Four-monthly report to the Minister for Energy
1 March to 30 June 2024

31 July 2024

Executive summary

The Electricity Authority Te Mana Hiko (Authority) provides the Minister for Energy with this four-monthly report in accordance with our output agreement. It provides a summary of the Authority's performance from 1 March to 30 June 2024 and is our final report for the financial year 2023/24.

The Authority continued to focus on projects to ensure the outcomes required to transition to an electrified future. The outcomes focus on an efficient and competitive market that maintains energy security, system adaptability and affordability for consumers.

The actions set for the 2023/24 year do not necessarily reflect that changes that have been made as a result of the Authority's strategic review in late 2023 and the work that has gone on to refocus effort and value.

Points to note:

1. At, 30 June 2024, 19 out of 23 (83%) activity areas in our Annual corporate plan 2023/24 were on track and so this exceeded our 80% end-of-year target. We also nearly doubled the number of activities delivered in 2023/24 compared to last year, from 12 to 23 activities.
2. Highlights for this reporting period include:
    a. We proposed next steps to reform distribution pricing, focusing on dynamic efficiencies, including greater investment, innovation and transparency in the electricity system. We also advised how we are investigating options to progress amendments to the Electricity Industry Participation Code to regulate how capital contributions or connection charges are set for network connections. We have published an open letter to help prepare participants for upcoming change as we progress towards our goal of distribution pricing encouraging consumers to respond efficiently to the dynamic electricity environment.
    b. We released a decision paper confirming changes that will improve disclosure requirements and publication of information on the contracts market (except for commercially sensitive information). Helping participants better manage risk will lead to more efficient prices for consumers and this is increasingly important with greater reliance on intermittent forms of generation in the future. This decision also implements one of the recommendations of the Market Development Advisory Group.
    c. We awarded a two-year service provider contract for commercial market making to Vivienne Court Trading Pty Ltd. The presence of market makers is imperative for maintaining and improving trust and confidence in the futures market. We also awarded a three-year contract to Transpower New Zealand Limited's Energy Market Services division as a financial transmission rights manager that will assist market participants to manage their locational price risk. These market functions promote the long-term interests of consumers by enabling efficient decisions and fostering competition and transparency.
    d. We established the Electricity Authority Advisory Group and appointed 25 members for one, two and three-year terms. The group represents diverse

consumer voices and will provide advice on our work programme with a strong focus on improving outcomes for electricity consumers.

e. We've further increased our work with a broad range of stakeholders from attending the quarterly Council of Regulators meeting to running a Market 101 session with the Transport and Infrastructure Select Committee following our 2022/23 Annual Review. This is part of our increased focus on working more closely with stakeholders to share information, provide advice, avoid duplication, and share practice.

f. In response to the Minister for Energy's request under section 18 of the Electricity Industry Act 2010, we have commenced a review into the 20 June Northland power outage as a result of a transmission tower falling. We are working closely with grid owner and operator Transpower, local lines companies and other agencies. This review will investigate the event, but also look at what can be done differently and better to avoid future interruptions to the supply of power.

3. We refined our 2024/25 work programme in light of the funding uplift confirmed in Budget 2024. The Government approved a funding increase of $11.7 million for the Authority's *Electricity Industry Governance and Market Operations* appropriation 2024/25, taking our total funding to $112.5 million for 2024/25. With this funding we are prioritising key projects to ensure electricity consumers will reap the benefits of innovation and competition at least cost, while receiving a reliable power supply.

4. We continued to focus on delivering greater value for money by working smarter and reducing our use of consultants and contractors. In 2023/24 we reduced our spend by 37% in consultant and contractor costs compared to 2022/23, a process closely overseen by the Board. We reprioritised expenditure to address the recommendations of the MBIE-commissioned baseline review and increasing productivity to meet an increasingly complex market operating environment.

5. We delivered our *Statement of intent 2024-28* and *Statement of performance expectations 2024/25* that reflect our commitment to keep the lights on and deliver positive outcomes for all electricity consumers.

   From 1 July 2024, we will deliver quarterly reports on the Authority's progress, as requested in the Minister's *Letter of expectations 2024/25*.

6. Financially, the Authority was tightly managed. Full year expenditure was slightly higher ($0.2 million) than budgeted for the year, reflecting litigation activity undertaken.

