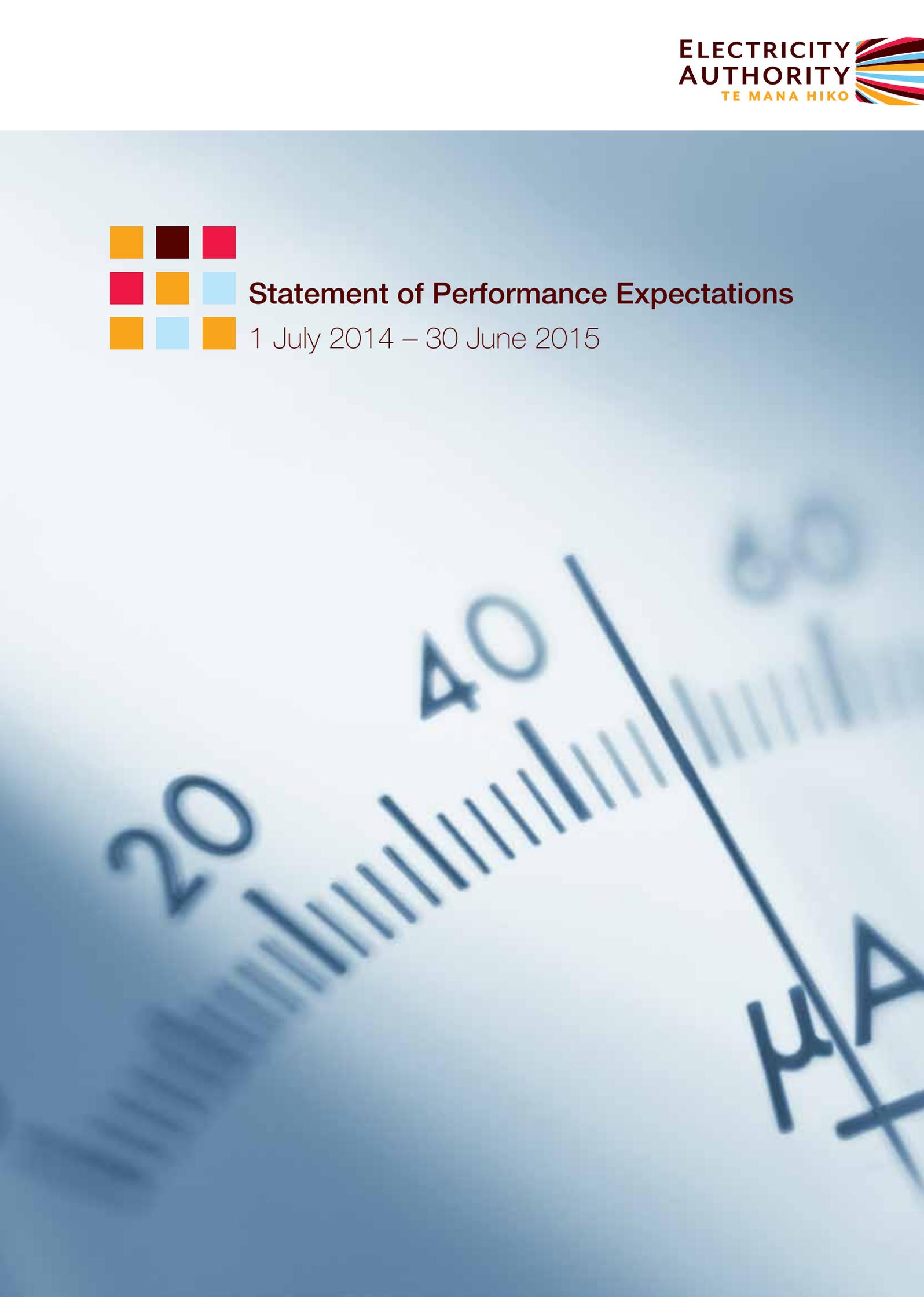




## Statement of Performance Expectations



1 July 2014 – 30 June 2015



This Statement of Performance Expectations is a formal public accountability document required under section 149E of the Crown Entities Act 2004. It outlines our planned work and financial information for the period 1 July 2014 to 30 June 2015. Relevant historical and forecast comparison information is also provided for the benefit of readers.

Our longer-term strategic intentions are provided in our Statement of Intent, which is published separately.

For further information about our work, visit [www.ea.govt.nz](http://www.ea.govt.nz).



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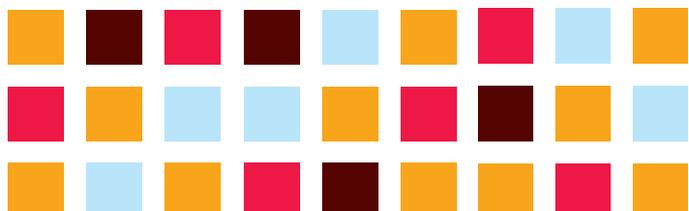
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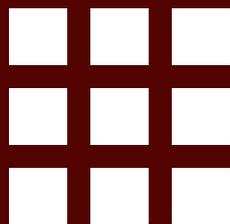
#### **Glossary and abbreviations**

There are many technical terms used in the electricity sector, and some of these occur in this document. To assist readers, a glossary and list of abbreviations is provided at the end of the document. In addition, we have a glossary of common electricity industry terms on our website at [www.ea.govt.nz/glossary](http://www.ea.govt.nz/glossary).

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## Foreword

### Our first Statement of Performance Expectations

This Statement of Performance Expectations is the detailed plan for the first year covered by our 2014–2018 Statement of Intent, which sets out our strategy and four-year intentions. This document contains details of our planned services and financial statements for 2014/15. Relevant historical and forecast comparison information is also provided for the benefit of readers.

We deliver four main services, or outputs:

- **Market development:** We develop the electricity market by evolving the market rules (the Electricity Market Participation Code (the Code)) and introducing market facilitation measures. A key element of market development is our work to ensure that consumers can effectively participate in the market if they choose to do so. Additional funding of \$2 million was approved for 2014/15 for this work.
- **Monitoring, information and education:** We monitor the performance of the electricity market, provide data and information about the market and educate consumers and industry participants about the market.
- **Market services:** We oversee the operation of the electricity system and markets and contract with market operation service providers to operate the market.
- **Compliance:** We monitor, investigate and enforce compliance with the Electricity Industry Act 2010 (the Act), the regulations under it and the Code.

### Electricity Authority context

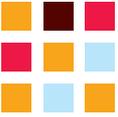
The Electricity Authority (Authority) was established on 1 November 2010 to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

Our vision is to be a world-class electricity regulator, delivering long-term benefits for consumers and contributing to the New Zealand economy. This vision will be used to ensure that we are efficient, effective and progressive in the way we work.

More information about the context of our work and our strategy for delivering long-term benefits for consumers is provided in our Statement of Intent.

**Dr Brent Layton**

**Chair**



## Statement of responsibility

This Statement of Performance Expectations contains the Authority's forecast non-financial and financial performance information required by the Crown Entities Act 2004.

