

Statement of performance expectations

1 July 2024 - 30 June 2025

Presented to the House of Representatives in line with section 149L 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

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
27 June 2024



Paula Rose QSO
Audit and Finance Committee Chair
27 June 2024

Electricity Authority Board



Anna Kominik
Chair



Allan Dawson



Dr Cristiano Marantes



Paula Rose QSO



Lana Stockman



Erik Westergaard

Foreword

This *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.

The last year has seen a number of changes in the Authority's governance and leadership, with new Board members and senior leaders. This has provided an opportunity to review the Authority's vision, strategy and operations, and set clear priorities for what we need to deliver on specific sector-related priorities and the future.

Our vision is for consumers to have choices in accessing the energy they need now and in the future, so they and New Zealand prosper. This vision is supported by outcomes across three horizons - articulating what we expect to deliver in the short, medium and long term.

As a kaitiaki of electricity, this vision articulates our unwavering commitment to keeping the lights on and delivering positive outcomes for all New Zealand electricity consumers. We want a future in which all consumers have choice and access to the energy they need.

The vision and intended outcomes are anchored in the Authority's statutory objectives to:

- *promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers; and*
- *protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.*

Looking to the year ahead, one of the immediate priorities is security of supply. Working alongside industry, we now have a roadmap of work that will move us past the current 'winter-to-winter supply management', to a future system in which there will be more participants interacting with the system across supply and demand to help keep the lights on. We have a strategic pathway with a number of programmes underway that encourage investment, innovation and good regulation to achieve a secure and resilient electric future where consumers have trust and confidence in their electricity supply for winter 2024, 2025 and beyond.

All parts of the sector have a role to play in keeping the lights on and supporting consumers to access and afford the electricity they need. A competitive and efficient electricity market in which innovation flourishes is the best way to ensure downward pressure on prices and an affordable electricity supply for all consumers.

Our work programmes for 2024/25 prioritise ensuring the future security and resilience of the system to keep the lights on, and enhancing competition and efficiency in the wholesale market to help drive investment to enable an electrified future and place downward pressure on prices. Within the Authority, we are committed to working smarter and delivering value for money across our organisation.

Using data to drive better performance is a key priority for us this year. We want to ensure there is equitable access to data for participants to better inform investment decisions. We will collect and share more data that can benefit participants and consumers. Currently the focus is on improving our collecting and monitoring of retail data to enable us to have better visibility of the retail market.

We want to see enhanced flexibility to ensure access to demand response technology is on a level playing field and markets match buyers and sellers of this flexibility. Our distribution pricing reform work aims to maximise the consumer benefits from enabling the necessary infrastructure to increase electric vehicle adoption, new technologies and the building of distributed generation.

Our new Electricity Authority Advisory Group will help us work more closely and transparently with the sector and consumers to ensure consumer interests, industry and future perspectives are central to our decision-making processes.

Electrification is a huge opportunity for all of us – a future in which investment and innovation will enable consumers to have more choice and control over their electricity while enjoying the benefits of a secure and resilient electricity supply that withstands the elements, and in which demand response plays an increasingly important role.

This document identifies the outcomes we are working to achieve and how we will work to deliver on the expectations, trust and confidence placed in us and the system. By addressing the immediate challenges and laying the groundwork for the future, we are working to provide consumers with reliable energy choices and support the nation's prosperity.



Anna Kominik
Chair
27 June 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.

Our work is informed by the Government's expectations communicated in the enduring letter of expectations to Crown entities and 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/

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 work we have planned for 2024/25 will enable flexibility across the system – from supply to demand – by promoting market mechanisms and reducing regulatory barriers to investment and innovation. We want to unlock 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 follows a multiple trading relationships trial for which the Authority granted exemptions to some participants in July 2023, for a five-year period that provides more choice to consumers in 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 of 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 is clear on its role, and the role it plays with others in the energy system, to support the delivery of the Government's specific sector-related priorities. Our work programme has been developed to deliver on our statutory objectives and strategic outcomes, as well as reflect the Government's priorities. 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
Operating appropriation		
1 Electricity Industry Governance and Market Operations	112.497	Promote market development
		Monitor, inform and educate
		Operate the electricity system and markets
		Enforce compliance
		Protect the interests of small electricity consumers
Contingent appropriations		
2 Managing the Security of New Zealand's Electricity Supply	1.200	Addressing funding requests from the system operator for the management of security of supply events
3 Electricity Litigation Fund	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.¹

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*.

