

# **Quarterly report to the Minister for Energy 1 July to 30 September 2024**

31 October 2024

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# 1. Summary of the quarter

The Electricity Authority Te Mana Hiko (Authority) provides the Minister for Energy with this quarterly report in accordance with our output agreement. It provides a summary of the Authority's performance from 1 July to 30 September 2024.

This report includes the Authority's progress implementing the recommendations from the 2022/23 strategic baseline review and a summary of our new competition measures. It also includes our usual reporting on organisational health, risk and audit, and the financial statements for the quarter.

## Highlights for this quarter:

- **Response to high electricity prices**

We took action in response to high and volatile wholesale prices in August. This included making an urgent change to our enforcement approach for market-making to ensure continuity during the volatile period and reviewing the availability and pricing of risk management options. We ramped-up our monitoring of new investment projects and increased the data we publish, including a dashboard showing the energy margins generators are making when selling into the wholesale electricity market.

We engaged with the System Operator to enable hydro generators to access contingent storage (allowing temporary lowering of hydro lake levels) without breaching resource consents to provide more generation capacity earlier.

We established the Energy Competition Task Force to boost competition, accelerated our implementation of the Market Development Advisory Group's recommendations to strengthen the wholesale market and initiated the standardised flex product project to provide another tool to manage financial risk.

- **Energy Competition Task Force**

The Energy Competition Task Force was established with the Commerce Commission, and the Ministry of Business, Innovation and Employment is involved as an observer. The Authority drove the establishment of the Task Force to bring together government market regulators to consider the complex factors underlying wholesale prices and put in place a suite of measures to help address the issues faced across the energy system.

The work programme is focused on faster action to strengthen the market by boosting competition, encouraging more and faster investment in new electricity generation, enabling homes, businesses and industrials to better manage their own electricity use and costs, and putting downward pressure on prices.

The Task Force is engaging with and seeking feedback from the sector on its work.

- **Review into Northland tower collapse**

The S.18 review into the collapse of a Northland transmission tower was completed and released by the Minister for Energy at the Authority's office. The aim of the review was to understand what went wrong, and to identify gaps in the system that allowed such an event to occur. A system-wide approach was needed to prevent recurrence. Utilising the breadth of expertise we have within the Authority and expert external contacts as required, we moved at pace, diverting key resources from other

priorities onto the Review. The report makes 26 recommendations to improve processes, documentation, training and assurance, and the importance of regional resilience at a system-wide level. Transpower will provide progress reports every six months until implementation is complete. The first report is expected in March 2025.

- **Power Innovation Pathway**

We launched the Power Innovation Pathway at the Oceania Renewable Power Summit in September. This initiative is designed to accelerate innovation and competition in New Zealand's electricity sector. As a modern regulator operating in a rapidly changing market, it's important we use regulation to help shape a system that provides the energy we need to power our future and achieve long term benefits for New Zealanders. Our immediate focus is on accelerating innovation for increased regional resilience, competition and opportunities for consumers to manage their own electricity use and costs.

The energy system will benefit from a diversity of parties competing to bring to market solutions that meet consumer demand. The Pathway makes it easier and more efficient for innovators to access the regulatory information and support they need to bring new ideas to market faster, including local solutions for specific regions. Much of the innovation is focused on accelerating a more distributed and affordable energy system. It also accelerates the Authority's understanding of emerging opportunities and barriers, so regulatory settings can continue to be clear and consistent as the future energy system evolves.

As at time of writing we have received 43 applications. We continue to review and triage these and have already responded to approximately half of applicants with regulatory advice and clarity.

- **Changes to the electricity futures market**

We introduced an urgent amendment to the Electricity Industry Participation Code to ensure the electricity futures market operates effectively for consumers during times of high market stress. The Code change introduced a price-based test to adjust market-making settings. This allows more flexibility for market-makers to continue to offer prices, with a reduced risk of high financial losses. This makes it easier for retailers to contract at a fixed price, meaning that consumers can access electricity at a more predictable price.

- **Market Development Advisory Group (MDAG) recommendations**

MDAG's final recommendations were spread across three tranches (in order of priority). Work is currently underway on 19 of the 31 recommendations, including all recommendations in Tranche 1 and several in Tranche 2. In the past quarter, the Authority has made significant progress on actions that will enhance information and transparency around price signals and improve access to risk management tools. This includes:

- Broadened hedge disclosure obligations taking effect from 30 October
- Industry co-design group established to develop standardised flexibility contracts
- Work on an outline of virtual disaggregation, as a backstop measure, is in progress

- **Government Policy Statement**

A Statement of Government Policy (GPS) to the Authority was published on 11 October 2024, with particular focus on updating the wholesale electricity market and security of supply, not just for now but also for the future. The GPS is aligned to, and consistent with, the Authority's re-prioritised work programme and it highlights, among other things, the importance of the Authority's security of supply work programme, work to progress the MDAG recommendations, and the Energy Competition Task Force measures.

We will continue to respond to this direction from the Minister in terms of ongoing planning of our work programme and adapting our future reporting to include the GPS expectations.

**Points to note:**

1. The Authority continued to deliver against the Minister's letter of expectations 2024/25 and the activities outlined in our *Statement of performance expectations 2024/25*, with 15 out of 15 (100%) performance measures on track to achieve target, and delivery of 18 out of 19 (95%) activity areas on track. We acknowledge that it is early in the year and these results need to be considered with a full year view. For context, last year we achieved 71% of our performance measures and 83% of key activity areas over the full 12 months.
2. The Board initiated the development of the Authority's regulatory strategy and regulatory principles to guide decision making and shape the Authority's 2025/26 indicative work programme. We will confirm our indicative work programme against the recently released GPS and invite public feedback on the programme in November as part of our consultation on our levy-funded appropriations for 2025/26.
3. A focus on productivity measures and greater value for money has informed our reprioritised 2024/25 projects and 2025/26 indicative work programme. As a result of this reprioritisation, we will amend the *Statement of performance expectations 2024/25* to reflect the new priority activities.
4. Financially, quarterly expenditure was \$1.5 million lower than budgeted. This is primarily timing-related, with expenses being rephased due to the reprioritisation of our work programme and operationalising our increase in baseline funding for the 2024/25 year. The current underspend will reduce and is expected to return to budget as we deliver the reprioritised work programme.


