



02 APR 2024

Anna Kominik
Chair
Electricity Authority
PO Box 10041
WELLINGTON 6143

By email to: Anna.Kominik@ea.govt.nz

Dear Anna

2024/25 Letter of Expectations for the Electricity Authority

As is usual for Crown entities, I am writing to set out my expectations for the Board of the Electricity Authority (the Authority). I may write to you again later in the year to further clarify my priorities. You can also expect to receive a new enduring letter of expectations from the Minister of Finance/Minister for the Public Service.

Government priorities

The National/ACT/New Zealand First Coalition Government (the Government) has agreed a policy programme of work over the next three years, which will contribute to the Government's overarching aim to improve outcomes for all New Zealanders.

The Government wishes to ensure that public money is spent carefully and with a clear purpose where value for money can be demonstrated. The Government has many priorities and among them are rebuilding the economy to ease the cost of living, delivering tax relief, and increasing prosperity for all New Zealanders. We will deliver public services, so they are more efficient, effective and responsive to all who need and use them.

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

Sector-related priorities

The Government is concerned about security of electricity supply, which is critical for the successful operation of our economy. The Government has already taken action to provide increased certainty to the market, such as ceasing work on the NZ Battery (Lake Onslow) project. As our generation evolves towards more renewables, it will be essential to ensure market settings enable the sector to invest with confidence and risk to supply is dealt with effectively.

The Government is committed to deliver our Electrify NZ, Supercharging EV Infrastructure, and coalition commitments, including by increasing New Zealand's renewable electricity to achieve Net Zero by 2050. We will focus on reducing barriers to

investment in generation, transmission, and distribution. Electricity must be affordable and secure to support the electrification of the transport and industry sectors.

Electrifying large parts of the economy will mean more customers connecting to the grid and to distribution networks. This will require substantial investment in renewable generation, transmission and local lines, alongside network alternatives and newer innovative solutions that allow customers to engage and shift when they use electricity.

Competitive wholesale and retail markets, and effective regulation of networks are essential for affordable, secure electricity and electrification. It is important the Authority supports a competitive wholesale market by not favouring any particular generation technology.

Entity-specific expectations

My specific expectations for the Authority are as follows:

- **Keep the lights on** – Ensure market settings enable a reliable supply of electricity, including sufficient firming capacity. In particular, ensuring security in Winter 2024 and Winter 2025 and beyond.
- **Affordability of electricity supply through competitive wholesale and retail markets** – Affordable electricity is critically important to both households and businesses. I expect the Authority to ensure that affordable electricity is prioritised alongside other key outcomes.
- **Electrify NZ** – Ensure the Authority's work is aligned with and enables priority outcomes set out in Electrify NZ. I expect that you will work closely with the Commerce Commission to ensure your priorities and direction are well coordinated and effective.
- **Supercharging EV infrastructure** – Support the Government's priority to deliver 10,000 electric vehicle charging stations by 2030 by addressing challenges relating to connection costs, connection processing delays and grid capacity information.
- **Value for money** – Focus on finding savings and ensuring that the Authority operates as efficiently and effectively as possible. In line with this, I expect your 2024/25 performance reporting will include updates on your progress towards fully implementing the recommendations of the Strategic Baseline Review.

Preparation of accountability documents

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

Would you please arrange for the Authority to prepare a draft Statement of Intent and Statement of Performance Expectations and provide these by 1 May 2024 for my consideration. In line with the Government's expectation of demonstrating accountability for public money, I expect that you will include sufficient performance measures in your statutory accountability documents to demonstrate, and enable measurement of, the outcomes that will be achieved with the funding the Authority receives.

General governance and reporting expectations

MBIE's publication titled *Monitoring arrangements for MBIE-monitored Crown entities* sets out general governance, 'no surprises' and reporting expectations for Crown entities. Consistent with this (and in anticipation of the review of the output agreement below), I request that the Authority moves to quarterly reporting from 1 July 2024 and provides its quarterly reports one month after the end of each respective quarter.

I request that the Authority works with my MBIE officials to review the existing output agreement, between the Authority and the then Minister of Energy and Resources (dated 17 June 2015) and consider whether this is still fit for purpose.

Board self-evaluation

Boards are expected to evaluate their performance as a whole and that of individual members on a regular basis, and to advise Ministers and MBIE of the results of this assessment. Two yearly should be sufficient although Boards may like to carry out an assessment of performance more regularly. The information will help the Board in the performance of its duties, and MBIE when providing advice on board reappointments. Some tools for board performance review are available from the Institute of Directors in New Zealand.

Other matters

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

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

Response

Your advice on how you propose to respond to the expectations set out in this letter would be appreciated. Could you please provide your response by 10 April 2024.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Simeon Brown', with a horizontal line extending to the right.

Hon Simeon Brown
Minister for Energy

Copy to: Sarah Gillies, Chief Executive, Electricity Authority sarah.gillies@ea.govt.nz