¹ 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 Planned activities that promote market development achieve published annual outcomes	Achieved 89%	80%	80%	<ul style="list-style-type: none"> • Competition • Reliability • Efficiency • Protection of small consumers
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"> • Competition • Reliability • Efficiency • Protection of small consumers
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"> • Competition

Notes

- 1 Planned activities that promote market development are listed in [Appendix B](#).
- 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), 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) 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"> • Reliability • Efficiency
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"> • Reliability • Efficiency

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 Investigations into low-to-medium complexity alleged breaches of the Electricity Industry Participation Code are addressed in a timely manner	New measure	New measure	Median time to close is 6 months or less	<ul style="list-style-type: none"> • Competition • Reliability • Protection of Small Consumers
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"> • Competition • Reliability • Protection of Small Consumers

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

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

Protect the interests of small electricity consumers

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

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*	Establish regular monitoring and reporting of retail competition	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
System operator expenses	48,752	48,401	49,581
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
Other service provider expenses	18,343	22,641	25,355
Authority operating expenses	24,978	30,212**	37,561
Total expenses	92,073	101,254***	112,497

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.² 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

² 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

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 Post-implementation review of dry year or emergency event shows use of funding achieved its intended outcomes		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.

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 <i>Statement of performance expectations</i> .			
** 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
Total revenue		93,915	103,107	113,697
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
Total expenditure		92,942	101,547***	112,497
Total comprehensive revenue and expense		973	1,560	1,200

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
Total expenditure	92,073	102,004	112,497

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
Closing balance at 30 June	13,941	15,501	16,701

Prospective statement of financial position

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

Prospective statement of cash flows

	Actual 2022/23 (\$000)	Forecast 2023/24 (\$000)	Budget 2024/25 (\$000)
Cash flows from operating activities			
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	-
Net cash flows from operating activities	5,681	(1,191)	4,024
Cash flows from investing activities			
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)
Net cash flows from investing activities	(3,355)	(1,722)	(2,824)
Net increase/(decrease) in cash and cash equivalents	2,326	(2,913)	1,200
Cash and cash equivalents at the beginning of the year	18,661	20,987	18,074
Cash and cash equivalents at the end of the year	20,987	18,074	19,274

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	-
	92,942	101,667****	112,497

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	-
	16,146	18,460	25,576

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
	12,600	11,831	10,920

Note:

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

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

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

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	Increased monitoring of and reporting on retail competition*	Establish regular monitoring and reporting of retail competition	New measure	This measure was created to enable the Authority to report on performance against its new function to protect the interests of domestic and small business consumers in relation of the electricity supply to those consumers
Efficiency	Post-implementation review of dry year or emergency event shows use of funding achieved its intended outcomes	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	Investigations into low-to-medium complexity alleged breaches of the Electricity Industry Participation Code are addressed in a timely manner	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 have been included as a part of the *Statement of performance expectations* 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 activity performance. Note that the measure itself relates to delivery of these milestones by 30 June 2025, and that the delivery dates under each annual outcome are indicative.

Activity	Activity description	Annual outcome	Strategic outcome	Minister's expectation
Allocation of transmission charges between Battery Energy Storage Systems (BESS) and other customers	<p><u>Security of Supply: improving investment signals</u></p> <p>Battery usage on the grid allows for purchasing and storing energy then releasing energy and selling it back into the power system later. This project aims to update the Transmission Pricing Methodology (TPM) to ensure transmission charges are allocated appropriately between BESS and other customers, to ensure a level playing field for investment in BESS and other technologies.</p>	Decision paper published on allocation of transmission charges between BESS and other customers by December 2024.	Secure and Resilient	Reducing barriers to investment in generation, transmission, and distribution.
Ensuring efficient use of Battery Energy Storage Systems (BESS)	<p><u>Security of supply: flexibility to meet peak demand</u></p> <p>BESS systems can provide significant flexibility to the market including during winter peaks. Complexity currently limits this flexibility that BESS can offer to the market and may also result in inconsistent dispatching.</p> <p>This work will simplify BESS participation and optimise its dispatch in the wholesale electricity market. It is a recommendation from the potential solutions for peak electricity capacity issues paper.</p>	Consultation paper on proposed Code amendments by February 2025.	Secure and Resilient	<p>Reducing barriers to investment in generation, transmission, and distribution.</p> <p>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.</p>