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## 2. Key performance achievements

This section provides an update on the Authority's progress towards achieving the priorities and expectations set out in the letter of expectations 2024/25. It is aligned to our *Statement of performance expectations 2024/25* and organised into our five regulatory functions. More detail on specific market development activities is in Appendix A.

Regulatory function	Progress this quarter	Future delivery
<b>Promote market development</b> 	<ul style="list-style-type: none"> <li>The Energy Competition Task Force established and announced two packages of work: Package 1 – enable new generators and independent retailers to enter, and better compete in the market; and Package 2 – provide more options for end-users of electricity.</li> <li>An eight-member industry group was established to support the development of the Standardised Flexibility Products, with a view to delivery in December 2024.</li> <li>Worked with the system operator to enable hydro generators to access contingent storage to manage emerging electricity supply risks.</li> <li>Interim changes to enforcement of market-making requirements to maintain liquidity in the forward market in August. We then developed an urgent Code amendment to give regulatory certainty for the approach to market-making during stressed market conditions.</li> <li>Consulted on five of the seven key issues we identified with the common quality requirements in the Code (frequency, voltage and harmonics), ran two webinars and received 21 submissions.</li> <li>Published paper on 'Transmission pricing methodology amendments: a level playing field for emerging technologies' to update the TPM for emerging technologies such as grid-scale batteries.</li> <li>Worked with the Authority's Distribution Connection Pricing Technical Group (comprised of 11 members representing industry) to inform the Authority's proposals on the regulation of distribution connection pricing.</li> </ul>	<ul style="list-style-type: none"> <li>The Energy Competition Task Force will start actioning the first work package and progress the second work package for delivery in early 2025.</li> <li>Work with the Standardised Flexibility Products Co-Design Group to develop flexibility products. Trading of products will start in early 2025.</li> <li>Implement near-term changes to asset outage coordination to increase security and reliability ahead of potential increased outages in summer and autumn.</li> <li>Risk Management Review findings published on the availability of efficient risk management options as an enabler of retail market competition.</li> <li>Continue to engage with industry on the review of the common quality requirements (part of the Future Security and Resilience programme).</li> <li>Publish a dashboard with measures of success to track desired competition outcomes in the electricity market.</li> <li>MDAG's measures to strengthen competition in the supply of flexibility products (recommendations 8 and 13) are being accelerated through the Energy Competition Task Force.</li> </ul>



	<ul style="list-style-type: none"> <li>Progressed MDAG recommendations relating to actions that will enhance information and transparency around price signals and improve access to risk management tools.</li> </ul>	
<b>Monitor, inform and educate</b> 	<ul style="list-style-type: none"> <li>Increased sophistication of monitoring, testing and reporting to get more industry and consumer related information, including information on the high wholesale prices, security of supply, resilience and barriers to entry.</li> <li>Improved monitoring and reporting of generation investment.</li> <li>Stakeholder engagement programme focused on barriers to entry, investment and growth.</li> <li>Public information campaign work: <ul style="list-style-type: none"> <li>Published four 'Eye on electricity' articles to provide easy-to-read explainers on the electricity sector on the drivers behind wholesale electricity prices, increasing demand for electricity and new investment in generation.</li> </ul> </li> <li>Public information through five opinion pieces on topical issues, five broadcast media interviews and 72 written media responses.</li> <li>Launched the Power Innovation Pathway which promotes open access for innovators, regulatory clarity, accelerating high-value ideas and deepening market understanding.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve visibility of generation investment.</li> <li>Publish a monthly 3-month security of supply outlook, including risks for different scenario plans and actions, and a quarterly seasonal outlook tailored for a consumer audience.</li> <li>Develop and deliver a consumer information campaign to broaden public understanding of the system and build public confidence (drawing and expanding on MDAG recommendation 22 – Information programme for opinion-makers). <ul style="list-style-type: none"> <li>Refresh the 'Your Power' section of our website and YouTube channel and develop a suite of consumer content for publication/promotion.</li> <li>Identify and publish a series of consumer-oriented stories and promote across channels.</li> <li>Continue to publish regular 'Eye on Electricity' explainer articles.</li> <li>Engage with local and international stakeholders on security of supply, market evolution and delivering better outcomes for consumers.</li> </ul> </li> </ul>
<b>Operate the electricity system and markets</b> 	<ul style="list-style-type: none"> <li>Authority and Transpower is continuing discussions on the negotiated funding for the system operator service from 1 July 2025, with a mutually agreed one-month extension. Transpower's most recent proposal at the time of writing is for an annual fixed fee increase of \$7.1 million.</li> </ul>	<ul style="list-style-type: none"> <li>Undertake required consultation (November) on our levy funded appropriations, including system operator cost increase.</li> </ul>
<b>Enforce compliance</b> 	<ul style="list-style-type: none"> <li>Monitored compliance and improved timeframes for investigations into alleged breaches of the Electricity Industry Participation Code. 37 cases were closed in the quarter, all were low to medium severity in terms of complexity, and three warning letters were issued.</li> </ul>	<ul style="list-style-type: none"> <li>Consider and seek improvements to legislative compliance and enforcement regime, including information gathering powers and liability limits for participants.</li> <li>Continue to be proactive in our compliance monitoring.</li> </ul>

	<ul style="list-style-type: none"> <li>Development of the Consumer Care Obligations by 1 January 2025, and associated monitoring, enforcement and education activity. We will also be shortly publishing a report reviewing retailer alignment with the Guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>Prepare communications, education and monitoring activity for the implementation of the CCO.</li> </ul>
<b>Protect interests of small consumers</b> 	<ul style="list-style-type: none"> <li>The Electricity Authority Advisory Group met for the first time and developed sub-groups for immediate policy projects.</li> <li>Published a 'registration of interest' to provide a web service for consumers to compare and switch electricity plans and retailers. Received 20 responses.</li> <li>Consultation to improve consumers' access to their data began in September. These proposals will see consumers get quicker access to their data from retailers and with more requests free of charge.</li> </ul>	<ul style="list-style-type: none"> <li>Make decisions on Code amendments to implement the CCO from 1 January 2025.</li> <li>Finalise all communications, education and compliance resources and activities to implement the CCO.</li> <li>Prepare proposals and options for an online retail switching service. This includes whether to mandate participation of retailers in the service and standardise billing information for consumers.</li> </ul>
<b>Support functions</b>	<ul style="list-style-type: none"> <li>The Board gave agreement to develop the Authority's regulatory strategy. Regulatory principles to guide decision making were drafted and agreed.</li> </ul>	<ul style="list-style-type: none"> <li>Consult on our new regulatory strategy as part of our consultation on our proposed levy appropriations for 2025/26.</li> </ul>






### 3. Statement of performance expectations measures

This section provides an update on the Authority's progress against our specific Statement of performance expectations 2024/25 measures, and by appropriation.

