologies which can lead to improved competition, reliability, and affordability.
- **Effective risk management:** providing market participants with access to tools to efficiently manage their risks and providing signals to guide longer term decisions.
- **Regional resilience:** delivering opportunities for a more localised energy supply.

The priority work streams are designed to be flexible and may change in response to industry developments and new information. We want to be able to respond to challenges and opportunities as they emerge.

By prioritising our work to deliver the largest benefit to consumers, we are laying the groundwork for the future and shaping a system that supports investment, innovation and economic growth, while also providing more affordable energy and services for consumers.

We will be closely tracking and reporting on our progress. We need to deliver on the expectations, trust and confidence placed in us and the system.

This document sets out the outcomes we are working to achieve and our prioritised work to deliver on these outcomes and be a proactive regulator that delivers for New Zealanders and enhances the nation's productivity and prosperity.



Anna Kominik  
Chair  
10 December 2024

# Who we are

The Electricity Authority Te Mana Hiko (Authority) is responsible for the governance and regulation of New Zealand's electricity system and markets.

As a kaitiaki of electricity, our vision is for consumers to have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper.

Through our work, we are focused on supporting a competitive and efficient wholesale market that enables an electrified New Zealand – producing reliable electricity at the lowest possible cost for the long-term benefit of consumers. An increasingly electrified future requires investment and innovation to flourish; consumers to have more control over their electricity; and communities to be increasingly resilient in the face of significant weather events and natural disasters.

The Authority has clear priorities for what we need to deliver to achieve our vision and strategic objectives that will improve consumer choice and access to secure and affordable electricity. This *Statement of performance expectations* outlines our work plan for 2024/25 and is underpinned by our *Statement of intent 2024-28*, as well as our annual letter of expectations from the Minister for Energy.

## Our role and statutory objectives

Section 12 of the Electricity Industry Act 2010 (Act) establishes the Authority as an independent Crown entity governed by the Crown Entities Act 2004. Section 15 of the Act 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."*

The Electricity Industry Amendment Act 2022 amended Section 15 to set out an additional objective for the Authority:

*"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 consumers, small and large, is key to ensuring that all New Zealanders have access to the electricity they need now and in the future. Our statutory objectives are essential to realise our vision and outcomes:

- **Competition** – Competition is a key enabler to deliver an electrified future – driving down prices and leading to increased investment and innovation. Competition underpins affordability, security of supply, and helps ensure New Zealanders have plenty of choice about how they receive and use electricity. Access to competitive pricing drives downward pressure on costs and leads to increasingly affordable electricity for consumers now and in the future.
- **Reliability** – New Zealand homes and businesses depend on a continuous supply of electricity. We work to ensure the reliable day-to-day and long-term security of electricity supply for consumers. Our regulatory focus on reliability will be essential as the country electrifies.
- **Efficiency** – When efficiency is high, electricity system resources and investments are focused in the right areas and costs to operate the system can reduce. Ongoing innovation and improvements help create greater efficiency which should translate into more affordable electricity and services for consumers.

- **Protection of small 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 consumer outcomes.

## Regulating for the consumer of the future

The Authority is focused on making sure the transition to a net zero carbon future is as efficient as possible, while maintaining energy security, system adaptability and affordability for consumers.

Significant investment in clean electricity generation, transmission and distribution networks is necessary to support the electrification of the country. Mass electrification will help Aotearoa meet its climate change commitments and help power a growing and productive economy.

A stable regulatory framework is essential to enable transformation while making sure the electricity stays on and the public has confidence in the system and the regulator. The Authority has shifted to a more collaborative approach, working closely with regulated parties, agencies and consumer groups to address immediate stresses on the system while securing the foundations for consumers to benefit from a very different electric future.

As the regulator, it is our role to keep up with new technologies and artificial intelligence that will serve to empower and enable the consumer of the future while keeping the power on.






## Our strategic framework

### Our vision

Consumers have choices in accessing the energy they need now, and in the future, to ensure they and New Zealand prosper.






### Outcomes

A secure and resilient, accessible and efficient electricity system that improves long-term outcomes for consumers and protects the interests of small consumers.

-  Secure and resilient
-  Accessible
-  Efficient





### Regulatory functions

As New Zealand's electricity regulator, under the Electricity Industry Act 2010, our functions are to:

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

### Statutory objectives

Our work delivers value to consumers through:

-  Competition
-  Reliability
-  Efficiency
-  Protection of small consumers

## Operating as a Crown entity

As an independent Crown entity, the Authority can determine a work programme that meets our statutory objectives and works to promote a competitive and efficient market for the long-term benefit of consumers. Whilst our independence means we give advice rather than take direction, we are attuned to our external operating environment and the Government's priorities.

In developing our work programme, we have had regard to the October 2024 Statement of Government Policy provided under section 17 of the Electricity Industry Act 2010 (GPS). Our work is also informed by the Government's expectations communicated in the enduring letter of expectations to Crown entities, letter of expectations from the Minister for Energy

We work closely with the Commerce Commission, to ensure regulatory alignment, and with other relevant government agencies to inform and support an energy regulatory system that enables innovation, competition, consumer choice and affordability.

A detailed summary and evaluation of our performance are provided to the Minister for Energy on a quarterly basis. We publish these reports on our website for public accountability at [www.ea.govt.nz/about-us/corporate-documents/](http://www.ea.govt.nz/about-us/corporate-documents/)

## Regulatory certainty to unlock investment, innovation and productivity growth

The Authority is committed to ensuring regulation enables investment, innovation and new technologies, while maintaining security of supply. In 2024/25, we are working on projects that will enable change across the electricity system, while making sure regulation is fit for purpose and builds on the strong foundation of a market that has stimulated investment and growth in the sector for over 20 years.