Contacts

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1. How we are meeting your expectations

Introduction

This section provides an update on the Authority's progress towards achieving the outcomes, priorities and expectations set out in the previous Minister's *Letter of expectations 2023/24*. It is organised into the five key focus areas from our *Annual corporate plan 2023/24*:

1. System security and resilience
2. Enabling investment and innovation
3. Consumer protection
4. Monitoring, compliance, education and enforcement
5. Building trust and confidence through improved capability, transparency and engagement.

Further information on progress made against the previous Minister's *Letter of expectations 2023/24* can be found in Appendix A.

System security and resilience

Review of Part 8 of the Common Quality obligations in the Code

- **Delivery in reporting period:** On 25 June three consultation papers were released as required by statute. These explore five of seven issues identified. Common quality issues relate to frequency, inertia, voltage and harmonics, as a result of the increasing use of variable and intermittent forms of renewable generation in the power system.
- **Future delivery:** Two remaining issues will be considered by the Board in September 2024. We will continue to work with others to develop these papers and proposals, especially with MBIE and WorkSafe NZ on the issue of harmonics. Standards and regulation are very light in this area and involve both of these organisations.

Future System Operation

- **Delivery in reporting period:** In April 2024, the consultation paper on the *Future operation of New Zealand's power system*, closed. The paper tested the challenges and opportunities with operating the electricity system as it transitions to a system with more inverter-based resources.

  We received 53 submissions on the consultation paper and have identified key themes from the submissions that are now being worked on.
- **Future delivery:** We will publish an issues paper between April and June 2025 to outline proposed areas of action.

Regulatory settings for the distribution sector

- **Delivery in reporting period:** We published draft guidance for distributors on involvement in flexibility services market and sought feedback to ensure that the guidance is workable and will support greater uptake of distributed energy resources.

  We published updated guidelines on Code exemptions to support industry trials. These trials will support industry innovations that should lead to new and enhanced services offered to consumers.

  The Network Connections Technical Group was brought together to discuss and develop proposals to reduce non-price barriers to network connections to enable more efficient connection processes for large capacity network connections.

- **Future delivery:** Feedback will be collated to determine next steps and potential implementation guidance.

  In August 2024, we will be looking at options to improve coordination and visibility between flexibility traders and distributors and will be consulting on proposed changes to improve the network connections process in September 2024.

Market Development Advisory Group wholesale recommendations

- **Delivery in reporting period:** Progress on the recommendations is happening at pace. We have progressed seven recommendations in Tranche 1 and three recommendations in Tranche 2 of MDAG's report and established quarterly reporting to the Board, Minister for Energy and external stakeholders.
- **Future delivery:** In July 2024, we publicly published a status update dashboard on each recommendation. This will be updated and shared quarterly to provide transparency and accountability on progress.

Winter peak demand

- **Delivery in reporting period:** We have considered submissions received on our consultation on *potential solutions for peak electricity capacity issues*. A decision for six solutions to support security of supply was considered by the Board in June 2024, and informed our work programme for the 2024/25 financial year.

  We decided to permanently amend Schedule 8.3 technical Code B of the Code (effective 1 May 2024) to provide greater information to the system operator and participants on the amount of controllable load for a grid emergency.

- **Future delivery:** We have a roadmap of work to move us beyond winter-to-winter management to create regulation that improves security of supply to keep the lights on.

  We will publish a decision paper on potential solutions for peak electricity capacity issues in July 2024. This work will focus on a range of solutions to provide consumers with trust and confidence in security of supply, encourage investment, innovation and flexibility and create new tools to manage risks and support accurate pricing and price discovery.

Standby ancillary service

- **Delivery in reporting period:** We considered submissions on the need for a new integrated standby ancillary service.[1] A decision for developing a new standby ancillary service was considered by the Board in June 2024.
- **Future delivery:** We will start work in July 2024 to develop an integrated standby ancillary service in the form of a five-minute variability management tool to provide cover for a sudden reduction from intermittent sources. This work will support security of supply by creating a tool to manage risks and building an additional value stream for flexibility.

Improving hedge disclosure obligations

- **Delivery in reporting period:** We published a final decision paper on changes to subpart 5 of Part 13 of the Code (effective 30 October 2024) to broaden and strengthen hedge disclosure obligations. The changes will improve transparency and the Authority's monitoring. They will help participants to better manage risk, lead to more efficient prices for consumers, and provide clearer price signals for investment decisions in generation, storage and demand response.
- **Future delivery:** We are working with NZX to ensure the hedge disclosure system is ready to support the Code changes that come into effect in October. This includes holding workshops with industry participants on the functional changes to the hedge disclosure system.