Key for this section:















Statutory objectives			
 <b>Competition</b>	 <b>Reliability</b>	 <b>Efficiency</b>	 <b>Protection of small consumers</b>
Progress indicators			
			
Forecast to achieve or exceed target.	Significant risks / issues with achieving target	Target not forecast to be achieved	

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

Activity area	Non-financial targets (#)			Financial (\$000's)	
				YTD actual	% spent of YTD budget
Electricity industry governance and market operations	12	0	0	24,510	94%
Managing the security of New Zealand's electricity supply	2	0	0	-	0%
Electricity litigation fund	1	0	0	22	6%

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

##### Electricity industry governance and market operations

Performance measures	Target 2024/25	YTD status	Relevant statutory objective
1. Planned activities that promote market development achieve published annual outcomes (Appendix A)	80%		   
2. Our market development decisions and processes are lawful and appropriate (number of legal challenges that result in market development decision being overturned)	0		   
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	1 review completed		
4. The Authority regularly publishes evidenced- based monitoring reports	Quarterly reviews, weekly trading conduct reports		

5. The Authority actively promotes understanding of its work and the electricity system to a wide audience	Increase in activity across all public facing channels	●	⌚
6. Content on the Electricity Market Information website is reviewed and revised to maintain relevance	Sustain or increase on prior year	●	⌚
7. Data and analytical tools are made available to support the Authority's decision-making processes	Increase on prior year	●	🏆⌚ ⌚
8. Market operation service providers' (MOSP) performance meets agreed standards and contract requirements, or a remedial plan is agreed and actioned by specified date	Achieved	●	⌚⌚
9. Any significant issues in MOSP systems, as identified in audit processes, have a remedial plan agreed and actioned by specified date	Achieved	●	⌚⌚
10. 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	●	🏆⌚ 📄
11. Our compliance decisions are lawful and appropriate (number of legal challenges that result in a compliance decision being overturned)	0	●	🏆⌚ 📄
12. Increased monitoring of and reporting on retail competition	Regular monitoring and reporting of retail competition	●	🏆📄

### Managing the security of New Zealand's electricity supply













Performance measures	Target 2024/25	YTD status	Relevant 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	Achieved	●	⌚ ⌚
14. Post-implementation review of dry year or emergency event shows use of funding achieved its intended outcomes	Achieved	●	⌚
Notes on any comments, or exception reporting: 13. One application for funding was processed and approved 14. No Emergency events and no money spent			

### Electricity litigation fund

Performance measures	Target 2024/25	YTD Status	Relevant statutory objective
15. The electricity litigation fund is used in accordance with the agreed criteria	Achieved	●	🏆⌚ ⌚📄

## 4. Baseline review recommendations

The following table shows the Authority's high-level progress against implementing the recommendations from the 2022/23 strategic baseline review.

Tier and recommendation #		High level improvement areas	Activity this quarter	Quarterly progress
Tier 1	1(a)(T1i)	Improved confidence in future reliability.	Yes	 *
Tier 1	1(a)(T1ii)	Improve maturity of relationships between the system operator, MBIE, the Commerce Commission and the Authority.	Yes	
Tier 1	1(a)(T1iii)	Raise the strategic outlook of the regulator to being long-term (10 years) with a three-year planning horizon.	Yes	
Tier 1	1(a)(T1iv)	Clarify the link between strategy and work programme and develop medium-term regulatory strategy.	Yes	
Tier 2	1(a)(T2i)	Address staff turnover and improve staff capability	Yes	
Tier 2	1(a)(T2ii)	Address backlog of Code changes (short term) and, in slower time, review and modernise the Code	Yes	
Tier 2	1(a)(T2iii)	Improve understanding of the links between projects, their resourcing demands and organisation planning and strategy	Yes	
Tier 2	1(a)(T2iv)	Work on key relationships, assigning senior points of contact for key stakeholders, and considering resuming regulatory manager meetings.	Yes	
Tier 2	1(a)(T2v)	Review where processes could be more agile and innovative and identify continuous improvement programmes.	Yes	
Tier 3	1(a)(T3i)	Improve culture of review and engagement. This should also extend to the application of risk management practices.	Yes	
Tier 3	1(a)(T3ii)	Improve knowledge management practices.	Yes	
Tier 3	1(a)(T3iii)	Provide a helpful IT environment.	Yes	

Notes on any comments, or exception reporting:

\* Our Annual Report 2023/24 noted that respondents from the industry participant survey and consumer surveys expressed concerns about New Zealand's ability to meeting increasing demand. Our ongoing work programme is focussed on improving this perception.

## 5. Competition measures

The Authority met with the Minister for Energy on 26 June 2024 to discuss our competition and connection work programme. The Minister requested further information on how the Authority measures the success of its work programme to support increased competition.

Following this meeting, the Authority worked on the measures of success for our competition work and the development of a competition dashboard. At the time of printing this report, the dashboard is not live but will be included for future quarterly reports and will include links for the following proposed indicators.