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 2014 to 30 June 2015. 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 the Authority's performance and financial reporting.

We certify that the information contained in this report is consistent with the appropriations contained in the estimates for the year ending 30 June 2015 that were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

**Dr Brent Layton**

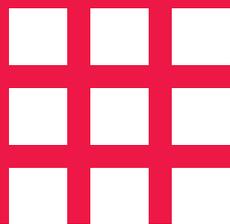
**Chair**

4 June 2014

**Hon Roger Sowry**

**Member**

4 June 2014



## Part One: Our work

This part includes the detailed specification of the Authority's services (its output classes) and information about the results we are seeking. Output performance measures for 2014/15 are included, alongside historical results and targets, where relevant. We will report against the results and targets in our Annual Report.

### Our funding and the levy

#### SUMMARY OF APPROPRIATIONS

We are funded by government by appropriations under Vote: Energy.<sup>1</sup> Table 1 provides a summary of the appropriations.

Appropriations and output classes	\$ million						Contribution to outcomes		
	2012/13 actual	2013/14 budget	2014/15 budget	2015/16 forecast	2016/17 forecast	2017/18 forecast	Competition	Reliability	Efficiency
Electricity industry governance and market operations*	62.016	68.145	72.899	76.700	76.013**	73.513**	✓	✓	✓
Promoting and facilitating customer switching**	3.362	2.000	–	–	–	–	✓		✓
Security management****	–	1.200	1.200	1.200	1.200	1.200		✓	
Electricity litigation fund*****	0.036	0.444	0.444	0.444	0.444	0.444	✓	✓	✓
<b>Total appropriations</b>	<b>65.414</b>	<b>71.789</b>	<b>74.543</b>	<b>78.344</b>	<b>77.657</b>	<b>75.157</b>			

\* Includes new funding for facilitating consumer participation approved in Budget 2014: \$2 million in 2014/15, \$3 million in 2015/16 and \$2.5 million in 2016/17.

\*\* There are significant budget uncertainties in respect to the 2016/17 and 2017/18 years. See the statement of significant assumptions on page 19.

\*\*\* This was a multi-year appropriation of \$10.5 million over the period 1 November 2010 to 30 April 2014. New funding for facilitating consumer participation has been included in the *Electricity industry governance and market operations* appropriation.

\*\*\*\* The *Security management* appropriation commenced on 1 July 2012. This is a multi-year appropriation of \$6 million over five years (2012/13 to 2016/17). The Authority expects to seek a further multi-year appropriation starting in 2017/18.

\*\*\*\*\* The *Electricity litigation fund* appropriation provides funding to ensure that the Authority is able to participate in litigation effectively and without delay. This is a Crown expense appropriation, which is drawn on only for major litigation. There is no output class for this appropriation.

<sup>1</sup> Votes are part of the annual Budget tabled in Parliament. For an explanation of the Budget process and to view the Budget documentation, see [www.treasury.govt.nz/budget](http://www.treasury.govt.nz/budget).

## LEVY ON INDUSTRY PARTICIPANTS

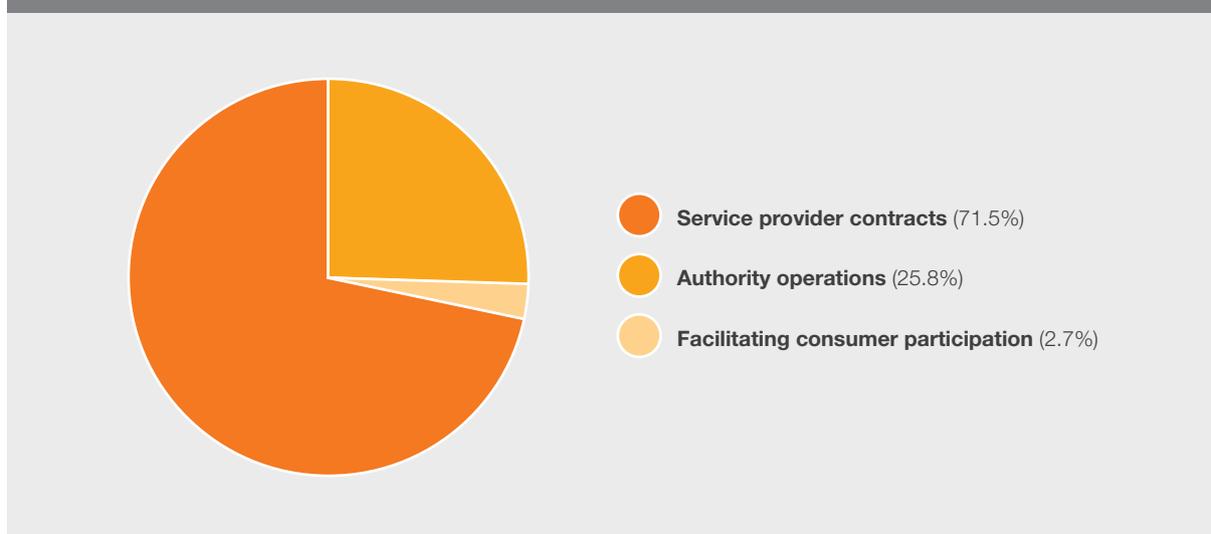
The Crown is reimbursed for the cost of funding the Authority through a levy on industry participants. The levy also funds electricity efficiency programmes delivered by the Energy Efficiency and Conservation Authority (EECA).

We collect the levy on behalf of the Crown in accordance with detailed formulae set out in the Electricity Industry (Levy of Industry Participants) Regulations 2010.

## BREAKDOWN OF COSTS WITHIN THE ELECTRICITY INDUSTRY GOVERNANCE AND MARKET OPERATIONS APPROPRIATION

Figure 1 shows the broad areas of our planned expenditure for 2014/15. This excludes the *Security management* and *Electricity litigation fund* appropriations, as these are used only if needed.

**FIGURE 1** ■ Forecast expenditure for 2014/15



**Service provider contracts** – costs relating to agreements between the Authority and companies that provide services to operate the electricity system and wholesale and retail markets.

**Authority operations** – all operational costs of the Authority (except service provider costs) including rent, overheads, staff costs, members' costs and external legal and other professional advice.

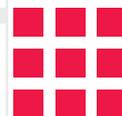
**Facilitating consumer participation** – costs for facilitating consumer participation, including promoting to consumers the benefits of comparing and switching retailers.

Table 2 provides a detailed breakdown of costs within the *Electricity industry governance and market operations* appropriation.