The future landscape of electricity will be a diverse mix of sources that give individuals, businesses, communities and regions more control over their energy production and use. The operation of the future system will need to reflect this diversity and orchestrate the many and varied electricity resources, from large generation plants to the increasing uptake of energy storage and solar.

Keeping the lights on remains a key priority for us. By improving the regulatory settings for distribution networks and encouraging more investment in flexible resources, we expect supply challenges to ease over time. We have put in place coordination measures and better management of supply risks for winter 2024 and are working on a strategic pathway for 2025 and beyond to support security of supply through the transition to electrification.

The 2024/25 work programme will enable flexibility across the system – from supply to demand – by promoting market mechanisms and reducing regulatory barriers to investment and innovation. This is about unlocking the benefits of flexibility for consumers to have choice, access and control of the electricity they produce and use, to reduce their costs and improve our environment. Activities in our work programme aimed at reducing barriers to innovation and promoting competition include potential amendments to the Electricity Industry Participation Code to permit separate retailers to conduct trading relationships with the same consumer. This builds on a multiple trading relationships' trial started last year, in which the Authority granted exemptions for a five-year period so consumers could have more choice about how and where electricity is being used and exported. Our 2024/25 work programme also includes Code amendments intended to improve the visibility and co-ordination of flexibility services.

We are focused on designing a digitised electricity system that harnesses the power of data, gives greater control to consumers and delivers clean and reliable electricity at the lowest possible cost. In

the short term, this means consumers will start to benefit from accurate, real time and secure electricity data. Over time, the increasing availability of data on usage, price and availability will support consumers to make decisions that better suit the needs of their household, business and whānau.

The expectations on providers are shifting as consumers expect more and different services to meet their energy requirements – and affordability continues to be critically important to both householders and businesses. In 2024/25, we will work across the retail and distribution sectors to ensure market mechanisms promote competition and efficiency and increase affordability for consumers.

## **Reflecting Government priorities**

The Authority's work programme has been developed to deliver on our statutory objectives and strategic outcomes, as well as reflect the Government's priorities set out in the GPS. Key activities within our work programme are described in further detail in Appendix B.

### **Keeping the lights on**

The Authority is prioritising market settings that enable security of supply, making sure that risks are identified early and managed effectively. We have put in place coordination measures and better management of supply risks for winter 2024, and are also delivering on a longer term plan that moves New Zealand beyond the current 'winter-to-winter supply management' approach.

Information availability for the market is critical for short- and long-term management of electricity supply. Our 2024/25 work programme includes activities focused on improving generation investment signals, increasing the potential for flexibility to meet peak demand and improving the accuracy of intermittent generation forecasts. Demand side flexibility such as distributed energy resources can provide the system with the firming capacity required to bounce back from shocks, including cyber, weather events and natural disasters.

### **Security and resilience through improvements to the wholesale electricity market**

In 2024/25, the Authority is implementing the advice of the Market Development Advisory Group to improve the wholesale market so that consumers benefit from electricity that is clean, reliable and available at the lowest possible cost. We are improving the accuracy and frequency of short-term generation forecasts, disclosing hedge information to better manage risks and investment decisions, and enabling and rewarding demand-side flexibility activity to promote transparency and understand trends.

We are also focused on improving distribution pricing so that it reflects network needs, ancillary service products to cover a sudden supply reduction from intermittent sources, and visibility of demand-side flexibility for the system operator, along with removing any regulatory barriers to demand-side flexibility offering ancillary services.

### **Promoting competition across the system to ensure affordable electricity**

We have activities underway to promote competition and efficiency, and to increase affordability for consumers, including reviewing risk management options to improve retail competition and consumer mobility to drive competition and affordability. We are also updating distribution sector regulatory settings to ensure consumers are supported in how they want to access and use electricity, and investigating how controllable distributed energy resources can help reduce overall consumer costs.

## **Electrifying the economy and enabling EV infrastructure**

To deliver against the key priorities of Electrify NZ, in accordance with our letter of expectations, the Authority is focused on enabling access to data and collecting, sharing data that can be used by participants and consumers, and ensuring markets for demand response technology can match buyers and sellers of this flexibility.

We are also improving the regulatory settings for distribution networks, to ensure consistent and efficient connection pricing to meet the growing demand from access seekers, enable the rollout of widespread electric vehicle infrastructure and support the electrification of the economy.

## **Value for money**

As a Crown entity, we are critically aware of the need to demonstrate value for money, with the responsible management of our assets, finances, capital expenditure and investments. The Authority is focused on working smarter and more efficiently. We are strengthening our commercial management, reducing our consultancy and contractor costs, lowering staff turnover and improving our technical capabilities.

We will continue to report on this and our progress implementing the Strategic Baseline Review recommendations in our quarterly reports to the Minister for Energy.

We will also introduce smarter systems and processes, help increase understanding around our cost drivers and performance, and ultimately improve our efficiency and responsiveness. In 2024/25 we will be developing our regulatory strategy to guide how we prioritise our work programme to drive greater value from the funds we receive and the assets we manage.

# Our funding and performance

The Authority is funded by the Crown through appropriations. The Crown recovers this funding through a levy on electricity industry participants. Industry participants may pass this cost on to consumers. Any over-recovery of levy revenue is refunded to participants.

To obtain funding, we prepare an appropriations request for the Minister for Energy outlining the costs of performing our functions and exercising our powers and duties under the Electricity Industry Act 2010. To inform this request, we consult on our proposed appropriation levels and then report on the outcome of this consultation to the Minister when we submit our appropriations request.