Enabling investment and innovation

Supporting growth of renewable generation, firming capacity and demand-side participation

- **Delivery in reporting period:** We considered feedback on solutions to promote flexibility in the form of demand response (DR) and battery energy storage systems (BESS).[2] A decision for ongoing DR and BESS work was considered by the Board in June 2024.
- **Future delivery:** Work will start in July 2024 on options to promote flexibility and competition in the wholesale and ancillary service markets through dispatchable demand and BESS participation and removing barriers to entry. This includes building additional value streams for flexibility. This work will promote reliability and competition and provide some downward pressure on spot prices.

Improving the visibility of generation investment

- **Delivery in reporting period:** We developed a new generation investment pipeline dashboard that summarises the data on current generation and expected

[1] This is one of the solutions considered in our consultation paper on *potential solutions for peak electricity capacity issues*.

[2] Promoting BESS and DR was considered in our consultation paper on *potential solutions for peak electricity capacity issues*.

new generation from the Authority-commissioned 2022 and 2023 investment surveys.

We also published a list of investment projects which have been publicly announced, with information on each project's status as used in the surveys, to improve visibility of the generation pipeline.

The Authority is undertaking work to monitor the speed to market of this investment.

- **Delivery in reporting period:** We continue to improve how we collect data on the pipeline of new developments of renewable generation and large-scale load, and its delivery to market. The investment dashboard will continue to integrate this information and deliver additional measures, including expected changes to future demand and supply.

  Work on this project aligns with new connection processes for distributed generation under our Part 6 Code review. This will improve the reliability and efficiency of the electricity industry for the long-term benefit of consumers.

  In mid-2024, we intend to consult on what frequency and level of information we will collect around new connections processes for distributed generation, and what we will publish.

Distribution pricing reform

Delivery in reporting period: We published a paper setting out our next steps on distribution pricing reform. The paper includes our intention to develop, for consultation, a draft Code amendment on efficient connection pricing. This is another step towards addressing the risk that distribution connection pricing could discourage efficient new connections to the distribution network (for example, electric vehicle public charge-points) and pose a barrier to investment and innovation that will drive affordability and security of supply.

In June we established a Distribution Connection Pricing Technical Group and appointed 11 members to work with us to test the viability of potential Code amendments and other technical matters.

- **Future delivery:** We will consult on a draft Code amendment to address issues with network connection pricing for load customers in the second quarter of 2024/25. We expect to make a decision by mid 2025.

Consumer protection

Consumer Care Guidelines

- **Delivery in reporting period:** Mandating the Consumer Care Guidelines is to be delivered from January 2025 to ensure consumers receive a consistent minimum level of care from, and care and respect in every interaction with their retailer. In preparation for this, Code changes have been drafted and work has been undertaken with industry and consumer groups to ensure the changes are practical and effective.

  We have started planning the compliance model, including the recommended levels of monitoring and enforcement needed to underpin these consumer protections.

- **Future delivery:** In July, we will present a consultation paper outlining the proposed Code amendments to make the Guidelines mandatory to our Board. We plan to publish the proposed Code amendments consultation in August.

  We are preparing for the implementation of mandatory Consumer Care Guidelines, including how to educate participants, monitor and enforce compliance.

Consumer mobility

- **Delivery in reporting period:** Consumer mobility is a priority for the Authority. We have released a paper confirming four key decisions on how we will continue to support and improve comparison and switching services and tools for consumers. The Authority's data work has a big part to play in consumer mobility in the future. As that work is progressed and, as an interim measure, the Authority will continue to support a comparison and switching website service but is not happy with the status quo. The Authority is now exploring alternative funding models for the website, implementing changes that will enhance the website service and switching environment, and progressing initiatives outside of a website service, such as exploring best plan notices and community advisors.
- **Future delivery:** We will begin a competitive tender process to secure a comparison and switching service provider for a contract term beginning in July 2025 for an initial two-year term.

  We will also develop and implement changes to address some of the feedback received in our consultation, to give consumers an enhanced comparison and switching experience and improve consumer mobility.

Monitoring, compliance, education and enforcement

Monitoring retailers' conduct

- **Delivery in reporting period:** We updated the notice in response to feedback and discussed technical issues with retailers. We have completed a cost benefit analysis. We carried out privacy enhancements and updated the privacy impact assessment.
- **Future delivery:** We will release the consultation paper for this revised data request in August and then intend to make a final decision in late 2024.