<b>TABLE 2 ■ Breakdown of costs within the <i>Electricity industry governance and market operations</i> appropriation</b>						
<b>Budget item</b>	<b>Actual 2012/13 \$000</b>	<b>Budget 2013/14 \$000</b>	<b>Budget 2014/15 \$000</b>	<b>Forecast 2015/16 \$000</b>	<b>Forecast 2016/17* \$000</b>	<b>Forecast 2017/18* \$000</b>
System operator – operating expenses	23,404	24,089	24,251	24,962	25,694	25,694
System operator – capital-related expenses	11,734	14,048	15,345	17,304	19,646	19,646
<b>System operator expenses</b>	<b>35,138</b>	<b>38,137</b>	<b>39,596</b>	<b>42,266</b>	<b>45,340</b>	<b>45,340</b>
Service provider – clearing manager	1,428	2,010	2,085	2,141	2,197	2,197
Service provider – WITS	1,435	1,407	1,418	1,460	1,502	1,502
Service provider – pricing manager	1,578	1,592	1,606	1,621	1,636	1,636
Service provider – reconciliation manager	1,320	1,139	1,198	1,233	1,270	1,270
Service provider – registry	436	449	530	547	564	564
Service provider – FTR manager	82	852	788	812	836	836
Service provider – depreciation and amortisation	2,168	3,605	4,741	4,764	1,333**	1,333**
Service provider – IT costs	118	115	139	127	117	117
<b>Other service provider expenses</b>	<b>8,565</b>	<b>11,169</b>	<b>12,505</b>	<b>12,705</b>	<b>9,455</b>	<b>9,455</b>
<b>Facilitating consumer participation expenses</b>	<b>–</b>	<b>–</b>	<b>2,000</b>	<b>3,000</b>	<b>2,500</b>	<b>–</b>
Authority operations – external advice	6,675	6,108	5,700	5,400	5,150	5,150
Authority operations – personnel	8,258	9,149	9,313	9,546	9,785	9,785
Authority operations – other operating costs	3,380	3,582	3,785	3,783	3,783	3,783
<b>Authority operating expenses</b>	<b>18,313</b>	<b>18,839</b>	<b>18,798</b>	<b>18,729</b>	<b>18,718</b>	<b>18,718</b>
<b>Total appropriation</b>	<b>62,016</b>	<b>68,145</b>	<b>72,899</b>	<b>76,700</b>	<b>76,013</b>	<b>73,513</b>

\* There are significant budget uncertainties in respect to the 2016/17 and 2017/18 years. See the statement of significant assumptions on page 19.

\*\* The current software and hardware assets for market operations service provision come to the end of their useful life in 2015/16. The action to be taken at that point is yet to be determined so no forecast has been made at this stage.



## Electricity industry governance and market operations

### SCOPE OF APPROPRIATION

The *Electricity industry governance and market operations* appropriation is limited to formulating, monitoring and enforcing compliance with the regulations and rules governing the electricity industry and other outputs in accordance with the statutory functions under the Electricity Industry Act and delivery of core electricity system and market operation functions carried out under service provider contracts.

### WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to contribute to achieving competition in, reliable supply by and the efficient operation of the electricity industry for the long-term benefit of consumers.

### SERVICES UNDER THIS APPROPRIATION

Electricity industry governance and market operations covers the general operations of the Authority, including Board members' costs, the Rulings Panel, the Security and Reliability Council, advisory groups and the operation of the electricity system and market operations as detailed below.

This includes our four main services:

- Market development
- Monitoring, information and education
- Operation of the electricity system and markets
- Compliance.

We have quality standards that apply to relevant deliverables such as consultation papers, decision papers and publications. These are included on page 17.

### MARKET DEVELOPMENT

Our market development work focuses on promoting the competitive, reliable and efficient operation of the electricity system and markets.

The key tools at our disposal to develop the market are making amendments to the Electricity Industry Participation Code (Code) and market facilitation measures.<sup>2</sup> These market arrangements need to be appropriate for today's needs and flexible enough to enable tomorrow's innovations.

The Wholesale Advisory Group (WAG) and Retail Advisory Group (RAG) (comprising consumer representatives and industry participants) make a significant contribution to our market development work. Stakeholders also make significant contributions through our consultation process. Significant input may also be required from the Authority's contracted service providers, who can have a major role to play in implementing Code amendments.

Market development can include work to implement Code amendments where action is required by the Authority or its service providers and post-implementation reviews to assess whether initiatives deliver the expected benefits. In 2014/15, the Authority expects to complete implementation of the arrangements for the new settlement and prudential Code provisions adopted in 2013/14.

<sup>2</sup> Market facilitation measures (MFM) include non-Code initiatives such as guidelines or model arrangements or working directly with participants to develop desired results.

As part of the 2014 Budget, new funding has been approved for facilitating consumer participation. The scope of this work includes:

- raising consumer awareness about the benefits of switching by using promotional activities such as the *What's My Number* campaign or similar
- improving consumer understanding, motivation and action by enhancing the tools available for consumers to seek and compare information and switch retailers
- improving consumer understanding by making it easier to access appropriate and accurate information to assist them to compare retailers' offerings.

### Top priority market development projects in 2014/15

Programme	Project	2014/15 target
<b>Competition in retail markets</b>	Retail data project.	Complete Code amendment and introduce market facilitation measures, as necessary.
	Consumer participation programmes.	Initiate programmes and monitoring processes.
	Win-backs and saves project.	Complete review of win-backs and saves. Develop and gazette Code amendments, if necessary.
<b>Competition in wholesale markets</b>	Hedge market development.	Complete the WAG review of hedge markets and commence design of any Code amendments or market facilitation measures that result from the review.
	Ancillary services market improvements.	Conceptual design completed and enabling Code provisions drafted for a national market for frequency keeping.
		Conceptual design completed and enabling Code provisions drafted for a national market for instantaneous reserves.
<b>Efficient pricing</b>	Transmission pricing methodology.	Publish revised issues paper.

## Performance measures for market development

Desired result	2012/13 result	2013/14 target	2014/15 target
Market development performance will be measured by progress against planned initiatives and net benefits to consumers.	N/A – new in 2013/14.	At least 90% of key market development projects, as listed in the 2013–2016 SOI, meet their timetable and deliverables for the year.  All Code amendments provide a net benefit for consumers, as measured by cost-benefit analyses for each amendment decision.	At least five of the six top priority market development projects meet their timetable and deliverables for the year.  All Code amendments provide a net benefit for consumers, as measured by cost-benefit analyses for each Code amendment.
Successful implementation of Code amendments.	Implementation completed for all section 42 matters with the exception of dispatchable demand. All relevant reports to the Board included a statement of compliance that the quality standard has been met.	Implementation completed for dispatchable demand.  Implementation of section 42 matters completed within overall budget.	At least 90% of implementation projects for Code amendments meet timeframe and budget targets for the year.
Code amendments deliver intended benefits and impacts on market behaviour.	Post-implementation reviews not yet started.	Suite of post-implementation reviews show that market behaviour altered in intended direction.	Post-implementation reviews show that market behaviour altered in intended direction identified when the Code or market facilitation measure was approved.  Reviews planned for completion in 2014/15 are metering (Part 10) and multiple frequency keeping in the North Island.
Consumer participation programmes initiated.*	<i>What's My Number</i> continues into 2012/13 after the launch on 29 May 2011.  Monitoring indicated a positive impact on desired behaviours and outcomes.  Annual assessment report completed and published.	Annual assessment report completed and published.  Authority monitors monthly provider reports and takes follow-up action, if required.  Programme delivery contracts wound up by 30 April 2014.  Final 2010–2014 programme evaluation commenced in 2013/14 and completed in 2014/15.	Initiate <i>What's My Number</i> or similar campaign.  Successful programme delivery as indicated by the annual monitoring report for the 2014 calendar year.