Success measures	Indicators	Comment
Declining market concentration	HHI for generation	Links to be included when available
	HHI for retail	
	Number of independent generators	
	Number of retail firms	
Price	Forward price curve-baseload	
	OTC and ASX price comparison	
	Spot price level and volatility	
Liquidity	Volume transacted by contract types	
	Volume transacted – ASX	
	Volume transacted – OTC	
	Volume transacted by participant	
Product availability	Contract types traded by participants	
Access to flexibility products on reasonable terms	Contracts between gentailers and others – number and volume	
Consumer choice – effectiveness of available information	Consumer switching rate by region	
Local and regional resilience – different ways to feed the grid	Distributed generation	
	Geographic diversity of distributed generation	

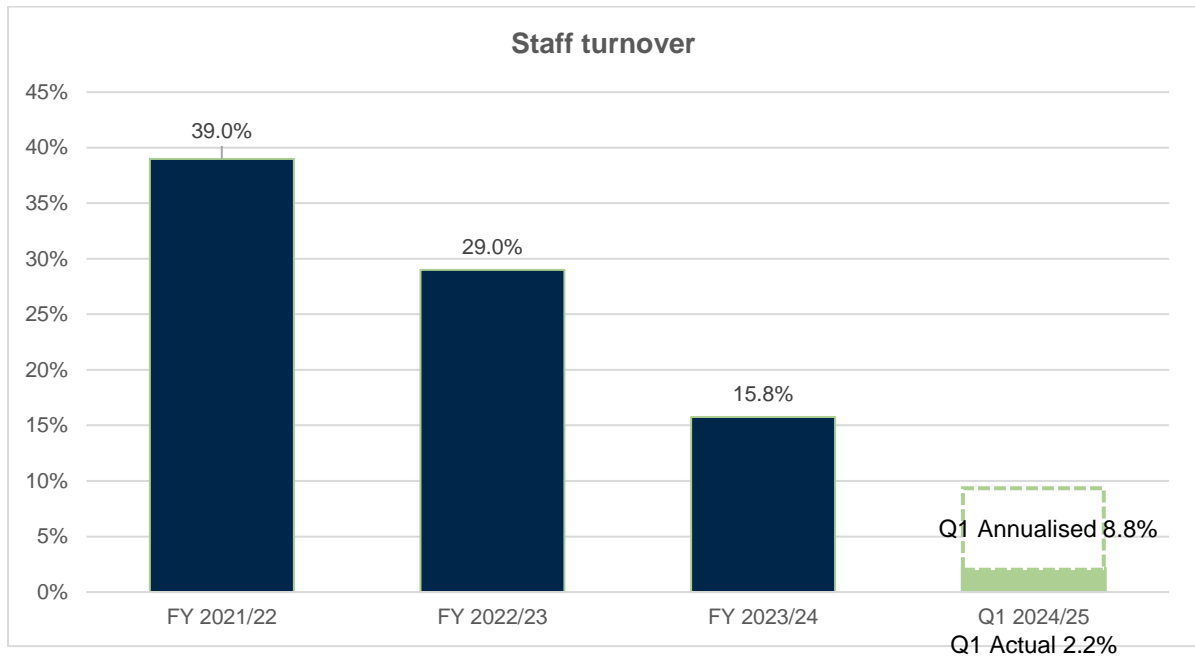
## 6. Organisational health

This section provides an overview of our organisational health in terms of staff numbers and turnover, and contractor and consultant spend.

As at 30 September 2024, the Authority had 135.22 FTE positions and two vacancies.

### Staff turnover

Staff turnover was low this quarter (2.2%) and continues the downward trend.



## Contractor and consultant spend

### Information on contractors<sup>1</sup> and consultants<sup>2</sup> 1 July 2024 to 30 September 2024

2023/24 Full Year Actual \$000	Contractors and consultants	Sep 2024 Actual \$000	Sep 2024 Year to Date Budget \$000	Sep 2024 Variance \$000	Jun 2024 Full Year Budget \$000	Jun 2024 Full Year Forecast \$000
	<b>Operational</b>					
928	Contractors	303	259	(44)	632	1,032
2,187	Consultants	792	562	(230)	1,843	2,309
<b>3,115</b>	<b>Total operational spend</b>	<b>1,094</b>	<b>820</b>	<b>(274)</b>	<b>2,475</b>	<b>3,341</b>
	<b>Capital</b>					
265	Contractors	-	-	-	-	25
-	Consultants	-	-	-	-	-
<b>265</b>	<b>Total capital spend</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>
<b>3,380</b>	<b>Total contractors and consultants</b>	<b>1,094</b>	<b>820</b>	<b>(274)</b>	<b>2,475</b>	<b>3,366</b>

Spend on contractors and consultants was \$0.3 million higher than budgeted for the first quarter of 2024/25. This is mainly due to \$0.2 million unbudgeted specialist resource (including expert power system engineer/s, external legal advice, independent Chair) required at short notice for the:

- review into the Northland pylon collapse,
- winter market response
- establishment of the Energy Competition Task Force.

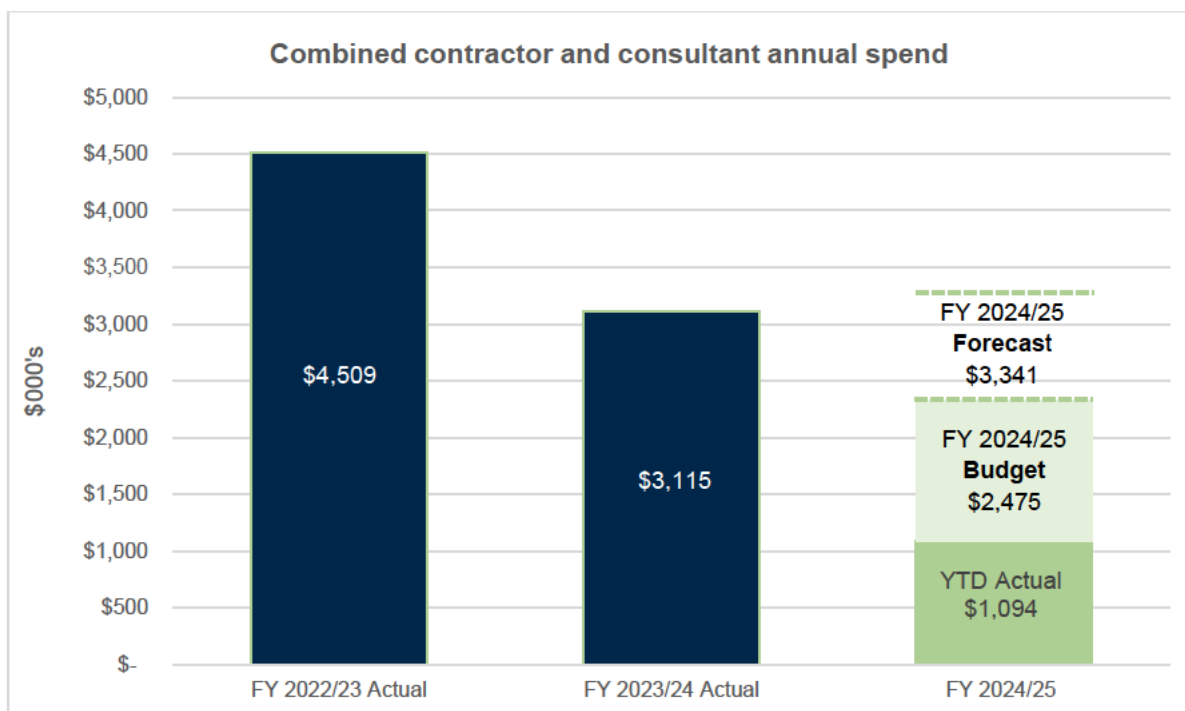
The combined full year forecast of \$3.3 million is \$0.9 million higher than the full year budget of \$2.5 million. Of the total forecast overspend:

- 1.1. \$0.7 million relates to the three unplanned events noted above, which MBIE have indicated the costs pertaining to these events must be covered within our appropriation. We expect this total to increase once final Task Force related projects costings are finalised.
- 1.2. \$0.2 million is due to the Authority using external short-term resources to augment internal capability and accelerate high priority initiatives as our work programme is being reprioritised.

<sup>1</sup> Definition of contractor: An individual who is hired via a third party to provide temporary specialist skills or perform duties that would normally be provided by an existing staff member, either in their normal day-to-day duties, or on a project.

<sup>2</sup> Definition of consultant: A company or an individual where service provision is linked to a defined outcome, typically with remuneration linked to agreed milestones, or deliverables. The Electricity Authority's functions require significant use of consultants as they have specialist and technical knowledge that is not economic to employ on a full-time basis.





## 7. Audit and risk

The Board has recently developed risk appetite statements which sets out our expectations, for each risk, of the maximum level of risk the Authority is willing to accept in delivering its functions.

Operationally, we use individual risk registers for all teams to record their identified risks. These are then triaged and incorporated into an enterprise-wide risk register for analysis.

### Assurance

There were four internal audit reviews progressed in 2023/2024, as per the three-year audit plan. There is regular reporting to senior management and the Audit and Finance Committee on the status of all issues. All issues identified are on target to be completed in the original timeframe or have been extended due to valid circumstances.

#### Audit plan 2023/24

Issue	Progress	Reporting stage
Suspicious transactions analysis and fraud risk assessment	●	Draft report reviewed for accuracy and returned to auditors for clarifications.
Cyber security	●	Some aspects are with management to review. Penetration testing underway at time of writing.
Compliance investigations and enforcement	●	Report finalised (next step is to formulate the response to the report and recommendations)
Transmission pricing methodology programme post-implementation review	●	Report finalised (next step is to formulate the response to the report and recommendations)

## Risk management

No new strategic risks were identified during the reporting period and there are no critical risks. One risk – regarding the ability to attract, develop and retain talent - reduced from a high to medium rating due to mitigation actions taken and changes in the labour market.

We are currently conducting a review of our risk framework and expect to be able to share the outcomes of this in our next quarterly report.

### Current risks rated ‘high’

Category	30 Jun 24	30 Sep 24
Strategic	7	6
Operational	1	1
Political	0	0
Reputational	1	1
Legal/regulatory	1	1
Workforce	10	10
Technical/infrastructure	0	0
Market	0	0
Financial	3	3
Project management	1	1
Health, safety and wellbeing	1	1
Third party	0	0
Other	1	1
<b>Total</b>	<b>26</b>	<b>25</b>

## 8. Financial analysis and update

The Authority’s financial performance is provided for the quarter period of 1 July 2024 to 30 September 2024, and the forecast financial position to 30 June 2025.

Total Authority expenditure year-to-date funded by Crown appropriations was \$24.5 million. This is \$1.5 million less than budgeted.

The full year forecast expenditure variance against appropriations is an underspend of \$1.2 million. This variance is expected to reduce with expenditure returning to budgeted levels, as costings for reprioritised initiatives within our revised work programme are finalised and rephased.

The balance sheet on 30 September 2024 remains in a stable position with equity being \$0.4 million higher than 30 June 2024. Total assets are \$31.7 million, and total liabilities \$15.9 million, resulting in total equity of \$15.8 million.

Total revenue for the reporting period is detailed in the *Statement of comprehensive revenue and expense* (Figure 3, Appendix C).

For full financial tables and commentary please refer to Appendix C.

## Appendix A: 2024/25 Market development activities









The following table provides an overview of the activities the Authority is progressing or completing within 2024/25 as part of the *Statement of performance expectations 2024/25* measure 1 'Planned activities that promote market development achieve published annual outcomes'. Annual outcomes are tangible milestones that we aim to deliver within the financial year and are used to assess activity performance.









We have recently reprioritised our 2024/25 work programme in light of the recent environmental changes. Our new list of priorities includes Task Force initiatives and other activities that are deemed high or medium priority that relate to effective competition, consumer care and affordability, accurate and efficient pricing, innovation and distributed energy, effective risk management and regional resilience.






This has caused some projects contained in our SPE appendix (linked to a measure on market development) to change priority, which will be a significant enough change to impact our performance measure framework. Over the next quarter we will be proposing an amendment to our Statement of performance expectations 2024/25 to align to the new priority activities. We consider the circumstances appropriate for amendment, per section 149K of the Crown Entities Act 2004, to ensure the key projects relevant to Measure 1 are reflected.





The below is an update on the activities as outlined in our **current** *Statement of performance expectations 2024/25*.

Note, the measure is for delivery of milestones by 30 June 2025, and delivery dates under each annual outcome are indicative.