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

## Electricity Authority functions per appropriation

Electricity Authority appropriations	Budget 2024/25 (\$m)	Functions under the appropriation
<b>Operating appropriation</b>		
1 <a href="#">Electricity Industry Governance and Market Operations</a>	112.497	Promote market development
		Monitor, inform and educate
		Operate the electricity system and markets
		Enforce compliance
		Protect the interests of small electricity consumers
<b>Contingent appropriations</b>		
2 <a href="#">Managing the Security of New Zealand's Electricity Supply</a>	1.200	Addressing funding requests from the system operator for the management of security of supply events
3 <a href="#">Electricity Litigation Fund</a>	1.500	Taking enforcement action and defending cases against the Authority

## Measuring our performance

This section outlines the specific outcomes the Authority is working to achieve in 2024/25 under each of our three appropriations. It also lays out our performance targets and how we intend to measure success.

## Reporting performance targets

We will assess our performance against the following criteria and rating system and report on each of our performance measures in our Annual Report 2024/25.

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) issued a Standard for Service Performance Reporting: Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48), effective for annual reporting on or after 1 January 2022.

The Standard provides requirements for selecting and presenting service performance information so that it is appropriate and meaningful to users. We have prepared this statement to align with the new Standard.<sup>1</sup>

## Service performance judgements and assumptions

The Authority has made the following judgements and assumptions about our performance measures and targets when preparing this document:

- we consider that the performance measures selected best capture the work we deliver to achieve our functions
- it is our judgement that the selected performance measures adequately inform progress towards delivering the strategic outcomes in our *Statement of intent 2024-28*
- in our view, the performance information in this *Statement of performance expectations* will meet the expectations of our stakeholders, including industry participants, consumers and related government entities.

The Board has a full understanding of our performance against key outcomes, and can clearly demonstrate these in our accountability documents.

We have also applied judgements in measuring, aggregating, and presenting performance information. In alignment with PBE FRS 48, judgements and assumptions based on performance measures and results will be disclosed in our *Annual report 2024/25*.

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<sup>1</sup> For the purposes of PBE FRS 48, this *Statement of performance expectations* is our forecast statement of service performance. 'Non-financial performance information' refers to service performance in the standard.

# Appropriation 1: Electricity industry governance and market operations

The Electricity Industry Governance and Market Operations appropriation is the Authority's operational appropriation. Approximately 57% of this appropriation is used to fund the service providers that operate the electricity system and markets. The remainder funds the Authority's own operating costs (30%) and market-making scheme (13%).

## What we intend to achieve

This appropriation is intended to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers; and to protect 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 Electricity Industry Participation Code 2010 (Code) that governs the electricity industry, and other outputs in accordance with our statutory functions under the Electricity Industry Act 2010. It is also to deliver core electricity system and market operation functions carried out under service provider contracts.

In 2024/25, the budget for this appropriation is \$112.497 million.

## Functions provided under this appropriation

This appropriation funds our operations, including Board members' costs, the Rulings Panel, Security and Reliability Council and other technical and advisory groups. It also funds contracted market operation service providers and how we deliver 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.

## How we will measure success

### Promote market development

We promote development of the electricity markets by making amendments to the 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 industry participants to develop desired results, delivering industry training programmes, publishing guidelines, and model agreements.

Our market development activities, as listed in Appendix B, present the work programme we will undertake to progress achieving our strategic outcomes and meeting the Minister’s expectations of the Authority in 2024/25.

Measure	2022/23 Result	2023/24 Target	2024/25 Target	Statutory objective
1 <a href="#">Planned activities that promote market development achieve published annual outcomes</a>	Achieved 89%	80%	80%	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Reliability</li> <li>• Efficiency</li> <li>• Protection of small consumers</li> </ul>
2 Our market development decisions and processes are lawful and appropriate	Achieved	0 legal challenges that result in an Authority market development decision being overturned	0 legal challenges that result in an Authority market development decision being overturned	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Reliability</li> <li>• Efficiency</li> <li>• Protection of small consumers</li> </ul>
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	1 review completed	1 review completed	<ul style="list-style-type: none"> <li>• Competition</li> </ul>

### Notes

- 1 Planned activities that promote market development are listed in [Appendix B. The amendments to listed planned activities reflect our updated work programme that was reprioritised in October 2024 due to the significant changes in our operating environment.](#)
- 2 Authority 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	2022/23 Result	2023/24 Target	2024/25 Target	Statutory objective
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	• Competition
5 The Authority actively promotes understanding of its work and the electricity system to a wide audience	Total website views: 922,495 Total social media followers (X (formerly Twitter)/LinkedIn): 3,842	Increase in activity across all public-facing channels.	Increase in activity across all public-facing channels	• Reliability
6 Content on Electricity Market Information website is reviewed and revised to maintain relevance	5 pieces of EMI content reviewed and revised	Increase on prior year	Sustain or increase on prior year	• Efficiency
7 Data and analytical tools are made available to support the Authority’s decision-making processes	Not achieved. 24 new data tables published for use by analysts in Delta Lakehouse	Increase on prior year	Increase on prior year*	• Competition • Reliability • Efficiency

### Notes

- 4 The Authority publishes weekly trading conduct reports throughout the year, except for the December holiday period, and quarterly market performance reviews.
- 5 The Authority’s public-facing channels include its website ([www.ea.govt.nz](http://www.ea.govt.nz)), Market Brief e-newsletter and social media. An increase in activity includes an increase in website views and social media followers.
- 6 The Electricity Market Information website ([www.emi.ea.govt.nz](http://www.emi.ea.govt.nz)) is the Electricity Authority’s channel for publishing data, market performance metrics, and analytical tools to facilitate decision-making within the New Zealand electricity industry.
- 7 Data and analytical tools includes the use of Tableau and Delta, internally, to inform decision-making at the Authority.

## Operate the electricity system and markets

The Authority is responsible for the day-to-day operation of the electricity system and markets, delivered through contracted market operation service providers.

Measure	2022/23 Result	2023/24 Target	2024/25 Target	Statutory objective
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	Achieved	Achieved	<ul style="list-style-type: none"> <li>• Reliability</li> <li>• Efficiency</li> </ul>
9 Any significant issues in MOSP systems, as identified in audit processes, have a remedial plan agreed and actioned by specified date	Achieved	Achieved	Achieved	<ul style="list-style-type: none"> <li>• Reliability</li> <li>• Efficiency</li> </ul>

### Notes

8/9 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 Electricity Industry Act 2010, relevant regulations and the Electricity Industry Participation Code 2010.