Monitoring the wholesale market

- **Delivery in reporting period:** We report weekly on spot and reserve market trading conduct and opened 13 cases (some of which involve multiple trading periods) where the prices or offers appeared out of line with our expectations. Over the period of this reporting, all cases, except from one, were resolved.

  We published 13 *Eye on electricity* articles on our website to help inform consumers about what's happening in the energy industry.

  We published a quarterly review on market performance from January to March 2024, and 18 weekly trading conduct reports.

- **Future delivery:** In October we will initiate published monitoring of the over-the-counter (OTC) code of conduct from 1 November 2022 to 1 July 2024 to inform whether the principles of the OTC code of conduct are being adhered to. This project provides greater transparency on the efficient operation of alternative markets and investment signals, which benefits consumers by improving electrification, security of supply and driving affordable pricing for consumers. We will publish these reports on a quarterly basis.

  We will conduct a post-implementation review of the internal transfer price and retail gross margins information disclosure provisions introduced in response to a recommendation from the Government's 2019 Electricity Price Review.

Increasing our focus on compliance

- **Delivery in reporting period:** Consistent with our focus on ensuring market accountability and transparency, we have appointed two senior investigators and one senior compliance advisor. This brings the total FTE in the team to ten and has already resulted in a reduction in backlog compliance cases. This has also enabled us to be proactive in our compliance planning, through allocating resource on the preparation towards consumer care guidelines implementation.

  We continued to monitor and enforce compliance of participants with the Code and regulations. This included closing 66 compliance cases and referring one case to the Rulings Panel. This is a result of our concerted effort to drive more timely and robust decision-making on enforcement cases. It is a great success story for one of our core functions and fosters a fairer and competitive market for consumers.

  Educating industry participants on their obligations and good practice is the focus of a new programme of information, including a series of webinars, an auditors' forum, and publishing information on breach trends and guidance to help improve participants' policies and practices.

- **Future delivery:** A suite of improvements to our retail audit database will be finalised by September 2024 to improve the efficacy of our compliance tracking and reporting.

Building trust and confidence through improved capability, transparency and engagement

Supporting broader sector initiatives

- **Delivery in reporting period:** We worked closely with Transpower and industry participants to improve security of supply through better communication, coordination and monitoring of peak capacity risk, including during the 10 May Customer Advice Notice.

  In June, we held a workshop with over 80 participants on the draft guidelines for distributor involvement in the flexibility services. The workshop included presentations from the Authority, as well as SolarZero and Electricity Networks Aotearoa, and opportunities for attendees to ask questions and discuss the draft guidance in small groups.

We appointed 11 members to a new industry advisory group - the Distribution Connection Pricing Technical Group – to provide advice and test the workability of potential Code amendments on network connection pricing.

We worked with retailers on improving our collection and monitoring of retail data to enable better visibility of the retail market for the benefit of consumers.

We started a review into the Northland power outage on 20 June 2024, as requested by the Minister for Energy, and created the terms of reference and appointed a review Chair.

- **Future delivery:** We will provide a report on our review into the Northland power outage to the Minister for Energy by 13 September 2024.

Engaging with stakeholders and consumers

- **Delivery in reporting period:** On 18 June 2024, we appointed 25 members to our new Electricity Authority Advisory Group. This group will provide us with advice that balances industry perspectives with fresh, innovative thinking and a strong focus on improving outcomes for electricity consumers.

  On 26 March 2024, we facilitated a wānanga to bring together representatives from the electricity sector, government agencies, and consumer/community groups to look at community/ industry-led initiatives to improve energy wellbeing on a larger scale. The wānanga report provides an overview of the discussions, high-level themes, and outlines the actions/initiatives that were identified and next steps.

- **Future delivery:** A second wānanga will be held in September 2024 to look at progress on consumer initiatives that arose from the March wānanga.

Other interests and emerging issues

Forecasting provisions for intermittent generators

- **Delivery in reporting period:** Ensuring accurate and consistent forecasting arrangements for intermittent generation into the market during all trading periods is important to improve security of supply, affordability and support investment and innovation. The Authority has confirmed decisions to implement a new hybrid forecasting arrangement for intermittent generation, alongside enhanced accuracy standards and additional guidance to participants on meeting existing forecasting requirements.

- **Future delivery:** The procurement process for a service provider to provide a centralised forecasting service has started and the hybrid forecasting arrangement will be implemented by winter 2025.

  The Authority is also analysing forecast performance for the five main wind generators over a 24-month period (1 January 2021 – 10 October 2023) to support the development of forecast performance standards. We plan to publish our full analysis in August.