\* 2012/13 results and 2013/14 targets relate to the previous *Promoting and facilitating customer switching* appropriation. These historical results and targets are included here for comparison purposes only. New funding in this appropriation and output class of \$2 million for 2014/15 for facilitating consumer participation was approved in Budget 2014.

## MONITORING, INFORMATION AND EDUCATION

Our market monitoring, information and education work focuses on improving the availability of data, information and tools and improving awareness and understanding of how electricity markets function. Transparency and understanding are vital to ensure the competitive, reliable and efficient operation of the electricity market.

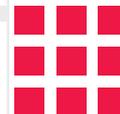
Our market analysis function improves understanding by identifying behaviours that are potentially inconsistent with our objective. It also provides appropriate feedback into the market development work.

We may also undertake reviews of anomalous events and/or as requested by the Minister under section 18 of the Act.

We follow a three-step analysis process for our market monitoring work.

- **Stage I Market performance enquiry:** Routine monitoring results in identifying circumstances that require follow-up. In this case, we publish our enquiry only if the matter is likely to be of interest to industry participants.
- **Stage II Market performance review:** A second stage of investigation occurs if there is insufficient information available to understand the issue and it could be significant for the competitive, reliable or efficient operation of the electricity industry. Information is sought from relevant service providers and industry participants. We would usually publish the results of these reviews.
- **Stage III Market performance investigation:** We may exercise statutory information-gathering powers under section 46 of the Act to acquire the information we need to fully investigate an issue. We usually indicate early in the process that we are undertaking the investigation and when we expect to complete the work. The Board approves reports for publication.

Considerable effort has gone into developing our capability and capacity in this area. We have made new datasets and tools available to the public and the sector and produced a range of publications explaining facets of the industry. We seek efficiency gains while continuing to improve performance in this area.



## Performance measures for monitoring, information and education

Desired result	2012/13 result	2013/14 target	2014/15 target
Robust and timely investigation, analysis and reporting on anomalous events and reviews requested by the Minister under section 18 of the Act.	Four reports completed. The scope, quality and timeliness of market investigation or monitoring reports completed met the expectations of the Board.	Two to four reports completed per annum.	Two to four reports completed per annum.
	No section 18 reports requested.	Reports under section 18 of the Act meet the timeframe, scope and quality standards agreed with the Minister.*	Reports under section 18 of the Act meet the timeframe, scope and quality standards agreed with the Minister.*
Electricity market performance reviews that provide an understanding of progress against our statutory objective.	Annual assessment report <i>Electricity market performance: A review of 2012</i> published in April 2013.	Electricity market performance review of 2013 completed by 30 June 2014.	Electricity market performance review of 2014 completed by 30 June 2015.
	Annual assessment report met the Authority's quality standards.	Annual assessment report met the Authority's quality standards.	Electricity market performance review meets the Authority's writing quality standard.
Making available data, information, analysis tools and guidance publications.	Eight fact sheets published. All fact sheets met the Authority's quality standards.	One or more fact sheets published or updated each year.	One or more fact sheets published or updated.
		One or more consumer guides published or updated each year.	One or more consumer guides published or updated.
		99% availability of the Authority's Electricity Market Information (EMI) website ( <a href="http://emi.ea.govt.nz">emi.ea.govt.nz</a> ) during business hours.	99% availability of the EMI website during business hours.
		20–30 datasets available on the EMI website.**	20–30 datasets available on the EMI website.**

\* Aggregate response to survey for each report.

\*\* The EMI market data website is explained and is available at [www.emi.ea.govt.nz](http://www.emi.ea.govt.nz).

## MARKET SERVICES

We are responsible for the day-to-day (real-time) efficient and reliable operation of the electricity system and markets. To achieve this, we contract out all of the required functions, as described below, with the exception of the market administrator role. Efficient and reliable day-to-day operations are fundamental to ensure effective competition.

Supporting the operation of the markets includes the following functions:

- Maintaining the register of industry participants.
- Granting individual exemptions to the Code, where justified.
- Investigating and resolving alleged undesirable trading situations.
- Performance oversight of security policy and operation, including support to the Security and Reliability Council and approving or declining security-of-supply policies and plans proposed by the system operator (also see the *Security management* appropriation on page 15).
- Carrying out responsibilities for supply shortage declarations, for example, official conservation campaigns, if needed.

The *Security management* output class, described on page 15 also contributes to the operation of the electricity system and markets.

### Service providers

The **system operator** is responsible for the real-time operation of the power system, including scheduling and dispatching electricity, in a manner that avoids undue fluctuations in frequency and voltage on the transmission grid.<sup>3</sup>

The **wholesale information and trading system** (WITS) is used to transfer information among participants, especially the uploading of bids and offers.

The **reconciliation manager** allocates volumes of electricity to generators and purchasers. It uses metering information supplied by participants and calculates electricity unaccounted for.

The **pricing manager** calculates and publishes final prices, which are used by the clearing manager to calculate invoices.

The **clearing manager** invoices and settles physical electricity sales and purchases identified by the reconciliation manager, ancillary service payments and any financial hedges required to be taken into account in the prudential calculation. It also maintains prudential security requirements.

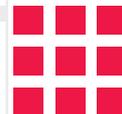
The **registry** is a database that identifies every customer point of electricity connection to a local or embedded network. It enables customer switching between traders and contains key information for the reconciliation process.

The **FTR manager** is a newly established market operation service provider charged with running regular auctions of financial transmission rights (FTRs), which are a new locational hedge product.<sup>4</sup>

The Authority carries out the role of **market administrator**, providing several operational and administrative services to the market under the Code.

<sup>3</sup> System operator responsibilities include giving instructions as to when and how much electricity to generate so that injections of electricity into the system match uptake by electricity consumers at each moment in time. The system operator also publishes the generator dispatch schedules and is responsible for the operation of security-of-supply forecasting, monitoring and emergency management functions.

<sup>4</sup> For more information on service provider contracts, which include detailed performance specifications, and reports, see the operations section of our website – [www.ea.govt.nz/operations](http://www.ea.govt.nz/operations).



## Top priority market services projects in 2014/15

Programme	Project	2014/15 target
Fit-for-purpose market services	Review of the system operator service provider agreement (SOSPA).	Complete the review of the SOSPA for implementation effective at 1 July 2015.
	Market operations service provider retender.	Drawing on the fit-for-purpose review being carried out in 2013/14, make a decision on whether to retender for the market operating service provider contracts.  Initiate tender process, if required.