Measure	2022/23 Result	2023/24 Target	2024/25 Target	Statutory objective
10 <a href="#">Investigations into low-to-medium complexity alleged breaches of the Electricity Industry Participation Code are addressed in a timely manner</a>	New measure	New measure	Median time to close is 6 months or less	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Reliability</li> <li>• Protection of Small Consumers</li> </ul>
11 Our compliance decisions are lawful and appropriate	Achieved	0 legal challenges that result in a compliance decision being overturned	0 legal challenges that result in a compliance decision being overturned	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Reliability</li> <li>• Protection of Small Consumers</li> </ul>

### Notes

- 10 This performance indicator was revised for 2024/25 and outyears to better represent activities in this appropriation for relevancy, understandability, timeliness and verifiability. Where we have complex cases, which are expected to be outliers, there will not be an adverse impact on our performance. This revision was developed with Authority subject matter experts and better reflects the work load and process of the compliance team.

Investigations in this context include all fact-finding enquiries as well as formal investigations. All notifications of alleged breaches are recorded in the Authority's compliance portal. When recording the alleged breach in the portal, compliance staff complete a 'severity and complexity' check sheet, and the portal then generates an assessment of the severity of the alleged breach.

- 11 Decisions on alleged breaches of the Act, various regulations, and the Code are made by decision makers, including the Compliance Committee and the Board. 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.

Measure	2022/23 Result	2023/24 Target	2024/25 Target	Statutory objective
12 Increased monitoring of and reporting on retail competition		Baseline to be established*	<a href="#">Establish regular monitoring and reporting of retail competition</a>	Competition Protection of small consumers

### Notes

- 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 2024/25 financial year.

We develop insights based on accurate data. Improving our collecting and monitoring of retail data will enable us to have better visibility of the retail market. This increased visibility will enable us to identify potential issues, publish more insights and make well-informed policy decisions that will benefit consumers.

\*The submissions received on the retail data project have been published and we are analysing the likely costs and benefits of our proposal.

## 2024/25 appropriation and cost breakdown

Electricity Industry Governance and Market Operations appropriation	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget* 2024/25 (\$000)
Revenue from the Crown	92,073	101,374**	112,497***
Expenditure	92,073	101,254****	112,497

**Notes:**

- \* The budget for 2024/25 corresponds to the Estimates of Appropriations for the year ending 30 June 2025.
- \*\* 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. An expense transfer of \$1.816 million from 2021/22 to 2023/24 for the real-time pricing project was confirmed in the October 2022 baseline update. An expense transfer of \$0.561 million from 2022/23 to 2023/24 for the Future Security and Resilience project was confirmed in the October 2023 baseline update.
- \*\*\* The Authority received a permanent baseline increase of \$10.9 million for 2024/25 and outyears to fund key initiatives, provide the Authority with the capacity and capability to enable a consumer-focused transition to a net zero carbon future and ensure the ability to perform its regulatory role for the benefit of consumers. A technical adjustment to bring forward funding of \$2.6 million from outyears to 2024/25 to align with forecast expenditure for the real-time pricing project was approved in Budget 2024.
- \*\*\*\* Expenditure for 2023/24 is based on the forecast as at 30 April 2024.

Electricity Industry Governance and Market Operations expenditure breakdown	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
System operator—operating expenses	28,776	30,285	31,042
System operator—capital-related expenses	19,976	18,116	18,539
<b>System operator expenses</b>	<b>48,752</b>	<b>48,401</b>	<b>49,581</b>
Service provider—market making	9,130	13,384	14,400
Service provider—clearing manager	2,821	2,981	2,620
Service provider—wholesale information and trading system	1,875	2,009	1,328
Service provider—pricing manager	256	0*	0
Service provider—reconciliation manager	956	1,019	1,278
Service provider—registry	753	828	1,012
Service provider—FTR manager	877	935	1,060
Service provider—consumer mobility	-	-	1,462
Service provider—depreciation and amortisation	1,673	1,483	2,055
Service provider—IT costs	2	2	140
<b>Other service provider expenses</b>	<b>18,343</b>	<b>22,641</b>	<b>25,355</b>
<b>Authority operating expenses</b>	<b>24,978</b>	<b>30,212**</b>	<b>37,561</b>
<b>Total expenses</b>	<b>92,073</b>	<b>101,254***</b>	<b>112,497</b>

**Notes:**

- \* Pricing Manager no longer exists as it has been superseded by real-time pricing. Any residual functions that could not be taken over by real-time pricing have been taken over by the clearing manager.
- \*\* In 2022/23 the consumer mobility budget was recorded under Authority operating expenses. Because this budget supports provision of an independent consumer power switching website by a third-party, it has been reclassified and removed from the Authority operating expenses from 2024/25.
- \*\*\* Expenditure for 2023/24 is based on the forecast as at 30 April 2024.

Note that cost grouping is based on the general ledger for service provider costs, so does not necessarily reflect the full operational costs in all instances. Internal staff time and relevant contractor and consultant spend related to service provider costs are currently being presented in the "Authority operating expenses" line item. We plan to increase the sophistication around tracking cost drivers and to provide a more accurate activity-based costing view in future.

## Appropriation 2: Managing the security of New Zealand's electricity supply

### What we intend to achieve

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.<sup>2</sup> 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.

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

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<sup>2</sup> 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 at [www.transpower.co.nz/system-operator/about-system-operator/security-supply-and-capacity](http://www.transpower.co.nz/system-operator/about-system-operator/security-supply-and-capacity)

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.