  We will shortly begin publishing forecast accuracy for each wind generator and generation site across different timeframes (on a monthly scale). This will improve transparency of the difference between forecasts of generation potential and actual generation.

We will consult on the Code changes required to implement this new hybrid forecasting arrangement in October 2024.

2. Annual corporate plan progress report

This is the Authority’s final progress report for the 2023/24 financial year on what we delivered from March to June 2024 towards our *Annual corporate plan 2023/24*.

At 30 June 2024, 19 out of 23 (83%) activity areas in our *Annual corporate plan 2023/24* were on track, exceeding our 80% end-of-year target. We also nearly doubled the number of activities delivered in 2023/24 compared to last year, from 12 to 23 activities.

The commentary and risk ratings in this report reflect the Authority’s position at the end of the reporting period and financial year (30 June 2024). Four out of 23 activity areas were delayed and will be achieved after year end.

The full list of activities and any additional commentary can be found in the full Annual corporate plan progress report in Appendix B.

3. Output performance

In this section, we report on our output performance on an exceptions basis, as per our output agreement.

All of our performance measures and targets are set out in our *Statement of performance expectations* and reported in our *Annual report*.

Electricity industry governance and market operations

The *Electricity industry governance and market operations* appropriation funds the Authority's operations. This includes Board members' costs, the Rulings Panel, Security and Reliability Council, advisory groups, and the operation of the electricity system and markets. The appropriation enables us to exercise our five main operating functions, which are:

- **Monitor, inform and educate**: We monitor market behaviour and make data, information, and tools available to help improve understanding of the electricity markets by consumers and industry participants.
- **Operate the electricity system and market**: We are responsible for the efficient day-to-day operation of the electricity system and markets through contracted service providers.
- **Enforce compliance:** We monitor, investigate, and enforce compliance with the Act, its regulations, and the Code by industry participants to create a fair and competitive market.
- **Promote market development**: We propose and make amendments to the Code to deliver better outcomes for consumers today and in the future.
- **Protect the interests of consumers**: We are responsible for protecting the interests of domestic and small business consumers in relation to the dealings of industry participants with those consumers.

As at 30 June 2024, 10 out of 12 (83%) output measures were achieved. The two measures not achieved were:

- 'Content on EMI is reviewed and revised as needed to maintain relevance' with a target of an increase on prior year.

  Comment: Two new EMI reports and two new Tableau Public dashboards were added in 2023/24. This does not represent an increase on the previous year where we had five EMI and nine Tableau new or updated reports and is therefore a "not met". This was due to the resources available to create EMI and Tableau content being redeployed on other priorities with more significant consumer benefits, such as our retail data project. The pace of change across the industry means there will be times we need to adapt and reprioritise. Our focus during the period needed to shift to other consumer-benefitting priorities.
- 'Percentage of investigations decided within 12 months of the investigation being opened' with a target of having 100% of investigations being decided within 365 days.' While the Authority closed 66 cases within 12 months, three cases exceeded the 365-day timeframe and are not closed. Two of these are due to factors outside of the control of the Authority, as we do not close cases until the compliance issue has been resolved. In some cases, it takes time for participants

to put in place a remediation to resolve the underlying compliance issue. We continue to work with the participants in question and monitor their progress towards resolving non-compliance. If non-compliance is not resolved within reasonable timeframes, as deemed appropriate by the circumstance of the case, we may consider enforcement options.

Figure 1: Electricity industry governance and market operations appropriation, 1 July 2023 to 30 June 2024 (draft subject to final Audit)

2022/23 Full Year Actual $000	Expense type	June 2024 Full Year Actual $000	June 2024 Full Year Budget $000	June 2024 Full Year Variance $000
28,776	System operator - operating expenses	30,485	29,638	(847)
16,797	System operator - capital-related expenses	17,857	18,682	825
45,573	**System operator expenses**	**48,342**	**48,320**	**(22)**
9,130	Service provider - market making	13,224	14,150	926
2,821	Service provider - clearing manager	2,974	2,919	(55)
1,875	Service provider - wholesale information and trading system	2,009	1,941	(68)
256	Service provider - pricing manager	-	265	265
956	Service provider - reconciliation manager	1,037	989	(48)
753	Service provider - registry	835	787	(48)
877	Service provider - FTR manager	935	907	(28)
1,674	Service provider - depreciation and amortisation	1,416	3,032	1,616
2	Service provider - IT costs	11	-	(11)
18,343	**Other service provider expenses**	**22,441**	**24,990**	**2,549**
5,897	Authority operations - work programme	5,233	3,904	(1,329)
16,146	Authority operations - personnel	18,636	15,363	(3,273)
6,115	Authority operations - other operating costs	6,191	8,236	2,045
28,157	**Authority operating expenses**	**30,060**	**27,503**	**(2,557)**
92,073	**Total expenditure**	**100,842**	**100,813**	**(29)**

Managing the security of New Zealand’s electricity supply

The *Electricity industry governance and market operations* appropriation is intended to enable enhanced security of supply in the electricity system during periods of emerging or actual security situations.