## Performance measures for market services

Desired result	2012/13 result	2013/14 target	2014/15 target
Electricity system performance will be assessed by monitoring system operator performance to ensure that contract, Code and principal performance obligations are met.	System operator met the requirements of the principal performance obligations, including: <ul style="list-style-type: none"> <li>no cascade failures</li> <li>frequency is kept within limits at all times*</li> <li>the system operator's systems are effective 100% of the time.</li> </ul>	System operator meets the requirements of the principal performance obligations.*	System operator meets the requirements of contract, Code and principal performance obligations.*
			User satisfaction with overall performance of system operator service (measured by user survey – baseline and target to be established in 2013/14).
Market operation performance will be assessed by monitoring service provider performance to ensure that contract, Code and performance standards are met.	Market operation service providers' Code and contract performance standards met.**	Market operation service providers' Code and contract performance standards met.**	Market operation service providers' Code and contract performance standards met.**
	Appropriate action taken by the Authority to address any Act, regulation, Code or contract breaches.	Annual audits do not reveal any significant issues.	Annual audits do not reveal any significant issues.
		User satisfaction with overall performance of market services that are directly used by participants (measured by user survey – baseline and targets to be established in 2013/14).	Market operation performance will be assessed by monitoring service provider performance to ensure that contract, Code and performance standards are met.  User satisfaction with overall performance of market services that are directly used by participants (measured by user survey).
Market administrator services delivered in accordance with the Code.	No significant breaches as a result of the Authority carrying out its market administration function. Three minor breaches were reported.	No significant breaches as a result of the Authority carrying out its market administration function.***	No significant breaches as a result of the Authority carrying out its market administration function.***

\* Principal performance obligations are contained in the Code, available at [www.ea.govt.nz/code-and-compliance/the-code](http://www.ea.govt.nz/code-and-compliance/the-code).

\*\* Market operation service providers' Code and contract performance standards, including availability standards, vary between the various providers. Details are available on the Authority's website.

\*\*\* Breaches are events when reliability standards are not met. The absence of breaches is an indicator that reliability standards are met. A significant breach is one that results in either a warning letter to the CEO or an adverse finding by the Rulings Panel.

## COMPLIANCE

We are responsible for monitoring, investigating and enforcing compliance with the Act, regulations made under the Act and the Code.

Our compliance activities focus on ensuring the Act, regulations and Code are accurately and consistently applied. We have a proportionate, risk-focused compliance framework. While participants are obliged to report breaches, we may also investigate issues and trends to identify breaches and their causes. What we learn from our compliance and enforcement also feeds into participant education and identification and resolution of ongoing or systemic issues.

The compliance activity provides incentives to participants to ensure they have effective compliance arrangements. We also provide participants with feedback, education and information with the aim of improving compliance. Examples include compliance workshops, newsletters, site visits and reports from each Compliance Committee meeting.

Breach notifications are investigated by a team within the Authority, which reports to the Board's Compliance Committee. Most compliance decision making is currently delegated to the committee, with the exception when the Board decides to refer cases to the independent Rulings Panel.

We have refined our compliance strategy and processes to a point where performance standards are consistently high and operational savings are now sought.

### Performance measures for compliance

Desired result	2012/13 result	2013/14 target	2014/15 target
Percentage of notifications of alleged breaches completed or referred to the Rulings Panel within three months of notification.	88.6%	77.5%	85%
Percentage of notifications of alleged breaches completed or referred to the Rulings Panel within six months of notification.	93.5%	87.5%	90%
Percentage of notifications of alleged breaches completed or referred to the Rulings Panel within 12 months of notification.	98.9%	98%	98%
Sound compliance processes followed.	All reports to the Compliance Committee included a statement of compliance with the Authority's quality standards.	All reports to the Compliance Committee include a statement of compliance with the Authority's quality standards.	All reports to the Compliance Committee include a statement of compliance with the Authority's quality standards.
	All reports to the Compliance Committee included a statement that compliance case management procedures were met.	All reports to the Compliance Committee include a statement that compliance case management procedures are met.	All reports to the Compliance Committee include a statement that compliance case management procedures are met.
Increased awareness of the Act, regulations and Code among those responsible for complying with them.	Survey completed to provide baseline data on participant awareness of the Act, regulations and Code.	Increased awareness of the Act, regulations and Code as measured by participant survey.	Increased awareness of the Act, regulations and Code as measured by participant survey.

## Appropriation – Electricity industry governance and market operations

(\$ million)	2012/13 actual	2013/14 budget	2014/15 budget	2015/16 forecast	2016/17 forecast	2017/18 forecast
Income	62.016	68.145	72.899*	76.700*	76.013*	73.513
Expenditure	62.016	68.145	72.899*	76.700*	76.013*	73.513

\* Includes new funding for facilitating consumer participation approved in Budget 2014: \$2 million in 2014/15, \$3 million in 2015/16 and \$2.5 million in 2016/17.

## Security management

### SCOPE OF APPROPRIATION

*Security management* is a multi-year appropriation for the period 2012/13 to 2016/17. This appropriation is limited to the management of emergency events by the system operator, if required, including:

- increased monitoring and management responsibilities in the event of an emerging security situation
- planning and running an official conservation campaign.

### WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve enhanced security of supply in the electricity system during periods of emerging or actual security situations.

### SERVICES UNDER THIS APPROPRIATION

The system operator is responsible for ongoing security monitoring and emergency management.

The Authority is responsible for approvals in respect to use of this appropriation.

The system operator must seek approval from the Authority for funding from this appropriation on a case-by-case basis when it considers increased monitoring or security management actions are justified.

The system operator can incur some costs in this area without prior Authority approval only if it is not reasonably practicable to seek prior approval, allowing for prompt action if necessary.

### Performance measures for Security management

Desired result	2012/13 result	2013/14 target	2014/15 target
Timely and effective decision for system operator requests for funding under the <i>Security management</i> appropriation.	No requests for funding during the period.	Authority decisions in relation to the <i>Security management</i> appropriation made in accordance with the agreed process and criteria for use of the fund.	Authority decisions in relation to the <i>Security management</i> appropriation made in accordance with the agreed process and criteria for use of the fund.
		Decisions made on requests from the system operator for funding under this appropriation within 15 working days.	Decisions made on requests from the system operator for funding under this appropriation within 15 working days.

**Appropriation – Security management (multi-year appropriation 2012/13–2016/17)**

(\$ million)	2012/13 actual	2013/14 budget	2014/15 budget	2015/16 forecast	2016/17 forecast	2017/18 forecast
Income	–	1.200	1.200	1.200	1.200	1.200*
Expenditure	–	1.200	1.200	1.200	1.200	1.200

\* The Authority expects to seek further multi-year appropriation starting in 2017/18.

## Electricity litigation fund

**SCOPE OF APPROPRIATION**

This appropriation is limited to ensuring that the regulatory body for the electricity industry is able to participate in litigation effectively and without delay.

**WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION**

The *Electricity litigation fund* appropriation ensures that we are able to participate in litigation or take prosecutions in accordance with our powers under the Electricity Industry Act 2010.