## 2024/25 Performance measures

Managing the security of New Zealand's electricity supply is our key priority. The effective management of dry years and emergency events, as measured by region on a 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	2022/23 Result	2023/24 Target	2024/25 Target	Statutory objective
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 2022/23 year	Achieved	Achieved	Reliability Efficiency
14 <a href="#">Post-implementation review of dry year or emergency event shows use of funding achieved its intended outcomes</a>		New measure	Achieved	Efficiency

### Notes

- 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 there is an actual or emerging security event; intended actions are clearly described; and monitoring and reporting are specified.

## 2024/25 Appropriation

Managing the Security of New Zealand's Electricity Supply appropriation*	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget** 2024/25 (\$000)
Revenue from the Crown	-	-	1,200
Expenditure	-	-***	1,200

**Notes:**

\* 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 statement of performance expectations.

\*\* The budget for 2024/25 corresponds to the Estimates of Appropriations for the year ending 30 June 2025.

\*\*\* Expenditure for 2023/24 is based on the forecast as at 30 April 2024.



## Appropriation 3: 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 and regulations.

In 2024/25 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.

### 2024/25 Performance measures

Measure	2022/23 result	2023/24 target	2024/25 target	Relevant ambition
15 The electricity litigation fund is used in accordance with the agreed criteria	Achieved During 2022/23, the fund was used in accordance with agreed criteria for the costs and expenses	Achieved	Achieved	• Trust and confidence

### Notes

15 The criteria are set out in our output agreement with the Minister for Energy.

### 2024/25 Appropriation

Electricity Litigation Fund appropriation*	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget** 2024/25 (\$000)
Revenue from the Crown	869	293	1,500
Expenditure	869	293***	1,500

#### Notes:

\* 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 *Statement of performance expectations*.

\*\* The budget for 2024/25 corresponds to the Estimates of Appropriations for the year ending 30 June 2025.

\*\*\* Expenditure for 2023/24 is based on the forecast at 30 April 2024.

# Prospective financial statements 2024/25

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 2022/23 year reflects the actual results as published in the Authority's *2022/23 Annual Report*. The financial information presented for the 2023/24 year reflects the latest forecast. The financial information presented for the 2024/25 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 *Statement of performance expectations* and the programme of work the Authority expects to undertake during the forecast period.

We have taken a conservative view, 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.

We have prepared the prospective financial statements 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 *Statement of performance expectations*.

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 2024/25 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 2024/25. As this appropriation is contingent in nature, no revenue or expenditure in relation to this appropriation has been included in the 2024/25 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 expiring 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 2024/25 budgets in the prospective financial statements.

## Prospective statement of comprehensive revenue and expense

	Note	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Funding from the Crown	1	92,942	101,667*	112,497**
Interest revenue		973	1,440	1,200
<b>Total revenue</b>		<b>93,915</b>	<b>103,107</b>	<b>113,697</b>
Personnel costs	2	16,146	18,460	25,576
Depreciation and amortisation		1,954	2,154	3,120
Service provider contracts		62,242	69,559	72,881
Other expenses	3	12,600	11,374	10,920
<b>Total expenditure</b>		<b>92,942</b>	<b>101,547***</b>	<b>112,497</b>
<b>Total comprehensive revenue and expense</b>		<b>973</b>	<b>1,560</b>	<b>1,200</b>

### Notes:

\* 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. An expense transfer of \$1.816 million from 2021/22 to 2023/24 for the real-time pricing project was confirmed in the October 2022 baseline update. An expense transfer of \$0.561 million from 2022/23 to 2023/24 for the Future Security and Resilience project was confirmed in the October 2023 baseline update.

\*\* The Authority received a permanent baseline increase of \$10.9 million for 2024/25 and outyears to fund key initiatives, provide the Authority with the capacity and capability to enable a consumer-focused transition to a net zero carbon future and ensure the ability to perform its regulatory role for the benefit of consumers. A technical adjustment to bring forward funding of \$2.6 million from outyears to 2024/25 to align with forecast expenditure for the real-time pricing project was approved in Budget 2024.

\*\*\* Expenditure for 2023/24 is based on the forecast as at 30 April 2024 and includes the Litigation fund.

## Total expenditure by core regulatory function

	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Promote market development	14,350	14,027	18,325
Monitor, inform and educate	9,178	7,767	9,964
Protect the interests of small consumers	-	2,533	3,327
Operate the electricity system and markets	65,429	74,447	76,060
Enforce compliance	3,116	3,230	4,821
<b>Total expenditure</b>	<b>92,073</b>	<b>102,004</b>	<b>112,497</b>

**Notes:**

The Authority's costs have been attributed to its core functions, as detailed above. The underlying methodology allocates personnel and external costs being directly attributed to the appropriate function, but where this is not possible then those costs are treated as overheads eg, office rent costs or support staff costs. Overheads are then allocated across our functions based on an appropriate underlying measure eg, full-time employee numbers.

Expenditure for 2023/24 is based on the forecast as at 30 April 2024 and includes the Litigation fund.

## Prospective statement of changes in equity

	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Opening balance at 1 July	12,968	13,941	15,501
Total comprehensive revenue and expense	973	1,560	1,200
<b>Closing balance at 30 June</b>	<b>13,941</b>	<b>15,501</b>	<b>16,701</b>