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Forecasting for intermittent generation	<p><u>Security of supply: integrating intermittent resources into the system</u></p> <p>More accurate forecasts of intermittent generation will reduce uncertainty for all market participants, enabling them to provide electricity when it is needed at the most efficient price. This will ensure reliable supply at least cost to consumers as the power system becomes increasingly renewable. This initiative will also support competition by reducing regulatory and information barriers to participation by new entrants.</p>	Preferred centralised forecaster identified by 30 June 2025.	Secure and Resilient	<p>Keep the lights on — Ensure market settings enable a reliable supply of electricity.</p> <p>Affordability of electricity supply.</p>
Generation pipeline disclosure	<p><u>Security of supply: improving investment signals</u></p> <p>The purpose of this project is to improve the collection and publication of information on the generation development pipeline and energy and capacity adequacy (the Generation Investment Survey), in line with the Market Development Advisory Group's recommendation. The project will replace the Generation Investment Survey with a more regular, comprehensive, and efficient process.</p>	Completing in early 2025 the first of the regular publications of the development pipeline.	Secure and Resilient	
Architecture and security review of data platform	<p><u>Data for better performance: modernising IT infrastructure</u></p> <p>An independent expert review of our data platform with two main focuses:</p> <ol style="list-style-type: none"> 1. benchmarking the digital architecture of our data platform against the Authority's changing business needs 2. a security review to ensure it is equipped to hold personally identifiable information if required to in the future. 	Any remedial actions recommended by the independent expert review are completed or have a committed and funded plan to complete by 30 June 2025.	Accessible	

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Enable Meter Equipment Providers (MEPs) to contract Installation Control Point (ICP) data	<p><u>Data for better performance: unlocking smart meter value</u></p> <p>Access to ICP data is critical to enable flexibility and facilitate a competitive market. It is currently only shared by MEPs through bilateral commercial contracts where availability and pricing are not visible or common across market participants. Develop Code amendment proposals to:</p> <ul style="list-style-type: none"> enable MEPs to contract directly with distributors, flexibility traders, and others to provide connection point data, and direct MEPs to publish standard 'pay-as-you-go' terms for data that they would be required to make open to all parties. 	Consulted on draft Code changes to enable better access to ICP level consumption and power quality data by December 2024.	Accessible	
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. 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.</p>	Completed Code changes to enable greater collection and analysis of consumer data by 30 June 2025.	Accessible	
Improving coordination and visibility of flexibility traders	<p><u>Enabling flexibility: level playing field</u></p> <p>Flexibility traders provide an increasingly important service in unlocking the value of distributed energy resources, however they are not recognised as market participants in the Code. This work will consult on improving coordination and visibility between flexibility traders and retailers.</p>	Consulted on draft Code changes on improvements to coordination and visibility between flexibility traders and retailers by December 2024.	Efficient	Electrify NZ — align and enables priority outcomes.

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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 relating to proposed Code Amendment on efficient connection pricing by 30 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. A Code amendment will be consulted on to ensure that the current voluntary protections become mandatory by 1 January 2025.	Consumer care guidelines are mandatory and in place by 1 January 2025.	Accessible	
Improving consumer plan comparison and switching	<u>Data for better performance: informing consumer decisions</u> Improve ability and support for residential consumers to compare and easily switch between electricity retailers and plans.	Consult on Code changes to enhance consumer switching and mobility that meets changing consumer needs by 31 March 2025.	Accessible	Affordability of electricity supply through competitive wholesale and retail markets
Output agreement review	The output agreement is a document establishing expectations of performance and reporting provided by the Board to the Minister for Energy and their representatives at the Ministry of Business, Innovation and Employment (MBIE). This agreement enables the Minister to monitor and hold the Board accountable for its performance. We will work with MBIE as our monitoring agency to review the agreement to reflect the changed environment since it was last reviewed.	Review and outcome of Output agreement agreed by Board and Minister by March 2025.		Works with MBIE officials to review the existing output agreement

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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.	Decision relating to proposed Code amendments by 30 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 concern 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 (SOSPA) 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 SOSPA 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 1 July 2025.	Secure & resilient	Value for money — focus on finding savings.

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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 Authority deliverables throughout 2024/25.	Accessible	
Increasing consumer understanding of competition and their ability to switch through an education campaign	The Authority is looking at a phased approach to building consumer mobility so that it encourages competition, innovation, and continued market investment	Existing switching information and ease of access improved by 30 June 2025.	Accessible	Affordability of electricity supply through competitive wholesale and retail markets.
Review of future system operations (Future Security and Resilience)	The Authority is reviewing the operation of New Zealand's power system to ensure it remains fit for purpose as New Zealand transitions to a power system that is more de-centralised with increased bi-directional power flows.	A consultation on actions/options published by 30 June 2025.	Secure and resilient	