The system operator can request funding from this appropriation to manage actual or emerging emergency events on the security of New Zealand’s electricity supply, to:

(a) increase monitoring and management responsibilities in the event of an emerging or actual security situation

(b) plan and run an official conservation campaign.

The Authority’s role in respect to this appropriation is limited to addressing requests from the system operator to use these funds, which are subject to an agreed process and criteria.

There has been no expenditure in respect to this appropriation in 2023/24.

Electricity litigation fund

The *Electricity litigation fund* appropriation is intended to ensure the Authority can participate in litigation effectively and without delay.

The Authority's functions under this appropriation include defending cases brought against the Authority and taking enforcement action under our compliance enforcement function.

The litigation fund performance measure is achieved. At 30 June 2024, $0.178 million was spent in the preparation of Authority's submissions, interactions with court and other parties (for example, with solicitors and attendance at hearings and various meetings)

On 16 February 2024 the High Court released its decision relating to appeals brought by Haast Energy Trading Limited and Electric Kiwi Limited regarding the Authority's decisions on a claim of an undesirable trading situation and a pricing error, arising from the 9 August 2021 grid emergency.

The Court upheld the appeals against the Authority's decision to decline the pricing error claim the appellants made in relation to trading periods 39-42 on 9 August 2021. The Court's decision on the pricing error claim was that scarcity pricing was incorrectly triggered, which should be corrected. The undesirable trading situation appeal was dismissed on the basis that it is moot, given the finding on the pricing error appeals.

The Authority was successful in the judicial review application brought by Buller Electricity Limited in relation to the Authority's Transmission Pricing Methodology. All claims were dismissed, both the cause of action against the Authority and Transpower. However, Buller has now appealed. No hearing date has yet been set.

On 5 June 2024 the Authority referred a formal complaint to the Rulings Panel in relation to Transpower New Zealand Limited, in its role as system operator. The Authority considers that the system operator breached clause 30.1B of the Policy Statement, and accordingly the Electricity Industry Participation Code, by failing to correctly apply security constraints in the modelling system between 28 January 2022 and 13 April 2022.

4. Organisational development

Operating model

As at the end of the 2023/24 financial year, the Authority's staff turnover rate was 16%, down from 29% for 2022/23. This has followed a concerted focus on organisational culture, staff development and retention.

Efficiency and best practice are sought on an ongoing basis across our operating model. We continue to focus on talent attraction and retention, learning and upskilling and ensuring we have the right capabilities to deliver against expectations.

5. Audit and risk

Audit issues

There were four internal audit reviews planned for the 2023/2024 year, as per the 3-year audit plan. The reviews are at the stage of being presented in draft format for factual accuracy and management responses. Following the finalization of the reports they will be taken to the senior leadership team and the Audit and Finance committee. The findings and issues will be loaded into the audit issue register and monitored based on the implementation date.

There is regular reporting to senior management and the Audit and Finance Committee on the issues statuses. All the issues are on target to be completed in the original timeframe or have been extended due to valid circumstances.

The external review performed on behalf of Archives New Zealand on Information Management highlighted eight findings for remedial actions. After discussions with Archives New Zealand, a 2-year remediation plan was agreed to lift the maturity of the Authority in respect to Information Management. The progress is reported to the Senior Leadership Team and the Audit and Finance Committee on a regular basis.

In the assurance plan for 2022 a review was undertaken covering the cyber environment which raised several recommendations. During this reporting period all the issues were closed except for six. The six recommendations were rated moderate and low. The six recommendations have been reviewed and are now working through the risks to see if they should be mitigated or accepted.

Risk management

No new strategic risks were identified during the reporting period.

In line with good risk management the board and senior leadership team took part in a risk appetite workshop. The result of the workshop is a combined understanding of a risk continuum and risk appetite statements. The risk continuum is a five-point scale of appetite and for each of the risk categories, twelve, we have a risk appetite statement relating it to the current risk appetite for the category. The risk registers are operating as a component of the risk management framework.