## Prospective statement of financial position

	Note	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		20,987	18,074	19,274
Receivables and prepayments		161	200	200
GST receivable		-	-	
<b>Total current assets</b>		<b>21,148</b>	<b>18,274</b>	<b>19,474</b>
<b>Non-current assets</b>				
Property, plant and equipment	4	1,245	1,110	989
Intangible assets	5	8,193	7,896	7,721
<b>Total non-current assets</b>		<b>9,438</b>	<b>9,006</b>	<b>8,710</b>
<b>Total assets</b>		<b>30,586</b>	<b>27,280</b>	<b>28,184</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables and accruals		10,581	10,188	9,908
Employee entitlements		1,550	1,200	1,200
GST payable		40	200	200
Appropriation repayable to the Crown		4,212	-	-
Other provisions		-	-	-
<b>Total current liabilities</b>		<b>16,383</b>	<b>11,588</b>	<b>11,463</b>
<b>Non-current liabilities</b>				
Employee entitlements		71	18	20
Provisions		191	173	155
<b>Total non-current liabilities</b>		<b>262</b>	<b>191</b>	<b>175</b>
<b>Total liabilities</b>		<b>16,645</b>	<b>11,779</b>	<b>11,483</b>
<b>Net assets</b>		<b>13,941</b>	<b>15,501</b>	<b>16,701</b>
<b>Equity</b>				
Contributed capital		9,011	9,011	9,011
Accumulated surplus/(deficit)		4,930	6,490	7,690
<b>Total equity</b>		<b>13,941</b>	<b>15,501</b>	<b>16,701</b>

## Prospective statement of cash flows

	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
<b>Cash flows from operating activities</b>			
Receipts from the Crown	97,154	101,667	112,497
Interest from investments	973	1,440	1,200
Repayment of appropriations to the Crown	(5,670)	(4,212)	-
Payments to suppliers	(70,605)	(81,383)	(84,099)
Payments to personnel	(15,769)	(18,863)	(25,274)
Goods and services tax (net)	(402)	160	-
<b>Net cash flows from operating activities</b>	<b>5,681</b>	<b>(1,191)</b>	<b>4,024</b>
<b>Cash flows from investing activities</b>			
Receipts from the sale of fixed assets	-	-	-
Purchase of property, plant and equipment	(274)	(64)	(110)
Purchase of intangibles	(3,081)	(1,658)	(2,957)
<b>Net cash flows from investing activities</b>	<b>(3,355)</b>	<b>(1,722)</b>	<b>(2,824)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,326</b>	<b>(2,913)</b>	<b>1,200</b>
Cash and cash equivalents at the beginning of the year	18,661	20,987	18,074
<b>Cash and cash equivalents at the end of the year</b>	<b>20,987</b>	<b>18,074</b>	<b>19,274</b>

## Notes to the prospective financial statements

1. Appropriation revenue	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Electricity Industry Governance and Market Operations	92,073	101,374**	112,497***
Managing the Security of New Zealand's Electricity Supply*	-	-	-
Electricity Litigation Fund*	869	293	-
	<b>92,942</b>	<b>101,667****</b>	<b>112,497</b>

### Notes:

\* 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.

\*\* 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. An expense transfer of \$1.816 million from 2021/22 to 2023/24 for the real-time pricing project was confirmed in the October 2022 baseline update. An expense transfer of \$0.561 million from 2022/23 to 2023/24 for the Future Security and Resilience project was confirmed in the October 2023 baseline update.

\*\*\* The Authority received a permanent baseline increase of \$10.9 million for 2024/25 and outyears to fund key initiatives, provide the Authority with the capacity and capability to enable a consumer-focused transition to a net zero carbon future and ensure the ability to perform its regulatory role for the benefit of consumers. A technical adjustment to bring forward funding of \$2.6 million from outyears to 2024/25 to align with forecast expenditure for the real-time pricing project was approved in Budget 2024.

\*\*\*\* Expenditure for 2023/24 is based on the forecast as at 30 April 2024 including the Litigation fund.

2. Personnel costs	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Salaries and contractors	15,399	17,669	24,880
Contributions to defined contribution plans	581	675	675
Increase/(decrease) in leave provisions	166	116	-
	<b>16,146</b>	<b>18,460</b>	<b>25,576</b>

3. Other expenses	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Managing the security of New Zealand's electricity supply*	-	-	-
Electricity litigation fund*	869	293	-
External work programme support	5,896	5,553	4,079
Auditor fees	67	75	85
Advisory and working group fees	50	90	90
Board members' fees	689	656	767
Rulings Panel fees	66	53	180
Operating lease expenses	606	670	738
Travel expenses	191	191	252
Other operating expenses	4,166	3,793	4,729
	<b>12,600</b>	<b>11,831</b>	<b>10,920</b>

### 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.



<b>4. Property, plant and equipment</b>	<b>Actual 2022/23 (\$000)</b>	<b>Forecast 2023/24 (\$000)</b>	<b>Budget 2024/25 (\$000)</b>
Computer hardware	55	39	15
Office equipment	63	56	50
Furniture and fittings	280	225	194
Leasehold improvements	847	790	730
<b>Net book value at 30 June</b>	<b>1,245</b>	<b>1,110</b>	<b>989</b>

<b>5. Intangible assets</b>	<b>Actual 2022/23 (\$000)</b>	<b>Forecast 2023/24 (\$000)</b>	<b>Budget 2024/25 (\$000)</b>
Software	8,193	7,896	7,721
<b>Net book value at 30 June</b>	<b>8,193</b>	<b>7,896</b>	<b>7,721</b>

## Statement of significant accounting policies

### Revenue

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

### Funding from the Crown

The Authority is 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 and funds on deposit with banks and is measured at its face value.

## 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 (SaaS) 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 and 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.

### 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 2024/25 Performance measure review

In preparation for the 2024/25 financial year, we have reviewed the measures used in this *Statement of performance expectations* to ensure they are still fit for purpose. One compliance measure has been adjusted and two new performance measures have been added.