The fund does not directly contribute to progressing outcomes as its purpose is limited to ensuring that we are able to participate in litigation effectively and without delay, if required.

**Performance measures for the Electricity litigation fund**

Desired result	2012/13 result	2013/14 target	2014/15 target
The Authority uses the electricity litigation fund in accordance with the criteria for its use.	Electricity litigation fund used in accordance with the criteria.	Electricity litigation fund used in accordance with the criteria.	Electricity litigation fund used in accordance with the criteria.

**Appropriation – Electricity litigation fund**

(\$ million)	2012/13 actual	2013/14 budget	2014/15 budget	2015/16 forecast	2016/17 forecast	2017/18 forecast
Income	0.036	0.444	0.444	0.444	0.444	0.444
Expenditure	0.036	0.444	0.444	0.444	0.444	0.444

## Quality standards

The following quality standards apply to all outputs, where relevant.

### WRITING QUALITY

We have a writing quality standard that includes the following requirements for reports and publications:

- The problem or issue is clearly stated.
- Relevant information is provided, including the results of investigation, analysis, options and consultation and regulatory assessment, where relevant.
- Recommendations are unambiguous and based on the evidence.
- They are written in appropriate language for the intended audience.

Desired result	2012/13 result	2013/14 target	2014/15 target
A sample of major reports will be subjected to external review for compliance with the writing quality standard.	N/A – new in 2013/14.	At least eight reports externally reviewed.	At least eight reports externally reviewed.
		All of reviewed reports achieve rating of good or better.*	All of reviewed reports achieve rating of good or better.*
		At least six of the eight reports receive a very good rating.*	At least six of the eight reports receive a very good rating.*

\* On a five-point scale of: very poor, poor, average, good, very good.

### QUALITY OF REGULATION

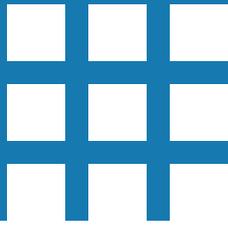
We undertake robust investigations, analysis, consultation, communication and decision-making processes to ensure that our decisions are consistent with best-practice regulation. Key principles and processes are set out in our foundation documents.<sup>5</sup>

While considerable effort is put into robust, thorough processes, it is still possible that, from time to time, our decisions are challenged in court. The target is for no such challenge to succeed in overturning an Authority decision.

Desired result	2012/13 result	2013/14 target	2014/15 target
A sample of draft consultation and decision papers will be subject to external review for compliance with the process requirements of the foundation documents.	N/A – new in 2013/14.	At least eight draft consultation and decision papers externally reviewed.	At least four draft consultation and decision papers externally reviewed.
		All of reviewed reports achieve rating of good or better.*	All of reviewed reports achieve rating of good or better.*
		At least six of the eight reports receive a very good rating.*	At least three of the four reports receive a very good rating.*
No legal challenges resulting in an Authority decision being overturned.	0	Zero (0) successful challenges.	Zero (0) successful challenges.

\* On a five-point scale of: very poor, poor, average, good, very good.

<sup>5</sup> The foundation documents are the *Interpretation of the Authority's statutory objective*, *Charter about advisory groups* and *Consultation Charter* (including the Code amendment principles). These are available on the Authority's website at [www.ea.govt.nz/about-us/strategic-planning-and-reporting/foundation-documents](http://www.ea.govt.nz/about-us/strategic-planning-and-reporting/foundation-documents).



## Part Two: Organisational capability

The *Statement of Intent 1 July 2014 – 30 June 2018* outlines our organisational development framework and its three key focus areas of our stakeholders, our people and our processes. Below is a summary of the three key focus areas.

### Our stakeholders

Effective engagement with stakeholders is an essential ingredient to being a world-class electricity regulator. Sound, professional, ongoing relationships with consumers and industry participants assist us to develop effective improvements to the New Zealand electricity market.

We continuously focus on stakeholder engagement, with the end result of better regulation and better understanding of the electricity sector.

### Our people

We value our people and strive to provide a workplace and culture that is open and supportive. Our work standards are high, in keeping with the magnitude of the issues that we are addressing. Excellent standards of behaviour and ethics are also expected of all staff.

### Our processes

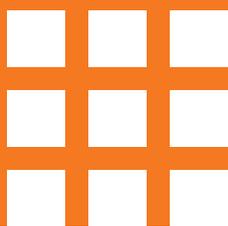
We strive to ensure that our systems, tools and processes support international best practice. This will lead to improved efficiency, productivity and quality.

### Organisational development projects

Our top priority organisational development projects for 2014/15 are listed in the table below.

#### Top priority organisational development projects

Programme	Project	2014/15 target
<b>Our stakeholders</b>	Consumer education programme.	Complete at least 75% of 2014/15 targets for the consumer education programme.
	Online engagement.	Complete design of an online engagement programme and commence implementation (drawing from the all-of-government work in this area).
<b>Our people</b>	Human resources strategy.	Complete at least 75% of 2014/15 targets for the human resources strategy.
<b>Our processes</b>	Performance improvement framework project.	Complete at least 75% of 2014/15 targets for the performance improvement plan.
	Information systems strategic plan (ISSP).	Complete at least 75% of 2014/15 targets for the ISSP.



## Part Three: Financial information

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

### Prospective financial statements

The purpose of these 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.

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

#### REPORTING ENTITY

The reporting entity is the Electricity Authority, which is an independent Crown entity in terms of 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 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, the Public Finance Act 1989 and the Crown Entities Act 2004.

#### STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These prospective financial statements have been prepared in accordance with the anticipated requirements of the International Public Sector Accounting Standards applicable from 1 July 2014.

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.

#### STATEMENT OF SIGNIFICANT ASSUMPTIONS

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

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 is based on the assumption that the cost of certain inputs will increase in line with general inflation while others will decrease as cost-saving measures are implemented.

There are significant uncertainties in respect to the forecast financial information for the 2016/17 and 2017/18 years. The uncertainties relate to the current review being carried out on the system operator service provider agreement (SOSPA) and the fit-for-purpose review of the other service provider roles and the market systems that they utilise. The Authority has used the same forecasting basis for 2016/17 and 2017/18 as the preceding years. However, due to the outcomes of the reviews and the subsequent decisions taken, actual expenditure for these years may differ from these preliminary forecasts.

## PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Note	Actual 2012/13 \$000	Budget 2013/14 \$000	Budget 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
Crown appropriations	1	65,414	71,789	74,543	78,344	77,657	75,157
Whirinaki spot revenue		4	–	–	–	–	–
Interest income		378	350	350	350	350	350
Other income		–	–	–	–	–	–
<b>Total revenue</b>		<b>65,796</b>	<b>72,139</b>	<b>74,893</b>	<b>78,694</b>	<b>78,007</b>	<b>75,507</b>
Personnel costs	2	8,258	9,149	9,313	9,546	9,785	9,785
Depreciation and amortisation		2,608	4,757	5,611	5,600	2,227	2,120
Finance costs		–	–	–	–	–	–
Other expenses	3	54,548	57,883	59,619	63,198	65,645	63,252
<b>Total expenditure</b>		<b>65,414</b>	<b>71,789</b>	<b>74,543</b>	<b>78,344</b>	<b>77,657</b>	<b>75,157</b>
Distribution of Whirinaki net spot revenue to levy payers		(4)	–	–	–	–	–
<b>Total comprehensive revenue for the year</b>		<b>378</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>350</b>

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

	Actual 2012/13 \$000	Budget 2013/14 \$000	Budget 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
Opening balance at 1 July	9,751	10,129	10,479	10,829	11,179	11,529
<b>Comprehensive revenue by appropriation</b>						
Electricity industry governance and market operations	378	350	350	350	350	350
Promoting and facilitating customer switching	–	–	–	–	–	–
Security management	–	–	–	–	–	–
Electricity litigation fund	–	–	–	–	–	–
<b>Total comprehensive revenue</b>	<b>378</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>350</b>
<b>Closing balance at 30 June</b>	<b>10,129</b>	<b>10,479</b>	<b>10,829</b>	<b>11,179</b>	<b>11,529</b>	<b>11,879</b>

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	Note	Actual 2012/13 \$000	Budget 2013/14 \$000	Budget 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
Taxpayers' funds		10,129	10,479	10,829	11,179	11,529	11,879
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents		11,175	8,132	11,089	12,628	13,618	14,736
Receivables and prepayments		577	–	–	–	–	–
GST receivable		463	–	–	–	–	–
		<b>12,215</b>	<b>8,132</b>	<b>11,089</b>	<b>12,628</b>	<b>13,618</b>	<b>14,736</b>
<b>Non-current assets</b>							
Property, plant and equipment	4	688	749	563	415	282	243
Intangible assets	5	10,159	7,016	4,640	3,382	2,883	2,196
		<b>10,847</b>	<b>7,765</b>	<b>5,203</b>	<b>3,797</b>	<b>3,165</b>	<b>2,439</b>
<b>Total assets</b>		<b>23,062</b>	<b>15,897</b>	<b>16,292</b>	<b>16,425</b>	<b>16,783</b>	<b>17,175</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Payables and accruals		9,946	5,000	5,000	5,000	5,000	5,000
Employee entitlements		853	418	463	246	254	296
Refund of appropriation to the Crown		2,090	–	–	–	–	–
Distribution of net spot revenue to levy payers		4	–	–	–	–	–
Other provisions		14	–	–	–	–	–
		<b>12,907</b>	<b>5,418</b>	<b>5,463</b>	<b>5,246</b>	<b>5,254</b>	<b>5,296</b>
<b>Non-current liabilities</b>							
Employee entitlements		26	–	–	–	–	–
		<b>26</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>12,933</b>	<b>5,418</b>	<b>5,463</b>	<b>5,246</b>	<b>5,254</b>	<b>5,296</b>
<b>Net assets employed</b>		<b>10,129</b>	<b>10,479</b>	<b>10,829</b>	<b>11,179</b>	<b>11,529</b>	<b>11,879</b>

The statement of significant accounting policies forms an integral part of, and should be read in conjunction with, the financial statements.

## PROSPECTIVE STATEMENT OF CASH FLOWS

	Actual 2012/13 \$000	Budget 2013/14 \$000	Budget 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000
<b>Cash flows from operating activities</b>						
Receipts from the Crown	67,504	71,789	74,543	78,344	77,657	75,157
Receipts from the Whirinaki spot revenue	30	–	–	–	–	–
Repayment of surplus receipts to the Crown	(3,015)	(2,090)	–	–	–	–
Interest received from investments	378	350	350	350	350	350
Distribution of net spot revenue to levy payers	(27)	–	–	–	–	–
Payments to suppliers	(52,133)	(62,266)	(59,620)	(63,198)	(65,637)	(63,254)
Payments to employees	(8,252)	(9,610)	(9,268)	(9,763)	(9,786)	(9,742)
Net GST refunded/(paid) on operations	(451)	167	–	–	–	–
<b>Net cash flows from operating activities</b>	<b>4,034</b>	<b>(1,660)</b>	<b>6,005</b>	<b>5,733</b>	<b>2,584</b>	<b>2,511</b>
<b>Cash flows from investing activities</b>						
Acquisition of property, plant and equipment	(471)	(367)	(48)	(84)	(84)	(84)
Acquisition of intangibles	(5,286)	(1,016)	(3,000)	(4,110)	(1,510)	(1,309)
<b>Net cash flows from investing activities</b>	<b>(5,757)</b>	<b>(1,383)</b>	<b>(3,048)</b>	<b>(4,194)</b>	<b>(1,594)</b>	<b>(1,393)</b>
Net increase/(decrease) in cash and cash equivalents	(1,723)	(3,043)	2,957	1,539	990	1,118
Cash and cash equivalents at beginning of year	12,898	11,175	8,132	11,089	12,628	13,618
<b>Cash and cash equivalents at end of year</b>	<b>11,175</b>	<b>8,132</b>	<b>11,089</b>	<b>12,628</b>	<b>13,618</b>	<b>14,736</b>

## Notes to the financial statements

<b>1</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Crown appropriations</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Electricity industry governance and market operations	62,016	68,145	72,899	76,700	76,013	73,513
Promoting and facilitating customer switching	3,362	2,000	–	–	–	–
Security management	–	1,200	1,200	1,200	1,200	1,200
Electricity litigation fund	36	444	444	444	444	444
	<b>65,414</b>	<b>71,789</b>	<b>74,543</b>	<b>78,344</b>	<b>77,657</b>	<b>75,157</b>

<b>2</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Personnel costs</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Salaries and wages	8,258	9,149	9,313	9,546	9,785	9,785
Contributions to defined contribution plans	–	–	–	–	–	–
Increase/(decrease) in employee entitlements	–	–	–	–	–	–
	<b>8,258</b>	<b>9,149</b>	<b>9,313</b>	<b>9,546</b>	<b>9,785</b>	<b>9,785</b>

<b>3</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Other expenses</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Service provider contracts	41,535	45,701	47,360	50,207	53,463	53,463
Security management	–	1,200	1,200	1,200	1,200	1,200
Litigation fund	36	444	444	444	444	444
External advice	6,675	6,108	5,700	5,400	5,150	5,150
Customer switching	3,362	2,000	–	–	–	–
Promoting consumer participation	–	–	2,000	3,000	2,500	–
Audit fees	44	44	44	47	47	47
Auditor fees for other services	–	–	–	–	–	–
Advisory and working group fees	56	91	91	91	91	91
Authority members' fees	515	611	520	520	520	520
Rulings Panel fees	79	112	112	112	112	112
Operating lease expenses	591	194	573	573	573	573
Travel expenses	181	203	196	196	196	196
Other operating expenses	1,474	1,175	1,379	1,408	1,349	1,456
	<b>54,548</b>	<b>57,883</b>	<b>59,619</b>	<b>63,198</b>	<b>65,645</b>	<b>63,252</b>