Strategic outcomes			Progress indicators				
 Secure and resilient  Accessible  Efficient			 Successful delivery appears on track as planned.	 Successful delivery appears feasible but significant risks/issues already exist.	 Successful delivery appears to be unachievable, major issues do not appear to be resolvable.		
Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Quarterly progress			Comments as required
				Q1	Q2	Q3	
Allocation of transmission charges between battery energy storage systems (BESS) and other customers	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 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.	Decision paper published on allocation of transmission charges between BESS and other customers by December 2024					

Ensuring efficient use of BESS <u>(deprioritised)</u>	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. 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.	Consultation paper on proposed Code amendments by February 2025					Work began this quarter, with drafting of a consultation paper. Future focus has been reprioritised and this activity has been <u>deprioritised</u> . The consultation paper on proposed Code amendments will not be achieved by February 2025. To mitigate the impact of this, system operator technical advisory work will continue, and resources and timelines will be reassessed in early 2025.
Forecasting for intermittent generation	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.	Preferred centralised forecaster identified by 30 June 2025					
Generation pipeline disclosure	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.	Complete the first publication of the development pipeline in early 2025					
Architecture and security review of data platform	An independent expert review of our data platform with two main focuses: 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					

Enable meter equipment providers (MEPs) to contract installation control point (ICP) data ( <u>deprioritised</u> )	<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"> <li>enable MEPs to contract directly with distributors, flexibility traders, and others to provide connection point data, and</li> <li>direct MEPs to publish standard 'pay-as-you-go' terms for data that they would be required to make open to all parties.</li> </ul>	Consulted on draft Code changes to enable better access to ICP level consumption and power quality data by December 2024		●			This activity has been <u>deprioritised</u> through recent work programme reprioritisation. However, the outcome of the project will be achieved via a different high priority deliverable that involves a wider review of MEP structures.
Retail data project	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.	Completed Code changes to enable greater collection and analysis of consumer data by 30 June 2025		●			We will use the existing Code provisions to enable greater collection and analysis of retail data. No Code change is needed at this stage. The project is progressing and on track.
Improving coordination and visibility of flexibility traders	Enabling flexibility: level playing field 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.	Consulted on draft Code changes on improvements to coordination and visibility between flexibility traders and retailers by December 2024		●			The deliverable for this activity has changed through the 2024/25 work programme reprioritisation. The outcome of this project will be achieved through the wider review of MEP structures.
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		●			
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		●			

Improving consumer plan comparison and switching	Data for better performance: informing consumer decisions. 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		●			
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 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	–	●			We have discussed this work with our MBIE monitoring team and have requested a timeline for further engagement.
Regulatory strategy	We recently updated our vision and strategic outcomes. Building on this, we 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	–	●			
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 bidirectional 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		●			
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		●			
System Operator Service Provider Agreement negotiation	The System Operator Service Provider Agreement negotiation covers the contract refresh with the system operator setting out the specific functions and processes that the system operator must perform.	New agreement finalised and signed ready for commencement on 1 July 2025		●			



New Electricity Authority Advisory Group	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. 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.	New Advisory Group established and informing Authority deliverables throughout 2024/25		●			
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		●			
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 decentralised with increased bi-directional power flows.	A consultation on actions/options published by 30 June 2025		●			

## Appendix B: Audit and risk

### Current actions resulting from previous audits

	Issue description	Due date	Progress
1	<b>Effective health, safety &amp; wellbeing governance</b> Develop a 'Due Diligence' Framework and Programme Meeting requirements of HSWA Builds executive knowledge	November 2024	A framework to deliver key health and safety information to all levels of leadership and staff at the Authority was agreed in July. It proposed the use of a variety of channels and would be targeted to levels of responsibility and risk under the Health Safety at Work Act.  This has now been operationalised at Board level, and with senior leadership and staff.  We will continue to monitor this internally on a rolling monthly basis.
2	<b>Effective health, safety &amp; wellbeing governance</b> Develop a targeted HSW communications plan to build awareness of the Authority's HSW vision, strategy and goals	November 2024	
3	<b>Effective health, safety &amp; wellbeing governance</b> Develop a formal Safety Leadership Programme for People Leaders that includes safety leadership behaviors and core technical HSW knowledge and skills.	November 2024	

## Appendix C: Financial performance

This appendix provides more information about the Authority's financial performance for the quarter period of 1 July 2024 to 30 September 2024, and the forecast financial position at 30 June 2025.

### Appropriations and expenditure

The Authority is funded by the Crown from three appropriations within Vote Business, Science and Innovation. The operating appropriation is the electricity industry governance and market operations appropriation. The other two appropriations; managing the security of New Zealand's electricity supply and the electricity litigation fund are both contingent appropriations that may only be drawn down for specific activities. As the timing and extent of any activity funded through these appropriations are unknown, they are not included in the Authorities' published budget.

Expenditure incurred against the three appropriations available to the Authority is as follows:

**Figure 1: Appropriation revenue, 1 July 2024 to 30 September 2024**

2023/24 Full Year Actual \$000	Appropriations	2024/25 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
100,843	Electricity industry governance and market operations	24,510	28,124	(3,615)	112,497	112,497
-	Managing the security of New Zealand's electricity supply	-	-	-	-	55
178	Electricity litigation fund	22	-	22	-	22
<b>101,021</b>	<b>Total Appropriations</b>	<b>24,531</b>	<b>28,124</b>	<b>(3,593)</b>	<b>112,497</b>	<b>112,574</b>

**Figure 2: Appropriation expenditure, 1 July 2024 to 30 September 2024**

2023/24 Full Year Actual \$000	Electricity industry governance and market operations appropriation expenditure	2024/25 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
30,485	System operator - operating expenses	7,751	7,760	10	31,042	31,305
17,857	System operator - capital-related expenses	4,304	4,585	281	18,539	18,122
<b>48,342</b>	<b>System operator expenses</b>	<b>12,054</b>	<b>12,345</b>	<b>291</b>	<b>49,581</b>	<b>49,427</b>
13,224	Service provider - market making	1,637	2,040	403	14,400	13,997
2,974	Service provider - clearing manager	655	655	0	2,620	2,620
2,009	Service provider - wholesale information and trading system (WITS)	348	332	(16)	1,328	1,397
1,037	Service provider - reconciliation manager	199	320	121	1,278	795
835	Service provider - registry	217	253	36	1,012	923
935	Service provider - FTR manager	265	265	-	1,060	1,060
-	Service provider - consumer mobility	363	365	2	1,462	1,575
1,416	Service provider - depreciation and amortisation	321	446	125	2,055	1,565
11	Service provider - IT costs	2	-	(2)	140	142
<b>22,441</b>	<b>Other service provider expenses</b>	<b>4,006</b>	<b>4,676</b>	<b>670</b>	<b>25,355</b>	<b>24,074</b>
5,399	Authority operations - work programme	1,189	1,123	(66)	4,079	4,557
18,636	Authority operations - personnel	5,758	6,006	247	25,576	25,856
6,203	Authority operations - other operating costs	1,501	1,871	369	7,906	7,473
<b>30,060</b>	<b>Authority operating expenses</b>	<b>8,449</b>	<b>9,000</b>	<b>550</b>	<b>37,561</b>	<b>37,886</b>
<b>100,843</b>	<b>Total expenditure</b>	<b>24,510</b>	<b>26,021</b>	<b>1,511</b>	<b>112,497</b>	<b>111,387</b>
In 2023/24 the consumer mobility budget was recorded under Authority operations expenses. Because this spend supports provision of an independent consumer power switching website by a third-party, it has been reclassified as a service provider expense and removed from Authority operations expenses from 2024/25.						