### Material changes to measures

Area / function	Measure	Target	Action	Rationale
Protecting the interests of small consumers	<a href="#">Increased monitoring of and reporting on retail competition*</a>	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
Efficiency	<a href="#">Post-implementation review of dry year or emergency event shows use of funding achieved its intended outcomes</a>	Achieved	New measure	To ensure that intended outcomes were achieved should a dry-year or emergency event trigger the use of this appropriation
Enforce compliance	<a href="#">Investigations into low-to-medium complexity alleged breaches of the Electricity Industry Participation Code are addressed in a timely manner</a>	Median time to close is 6 months or less	Amended measure	The intent of the measure amendment is to focus our efforts on closing out the majority of our cases in a shorter amount of time. Simple cases should be closed quickly. The amended measure allows for those complex instances where a case may not be closed within the 6 month timeframe

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

## Appendix B 2024/25 Market development activities

The following table expands on the activities the Authority is progressing or completing within the 2024/25 financial year that are included in measure 1 'Planned activities that promote market development achieve published annual outcomes'. Annual outcomes are tangible milestones that the Authority aims to deliver within the year and are used to assess our performance. Note that the measure is for the delivery of these milestones by 30 June 2025, and the delivery dates under each annual outcome are indicative.

We reprioritised our work programme for 2024/25 to reflect the significant changes to our operating environment following winter 2024, the [Government Policy Statement on Electricity made under section 17 of the Act in October 2024](#) and formation of the Energy Competition Task Force. These changes did not fully align with our performance measure framework, so we amended the *Statement of performance expectations 2024/25* to update the framework with our work.

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
Retail data project	<p><u>Data for better performance: unlocking the value of consumer data</u></p> <p>As a modern regulator, we develop insights based on accurate data. This multi-year project focuses on improving our collecting and monitoring of retail data to enable us to have better visibility of the retail market. This increased visibility will enable us to identify potential issues, publish more insights and make well-informed policy decisions that will benefit consumers. The information gathering request is the first stage and is set to be issued by the end of Q3 2024/25 with data ingestion beginning in Q1 2025/26 FY.</p>	<p>Use the Authority's information gathering powers in the Code to collect better information from retailers about the retail market and outcomes for domestic and small business consumers. This will be used to publish insights and inform the Authority's regulatory work.</p> <p>Final decision made and information gathering request issued by 30 June 2025.</p>	Affordable	

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
Architecture and security review of data platform	Our retail data project will result in the Authority receiving large volumes of personally identifiable information by August 2025. To be well-equipped to safely and securely handle personal data, we commissioned an external supplier to review the security of our data platform. They made 63 recommendations to harden the security posture of our data platform in line with current best practice. We have engaged experts at designing and building data platforms on Databricks to assist staff to implement these recommendations.	The Authority will have a well-architected and well-governed data platform that conforms with best practice standards ahead of receiving, storing and using personally identifiable information.  We will implement all relevant recommendations by 30 June 2025.	Affordable	
Distribution connection pricing	The Authority has decided to develop, for consultation, a draft Code amendment to regulate efficient connection pricing. This will enable consumers to benefit from new investment and services (such as vehicle charging, heating electrification and more affordable new housing).	Decision on proposed Code amendment on efficient connection pricing by June 2025.	Efficient	More customers connecting to the grid and to distribution networks  Supercharging EV infrastructure – addressing challenges relating to connection costs, connection processing delays and grid capacity information.
Mandating the Consumer Care Guidelines	The Authority has decided to mandate the Consumer Care Guidelines to improve protections for consumers alongside a Code amendment consultation to ensure that the current voluntary protections become mandatory. Key provisions of the Obligations will come into effect on 1 January 2025, with remaining provisions coming into effect from 1 April 2025.	Consumer Care Guidelines are mandatory and in place by January 2025.	Affordable	



Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
Regulatory strategy	The Authority has recently updated its vision and strategic outcomes. Building on this, it will develop a regulatory strategy to outline how our regulatory functions will make progress towards our refreshed strategic outcomes, and how this work will deliver value to consumers in line with our statutory objectives.	Draft regulatory strategy socialised with stakeholders by December 2024.		Public money is spent carefully and with a clear purpose where value for money can be demonstrated.  Progress towards fully implementing the recommendations of the Strategic Baseline Review.
Review of Part 8 of the Code (Future security and resilience)	The common quality requirements in the Code have not been amended since its original version. In its current format, it does not enable new technologies, nor does it address bi-directional power flows – both a result of distributed energy resources connecting to the power system. This activity is reviewing these Code requirements.	Code amendment proposals by June 2025.	Secure and resilient	The Authority supports a competitive wholesale market by not favouring any particular generation technology.
Reviewing risk management options for the retail market	A risk management review to investigate concerns about retail market competition, access to wholesale electricity contracts, pricing of contracts, and regulation of the market.	The findings of the first phase of the risk management review will be published by December 2024.	Efficient	Affordability of electricity supply through competitive wholesale and retail markets.
System operator service provider agreement negotiation	<u>Security of supply: system operator service</u> The system operator is the Authority's largest market operation service provider and plays a critical role in the real-time operation of the wholesale market. The service provider agreement negotiation covers the contract refresh with the system operator setting out the specific functions and processes that the system operator must perform.	New agreement finalised and signed ready for commencement on July 2025.	Secure and resilient	Value for money, focus on finding savings.