This reporting period the number of high risks has increased. This is associated with the business units now having individual risk registers. The reporting is now produced monthly via a dashboard to the senior leadership team.

A full list of critical and high risks and our risk management methodology is available in Appendix C. Some of the risks appear to be repeats but they are the same issue within a different business unit.

The owner of the risk provides updates on a regular basis.

Table 1 Critical and high open risks by category

Category	29 February 2024		30 June 2024	
	Critical	High	Critical	High
Strategic	-	7	-	7
Operational	-	-	-	-
Political	-	-	-	-
Reputational	-	-	-	-
Legal/Regulatory	-	2	-	2
Workforce	-	-	-	-
Technical/Infrastructure	-	-	-	-
Market	-	-	-	-
Financial	-	1	-	1
Project management	-	-	-	-
Health and safety	-	1	-	1
Other	-	-	-	-
Total	**-**	**11**	**-**	**11**

6. Financial performance and position

This section provides information about the Authority's financial performance for 1 July 2023 to 30 June 2024, and financial position at 30 June 2024. The financial position is represented as the draft financial statements, subject to final Audit.

Financially, the Authority is being tightly managed. Expenditure for the full year is slightly (less than one per cent) higher than budgeted, due to litigation activity.

Appropriations and expenditure

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

Figure 2: Appropriations, 1 July 2023 to 30 June 2024

2022/23 Full Year Actual $000	Appropriation	June 2024 Full Year Actual $000	June 2024 Full Year Budget $000	June 2024 Full Year Variance *$000
92,073	Electricity industry governance and market operations	100,842	100,813	(29)
-	Managing the security of New Zealand's electricity supply	-	-	-
869	Electricity litigation fund	178	-	(178)
92,942	**Total**	**101,020**	**100,813**	**(208)**

*The full year *Electricity industry governance and market operations* variance of negative $0.029 million, excludes an in-principle budget transfer received during the year, which is not recorded in the initial full year budget.

In the *Electricity industry governance and market operations* appropriation, expenditure for the year ended 30 June 2024 was $0.029 million higher than budget, mainly due to:

- Lower than budgeted costs for service provider contracts ($0.9 million) for market-making
- Other expenses, including depreciation and amortisation being ($2.4m) below budget due to changes in the timing and scope of planned projects.
- Personnel costs being $3.3 million higher than budget due to additional roles and temporary contract backfill of permanent staff.

Total Authority expenditure for the reporting period was $101.0 million funded by Crown appropriations.

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

Figure 3: Statement of comprehensive revenue and expense, 1 July 2023 to 30 June 2024

2022/23 Full Year Actual $000		June 2024 Full Year Actual $000	June 2024 Full Year Budget $000
92,942	Crown appropriations	101,021	100,813
973	Interest revenue	1,450	130
93,915	**Total revenue**	**102,470**	**100,943**
16,146	Personnel costs	18,636	15,363
1,954	Depreciation and amortisation	2,119	3,541
62,242	Service provider contracts	69,366	70,278
12,600	Other expenses	10,900	11,631
92,942	**Total expenditure**	**101,021**	**100,813**
973	**Total comprehensive revenue and expense**	**1,450**	**130**

Total Authority equity increased by $1.45 million for the year ended 30 June 2024, being the value of non-appropriation revenue. Taxpayers' funds held by the Authority as at 30 June 2024 are $15.4 million and are detailed in the Statement of changes in equity (Figure 4).

Figure 4: Statement of changes in equity, 1 July 2023 to 30 June 2024

2022/23 Full Year Actual $000		June 2024 Full Year Actual $000	June 2024 Full Year Budget $000
12,968	Opening balance at 1 July	13,941	14,210
973	Total comprehensive revenue and expense	1,450	130
13,941	**Closing balance at 30 June**	**15,391**	**14,340**

Financial position

The Authority's assets and liabilities are detailed in the statement of financial position (Figure 5).

The movements during the year have largely been modest, but we note that the Authority is holding higher current assets with a $3.5 million increase in cash and short term investments held, $0.4 million increase in prepayments and $0.3 million GST receivable. Payables and accruals are $0.9 million higher than budget, mainly due to timing of contractually committed spend, and Plant, property and equipment and intangible assets are ($2.0 million) lower than budget due to timing of capital spend.