<b>4</b>	<b>Actual 2012/13 \$000</b>	<b>Budget 2013/14 \$000</b>	<b>Budget 2014/15 \$000</b>	<b>Forecast 2015/16 \$000</b>	<b>Forecast 2016/17 \$000</b>	<b>Forecast 2017/18 \$000</b>
<b>Property, plant and equipment</b>						
Computer hardware	75	66	46	67	86	103
Computer hardware (service provider)	531	397	264	131	18	–
Office equipment	20	7	10	12	13	15
Furniture and fittings	42	130	112	91	70	48
Leasehold improvements	20	149	131	114	95	77
<b>Net book value at 30 June</b>	<b>688</b>	<b>749</b>	<b>563</b>	<b>415</b>	<b>282</b>	<b>243</b>

<b>5</b>	<b>Actual 2012/13 \$000</b>	<b>Budget 2013/14 \$000</b>	<b>Budget 2014/15 \$000</b>	<b>Forecast 2015/16 \$000</b>	<b>Forecast 2016/17 \$000</b>	<b>Forecast 2017/18 \$000</b>
<b>Intangible assets</b>						
Software	462	334	192	116	110	104
Software (service provider)	9,697	6,682	4,448	3,266	2,773	2,092
<b>Net book value at 30 June</b>	<b>10,159</b>	<b>7,016</b>	<b>4,640</b>	<b>3,382</b>	<b>2,883</b>	<b>2,196</b>

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive revenue and expense.

### (b) Property, plant and equipment

#### Classes of property, plant and equipment

The major classes of property, plant and equipment are:

- leasehold improvements
- computer hardware
- furniture and fittings
- office equipment.

#### Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### Disposal of property, plant and equipment

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive revenue and expense is calculated as the difference between the net sale price and the carrying amount of the asset.

#### Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that future economic benefits embodied in the item will flow to the Authority. All other costs are recognised in the statement of comprehensive revenue and expense as an expense as incurred.

#### Depreciation

Depreciation is charged to the statement of comprehensive revenue and expense using the straight-line method at rates that will write off the cost of the assets, less their estimated residual values, over their useful lives. The estimated useful lives of major classes of assets and resulting rates are as follows:

Type of asset	Estimated life	Depreciation rate
Computer hardware	3–5 years	20–33%
Furniture and fittings	5 years	20%
Office equipment	5 years	20%

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease. All assets are assumed to have no residual value. Capital work in progress is recognised as costs are incurred and not depreciated until the asset is completed and fully operational.



## (c) Intangible assets

### Software

Software applications acquired by the Authority are stated at cost, less accumulated amortisation and impairment losses.

### Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### Amortisation

Amortisation is charged to the statement of comprehensive revenue and expense on a straight-line basis over the estimated useful lives of intangible assets.

Type of asset	Estimated life	Depreciation rate
Software	3–8 years	12.5–33%

## (d) Receivables and prepayments

Receivables and prepayments are stated at cost, less impairment losses. Bad debts are written off during the period in which they are identified.

## (e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held on call and short-term investments with maturities of three months or less.

## (f) Impairment

The carrying amounts of the Authority's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount for the asset is estimated. The estimated recoverable amount is the greater of the fair value for the asset, less costs to sell and value in use.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of comprehensive revenue and expense.

## (g) Employee entitlements

Employee entitlements include accrued salaries and bonuses, contributions to superannuation schemes, annual leave earned but not yet taken and liabilities for sick leave and long-service leave.

### Superannuation schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution schemes and are recognised as incurred.

### Sick leave

A liability for sick leave is recognised to the extent that 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 it will be used by staff to cover those future absences.

### Long-service leave

A liability for long-service leave has been calculated on an actuarial basis based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information.

### Presentation of employee entitlements

Accrued salaries and bonuses, sick leave, annual leave, vested long-service leave and non-vested long-service leave expected to be settled within 12 months of balance date are classified as current liabilities. All other employee entitlements are classified as non-current liabilities.

## (h) Provisions

A provision is recognised when the Authority has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

## (i) Payables and accruals

Payables and accruals are stated at cost.

## (j) Income tax

The Authority is a public authority under the Income Tax Act 2007 and is exempt from income tax.

## (k) Goods and services tax

All amounts are shown exclusive of goods and services tax (GST), except for receivables and payables, which are stated inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

## (l) Revenue

### Crown revenue

The Authority is funded by appropriations from Parliament that cover the range of outputs the Authority provides to the Crown. Revenue from appropriations is recognised when matched by expenditure in the period in which it is incurred.

The Crown is fully reimbursed for appropriation funding provided to the Authority by levies collected from industry participants. The levies are paid directly to the Crown and do not appear as revenue to the Authority.



### Interest income

Interest income is recognised in the statement of comprehensive revenue and expense as it accrues, using the effective interest method.

### Other revenue

Other revenue is for services provided to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

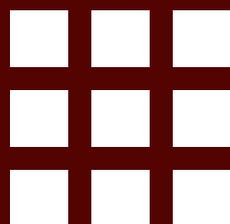
## **(m) Expenses**

### Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight-line basis over the term of the lease.

## **CHANGES IN ACCOUNTING POLICIES**

There have been no changes to accounting policies.



## Glossary and abbreviations

A detailed glossary is available at [www.ea.govt.nz/glossary](http://www.ea.govt.nz/glossary).

<b>Act</b>	Electricity Industry Act 2010.
<b>Authority</b>	Electricity Authority.
<b>Code</b>	Electricity Industry Participation Code 2010.
<b>Consumer</b>	Any person who is supplied with electricity other than for resupply.
<b>EMI website</b>	Electricity market information website: <a href="http://www.emi.ea.govt.nz">www.emi.ea.govt.nz</a> .  The EMI website is our avenue for publishing data, market performance metrics and analytical tools to facilitate effective decision making within the New Zealand electricity industry.
<b>FTR</b>	Financial transmission right.
<b>ISSP</b>	Information systems strategic plan.
<b>Outcome, impact and output</b>	Accountability terms used in the State sector that link the work we do with the results we are contributing to. <ul style="list-style-type: none"> <li>• Outcome: a state or condition of society, the economy or the environment and includes a change in that state or condition.</li> <li>• Impact: the contribution made to an outcome by a specified set of outputs or actions or both.</li> <li>• Output: the goods or services that we supply.</li> </ul>
<b>Participant</b>	A person, or a person belonging to a class of persons, identified in section 7 of the Electricity Industry Act 2010 as being a participant in the electricity industry. These include generators, Transpower, distributors, retailers, other lines owners, consumers directly connected to the national grid, buyers of electricity from the clearing manager, and service providers.
<b>Service providers</b>	Parties contracted by the Authority to manage the electricity system (system operator) and market services, as described in Part 3 of the Code.
<b>SOI</b>	Statement of Intent.
<b>SOSPA</b>	System operator service provider agreement.
<b>SPE</b>	Statement of Performance Expectations.

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