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
New Electricity Authority Advisory Group	<p>The Authority is committed to making evidence-based decisions that are well informed by consumers, industry and other interested parties. The Authority has a new advisory group, the Electricity Authority Advisory Group.</p> <p>The group will bring the voices of our increasingly diverse stakeholder groups, including consumers, to Authority decision-making. The group will exist alongside the Security and Reliability Council, as well as various technical working groups established to support specific projects.</p>	New Advisory Group established and informing our work programme in 2024/25.	Affordable	
Consider requiring gentailers to offer firming for PPAs	<p><u>Energy Competition Task Force 1A:</u></p> <p>This initiative will consider requiring gentailers to offer a minimum volume of flexible electricity in the form of long-duration contracts that could be used to firm new generators' Power Purchase Agreements.</p>	Code change decision by June 2025.	Efficient	Reducing barriers to investment in generation, distribution and transmission.
Introduce standardised flexibility products	<p><u>Energy Competition Task Force 1B:</u></p> <p>This initiative will develop over-the-counter flexibility products that provide retailers and industrials buying on the wholesale market with protection against high spot prices at specific times.</p>	Initial voluntary trading begins by January 2025.	Efficient	Reducing barriers to investment in generation, distribution and transmission.
Prepare for virtual disaggregation of the flexible generation base (backstop measure)	<p><u>Energy Competition Task Force 1C:</u></p> <p>This initiative will design rules that would require gentailers to offer a share of their flexible generation base to buyers on the wholesale market in the form of risk management contracts.</p>	Publish outline by February 2025.	Efficient	Competitive wholesale and retail markets, and effective regulation of networks are essential for affordable, secure electricity and electrification.
Investigate level playing field measures (backstop measure)	<p><u>Energy Competition Task Force 1D:</u></p> <p>This initiative will investigate what level playing field measures are appropriate, including risks and possible triggers.</p>	Publish options by February 2025.	Efficient	Competitive wholesale and retail markets, and effective regulation of networks are essential for affordable, secure electricity and electrification.

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
Cost-reflective distribution export tariffs	<u>Energy Competition Task Force 2A:</u> This initiative will consider requiring distributors to pay a rebate when consumers export surplus energy back into the system at peak times.	Code change decision by June 2025.	Efficient	Affordability and security of electricity supply. Keep the lights on — Ensure market settings enable a reliable supply of electricity.
Time-varying retail pricing	<u>Energy Competition Task Force 2B:</u> This initiative will consider requiring retailers to offer time-of-use pricing plans to shift electricity demand to times when it is cheaper and more abundant.	Code change decision by June 2025.	Efficient	Affordability and security of electricity supply through competitive wholesale and retail markets.
Time-varying retail feed-in pricing	<u>Energy Competition Task Force 2C:</u> This initiative will consider better rewarding consumers who export electricity onto the network at peak times.	Code change decision by June 2025.	Efficient	Affordability of electricity supply through competitive wholesale and retail markets.
Reward industrial consumers for providing short-term demand flexibility	<u>Energy Competition Task Force 2D:</u> This initiative will identify gaps in existing financial incentives for short-term industrial demand flexibility and propose a Code change if required.	Code change decision (if required) by June 2025.	Efficient	The Authority supports a competitive wholesale market by not favouring any particular generation technology.
Review of market making	The Authority will evaluate and consult on the market making Code urgently amended in September 2024. We will also provide an early indication of wider settings review later in 2025.	Decision paper published by June 2025.	Efficient	Affordability of electricity supply through competitive wholesale and retail markets.
Digitalisation work programme	Initiatives to understand the New Zealand data landscape and address key issues impeding transparency of our low voltage networks. Greater access to consumers' consumption and power quality data will improve the visibility of the low voltage network in a timely fashion to: <ul style="list-style-type: none"> <li>- inform investment choices (by distributors, innovators, and consumers)</li> </ul>	Consultation on options to improve visibility of low voltage networks by June 2025.	Affordable	Reducing barriers to investment in generation, distribution and transmission. Network alternatives and newer innovative solutions allow customers to engage and shift when they use electricity.

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
	<ul style="list-style-type: none"> <li>- to support the development of efficient planning and optimisation of distribution networks (including flexibility services, safety, fault management, etc)</li> <li>- reduce the costs for consumers of the transition to a low-carbon economy.</li> </ul>			Affordability of electricity supply.
Non-price barriers to efficient connection of large capacity load to distribution networks	Stage one of the network connections project will address the non-price barriers to the efficient connection of large capacity distributed generation and load on networks. This will ensure application and connection processes for new or upgraded connections are easier, faster, more equitable and more consistent across distribution networks.	Decision on first tranche of proposals by June 2025.	Efficient	<p>Electrifying the economy will mean more customers connecting to the grid and distribution networks.</p> <p>Competitive wholesale and retail markets, and effective regulation of networks are essential for affordable, secure electricity and electrification.</p> <p>Supercharging EV infrastructure – addressing challenges relating to connection costs, connection processing delays and grid capacity information.</p>
Update to scarcity pricing settings	Ensuring that times of potential shortages in generation and demand-side flexibility are clearly and consistently signalled in the wholesale market. This will lead to improved coordination and investment signals for flexible resources. Stronger, more consistent price signals for both spot exposed consumers and retailers to better manage their risk exposure and more reliable investment signals for flexible resources.	Decision on preferred settings by June 2025.	Secure and resilient	Ensure market settings enable the sector to invest with confidence and risk to supply is dealt with effectively.

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
Outage coordination enhancements – enhancing the system operator's ability to coordinate asset outages to support security of supply	Strengthening the outage coordination obligations in the Code to ensure that timely information is provided to the system operator to coordinate asset outages in a way that minimises the risk to security of supply for consumers. Decision on preferred option for Stage 1 improvements by December 2025.	Decision on preferred option for Stage 1 improvements by December 2024.	Secure and resilient	Keep the lights on — Ensure market settings enable a reliable supply of electricity.
Thermal fuel disclosures	Enhancing the collection and publication of information on the availability of thermal fuels. This aims to support a secure and resilient electricity market by enhancing visibility of available fuel and improving security of supply and market monitoring.	Improvements to the availability of thermal fuels information in place by June 2025.	Secure and resilient	Ensure market settings enable the sector to invest with confidence and risk to supply is dealt with effectively.  Not favouring any particular generation technology.  Including sufficient firming capacity to keep the lights on.
Power Innovation Pathway	Pilot this initiative which will provide a "front door" for innovators to access regulatory advice and support year-round. A small number of initiatives will receive full support to accelerate progress with the aim of getting their product/service to market faster to benefit consumers.	Applications triaged and first tranche of supported projects selected by February 2025.	Secure and resilient	Competitive wholesale and retail markets, and effective regulation of networks are essential for affordable, secure electricity and electrification.