Expenditure in the 'Electricity industry governance and market operations' appropriation, for the quarter ended 30 September 2024 was \$1.5 million lower than budget, mainly due to:

- **System operator** - expenditure is \$0.3 million below budget, due largely to revised commissioning dates of capital projects impacting the timing of spend, and the timing of the budget phasing compared to the final costing plans received from the system operator.
- **Other service provider expenses** – expenditure is \$0.7 million below budget, primarily due to \$0.4 million for market-making as there were ten non-trading available days and reduced service level costs. \$0.1 million is related to lower service provider depreciation and amortisation, and \$0.2 million relates to lower costs across multiple contracts.
- **Personnel costs** – \$0.2 million lower than budget due to delayed recruitment to ensure new hires are tailored to best support the reprioritised work programme.
- **Other Authority operating expenses** - \$0.3 million, including depreciation and amortisation, and various other expenses such as recruitment and rulings panel fees.

2023/24 Full Year Actual \$000	Managing the security of New Zealand's electricity supply appropriation expenditure	Actual \$000	2024/25 Year to Date Budget \$000	Variance \$000	2024/25 Full Year Budget \$000	Forecast \$000
-	System operator - operating expenses	-	-	-	-	55
-		-	-	-	-	-
-	<b>Total expenditure</b>	-	-	-	-	<b>55</b>

There was no spend relating to the 'Managing the security of New Zealand's electricity supply' appropriation during the first quarter of the year, but some spend has been committed by the service operator and is included in the full year forecast.

2023/24 Full Year Actual \$000	Electricity litigation fund appropriation expenditure	Actual \$000	2024/25 Year to Date Budget \$000	Variance \$000	2024/25 Full Year Budget \$000	Forecast \$000
178	Authority operations - work programme	22	-	(22)	-	22
-		-	-	-	-	-
<b>178</b>	<b>Total expenditure</b>	<b>22</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>22</b>

There has been little spend in the 'Electricity litigation fund' appropriation during this quarter. There is an application for judicial review of an Authority decision by Buller Electricity Limited with a hearing date for their appeal set for September 2025.

## Comprehensive revenue and expenditure

**Figure 3: Statement of comprehensive revenue and expense - 1 July 2024 to 30 September 2024**

2023/24 Full Year Actual \$000	Comprehensive revenue and expense	Actual \$000	2024/25 Year to Date Budget \$000	Variance \$000	2024/25 Full Year Budget \$000	Forecast \$000
101,021	Crown appropriations	24,531	28,124	(3,593)	112,497	112,574
1,450	Interest revenue	385	300	85	1,200	1,285
-	Other income	-	-	-	-	-
<b>102,470</b>	<b>Total revenue</b>	<b>24,916</b>	<b>28,424</b>	<b>(3,508)</b>	<b>113,697</b>	<b>113,859</b>
17,708	Personnel costs	5,456	5,747	291	24,944	24,824
928	Contractors	303	259	(44)	632	1,032
2,187	Consultants	792	562	(230)	1,843	2,309
2,119	Depreciation and amortisation	492	700	208	3,120	2,255
69,366	Service provider contracts	15,740	16,575	835	72,881	71,991
8,713	Other expenses	1,750	2,178	428	9,078	9,053
<b>101,021</b>	<b>Total expenditure</b>	<b>24,531</b>	<b>26,021</b>	<b>1,489</b>	<b>112,497</b>	<b>111,464</b>
<b>1,450</b>	<b>Total comprehensive revenue and expense</b>	<b>385</b>	<b>2,404</b>	<b>2,019</b>	<b>1,200</b>	<b>2,395</b>

Work programme reprioritisation has driven budget variances in cost allocation and timing which are still being finalised.

The full year depreciation and amortisation forecast reflects updated project commissioning dates.

## Additional information : Breakdown of Other expenses 1 July 2024 to 30 September 2024

2023/24 Full Year		2024/25 Year to Date			2024/25 Full Year	
Actual \$000	Other Expenses	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
71	Advisory and working group fees	17	13	(4)	41	89
65	Auditor fees for external audit	-	-	-	85	85
36	Auditor fees for other services	-	-	-	35	35
623	Board member remuneration	243	151	(91)	767	825
3,034	External work programme support	376	562	186	2,236	2,248
178	Litigation fund	22	-	(22)	-	22
669	Operating lease expenses	184	185	1	738	765
3,814	Other operating expenses	850	1,157	307	4,744	4,212
41	Rulings Panel remuneration	5	45	40	180	535
182	Travel expenses	54	65	11	252	236
<b>8,713</b>	<b>Total Other Expenses</b>	<b>1,750</b>	<b>2,178</b>	<b>428</b>	<b>9,078</b>	<b>9,053</b>

In 2023/24 the consumer mobility budget was recorded under external work programme support. This spend has been reclassified as a service provider contract, and removed from the Authority operating expenses budget from 2024/25.

Board member remuneration has increased due to additional work through the winter wholesale market situation, establishment of the Task Force and the Northland review.

## Information on capital expenditure 1 July 2024 to 30 September 2024

2023/24 Full Year		2024/25 Year to Date			2024/25 Full Year	
Actual \$000	Capital expenditure	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
14	IT Hardware	0	20	20	75	75
-	Office Equipment	-	-	-	15	15
22	Furniture and Fittings	-	5	5	20	20
30	Leasehold Improvements	-	-	-	-	-
283	IT Software	67	75	8	180	180
1,025	Service Provider Software	230	357	127	2,534	2,534
<b>1,373</b>	<b>Total capital expenditure</b>	<b>297</b>	<b>457</b>	<b>160</b>	<b>2,824</b>	<b>2,824</b>

Note that the NZX service provider software project costs for the month of September have not been recorded in the quarter due to timing of invoices.

At this stage of the financial year, we expect the capital budget to be fully utilised by 30 June 2025.



## Current financial position

**Figure 4: Statement of changes in equity - 1 July 2024 to 30 September 2024**

2023/24		2024/25 Year to Date			2024/25 Full Year	
Actual \$000	Changes in equity	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
13,941	Opening balance at 1 July	15,391	15,501	110	15,501	15,391
1,450	Total comprehensive revenue and expense	385	2,404	2,018	1,200	2,395
<b>15,391</b>	<b>Closing balance</b>	<b>15,776</b>	<b>17,905</b>	<b>2,128</b>	<b>16,701</b>	<b>17,786</b>

**Figure 5: Statement of financial position - 1 July 2024 to 30 September 2024**

2023/24		2024/25 Year to Date			2024/25 Full Year	
Actual \$000	Changes in equity	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
	<b>Assets</b>					
	<b>Current assets</b>					
9,056	Cash and cash equivalents	10,699	20,478	9,778	19,274	8,479
585	Receivables and prepayments	1,074	200	(874)	200	500
<b>9,641</b>	<b>Total current assets</b>	<b>11,774</b>	<b>20,678</b>	<b>8,904</b>	<b>19,474</b>	<b>8,979</b>
	<b>Non-current assets</b>					
12,000	Investments	12,000	-	(12,000)	-	12,000
1,103	Property, plant and equipment	1,054	1,080	26	989	989
6,991	Intangible assets	6,846	7,683	837	7,721	7,721
<b>20,094</b>	<b>Total non-current assets</b>	<b>19,900</b>	<b>8,763</b>	<b>(11,137)</b>	<b>8,710</b>	<b>20,710</b>
<b>29,735</b>	<b>Total assets</b>	<b>31,673</b>	<b>29,441</b>	<b>(2,233)</b>	<b>28,184</b>	<b>29,689</b>
	<b>Liabilities</b>					
	<b>Current liabilities</b>					
12,495	Payables and accruals	9,626	7,846	(1,781)	9,908	9,908
1,540	Employee entitlements	1,534	1,200	(334)	1,200	1,500
(341)	GST payable (receivable)	499	200	(299)	200	200
353	Appropriation repayable to the Crown	3,946	2,104	(1,843)	-	-
<b>14,047</b>	<b>Total current liabilities</b>	<b>15,606</b>	<b>11,349</b>	<b>(4,256)</b>	<b>11,308</b>	<b>11,608</b>
	<b>Non-current liabilities</b>					
79	Employee entitlements	79	18	(61)	20	79
218	Other provisions	214	169	(45)	155	215
<b>297</b>	<b>Total non-current liabilities</b>	<b>292</b>	<b>187</b>	<b>(106)</b>	<b>175</b>	<b>294</b>
<b>14,344</b>	<b>Total liabilities</b>	<b>15,898</b>	<b>11,536</b>	<b>(4,362)</b>	<b>11,483</b>	<b>11,902</b>
<b>15,391</b>	<b>Net assets</b>	<b>15,776</b>	<b>17,905</b>	<b>2,129</b>	<b>16,701</b>	<b>17,786</b>
	<b>Equity</b>					
9,011	Contributed capital	9,011	9,011	-	9,011	9,011
6,380	Accumulated surplus/(deficit)	6,765	8,894	2,129	7,690	8,775
<b>15,391</b>	<b>Taxpayers' funds</b>	<b>15,776</b>	<b>17,905</b>	<b>2,129</b>	<b>16,701</b>	<b>17,786</b>

The financial position as at 30 September 2024 reflects the impacts of the work programme reprioritisation exercise.

The lower costs incurred year to date are reflected in an increase in cash on hand and investments with a combined value of \$22.7 million, being \$2.2 million higher than budget. This is offset by an increase in the appropriation repayable to the Crown at \$1.8 million higher than budget.

**Figure 6: Statement of cash flows - 1 July 2024 to 30 September 2024**

2023/24 Full Year Actual \$000	Statement of cash flows	2024/25 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
	<b>Cash flows from operating activities</b>					
101,374	Receipts from the Crown	28,125	28,124	(0)	112,497	112,221
1,450	Interest from investments	385	300	(85)	1,200	1,285
(4,212)	Repayment of appropriation to the Crown	-	-	-	-	-
(78,743)	Payments to suppliers	(21,644)	(19,401)	2,242	(84,099)	(85,857)
(18,639)	Payments to personnel	(5,765)	(6,162)	(397)	(25,574)	(25,896)
(379)	Goods and services tax (net)	840	-	(840)	-	541
<b>851</b>	<b>Net cash flows from operating activities</b>	<b>1,941</b>	<b>2,861</b>	<b>919</b>	<b>4,024</b>	<b>2,294</b>
	<b>Cash flows from investing activities</b>					
-	Receipts from the sale of fixed assets	-	-	-	-	-
(12,000)	Purchase of Investments	-	-	-	-	-
(65)	Purchase of property, plant and equipment	(2)	(25)	(23)	(110)	(80)
(717)	Purchase of intangibles	(297)	(432)	(135)	(2,714)	(2,791)
<b>(12,782)</b>	<b>Net cash flows from investing activities</b>	<b>(298)</b>	<b>(457)</b>	<b>(159)</b>	<b>(2,824)</b>	<b>(2,871)</b>
<b>(11,931)</b>	<b>Net increase/(decrease) in cash and equivalents</b>	<b>1,643</b>	<b>2,404</b>	<b>761</b>	<b>1,200</b>	<b>(577)</b>
20,987	Cash and cash equivalents at beginning of period	9,056	18,074	9,018	18,074	9,056
<b>9,056</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,699</b>	<b>20,477</b>	<b>9,778</b>	<b>19,274</b>	<b>8,479</b>

Net cashflow was a \$1.6 million increase in cash and cash equivalents for the quarter, \$0.8 million lower than budget. Although expenditure was below budget, cash payments to suppliers increased, leading to a reduction the balance of payables and accruals of \$2.9 million over the quarter.