Figure 5: Statement of financial position – as at 30 June 2024

2022/23 Full Year Actual $000		June 2024 Full Year Actual $000	June 2024 Full Year Budget $000
	Assets		
	Current assets		
20,987	Cash and cash equivalents	7,739	16,198
-	Investments	584	-
160	Receivables and prepayments	12,000	200
21,147	**Total current assets**	**20,323**	**16,398**
	Non-current assets		
1,245	Property, plant and equipment	1,103	1,930
8,192	Intangible assets	6,991	3,189
9,437	**Total non-current assets**	**8,094**	**5,119**
30,584	**Total assets**	**28,417**	**21,517**
	Liabilities		
	Current liabilities		
10,581	Payables and accruals	11,178	6,000
1,550	Employee entitlements	1,540	1,000
38	GST payable (receivable)	(341)	200
4,212	Appropriation repayable to the Crown	353	-
16,381	**Total current liabilities**	**12,731**	**7,200**
	Non-current liabilities		
71	Employee entitlements	79	18
191	Other provisions	218	89
262	**Total non-current liabilities**	**297**	**107**
16,643	**Total liabilities**	**13,028**	**7,307**
13,941	**Net assets**	**15,389**	**14,210**
	Equity		
9,011	Contributed capital	9,011	9,011
4,930	Accumulated surplus/(deficit)	6,378	5,199
13,941	**Taxpayers' funds**	**15,389**	**14,210**

Cash flow

The Authority experienced a negative cash flow movement of ($13.2 million) during the year to 30 June 2024. This was due to $12.0 million being invested in short term deposits and increased personnel spend while cash outflows on asset expenditure were lower than budgeted.

Figure 7: Statement of cash flows, 1 July 2023 to 30 June 2024

Actual 2022/23 $000		Actual 2023/24 $000	Budget 2023/24 $000
	Cash flows from operating activities		
97,154	Receipts from the Crown	101,374	100,813
973	Interest from investments	1,450	130
(5,670)	Repayment of appropriation to the Crown	(4,212)	(4,212)
-	Purchase of Investments	(12,000)	-
(70,884)	Payments to suppliers	(80,059)	(81,840)
(15,785)	Payments to personnel	(18,639)	(15,695)
(98)	Goods and services tax (net)	(379)	162
5,690	**Net cash flows from operating activities**	**(12,465)**	**(642)**
	Cash flows from investing activities		
-	Receipts from the sale of fixed assets	-	-
(286)	Purchase of property, plant and equipment	(65)	(359)
(3,078)	Purchase of intangibles	(718)	(3,787)
(3,364)	**Net cash flows from investing activities**	**(783)**	**(4,146)**
	Cash flows from financing activities		
-	Repayment of appropriation to the Crown	-	-
2,326	**Net increase/(decrease) in cash and equivalents**	**(13,248)**	**(4,788)**
18,661	Cash and cash equivalents at beginning of year	20,987	15,480
20,987	**Cash and cash equivalents at end of period**	**7,739**	**10,692**

Appendix A Alignment with the letter of expectations for the 2023/24 reporting period (provided by the previous Minister)

The below tables show extracts of the previous Minister's *Letter of expectations 2023/24* (provided by the previous Minister) and the Authority's approach.

Sector-related issues from the Letter of expectations 2023/24	Relevant section in part one of this report
The Government is focused on a just transition to net zero carbon emissions by 2050, and building a more productive, sustainable and inclusive economy. The Government has published the first Emissions Reduction Plan that incorporates sector specific policies to meet the first emissions budget for 2022 to 2025, including for the energy sector…we have set ambitious goals, including to transition to 50 per cent of all energy consumption to come from renewable sources by 2035 and an aspirational goal for 100 per cent renewable electricity by 2030.	System security and resilience, Enabling investment and innovation
The Authority's role will require active engagement with the Ministry of Business, Innovation and Employment, Energy Efficiency and Conservation Authority, Gas Industry Company, and Commerce Commission to ensure the energy regulatory system supports service innovation and consumer choice.	Building trust and confidence through improved capability, Transparency and engagement

Entity-specific expectations from the Letter of expectations 2023/24	Relevant section in part one of this report
Address recommendations related to the 9 August 2021 event to maintain confidence in the market and ensure security of supply in winter 2023 and beyond.	System security and resilience
Monitor for the exercise of market power in the wholesale electricity market and increase the focus on the Authority's compliance function.	Monitoring, Compliance, education and enforcement
Continue to support the continued growth of renewable generation, sufficient firming capacity and demand-side participation.	Enabling investment and innovation, Other interests and emerging issues
Maintain focus on the regulatory settings for distribution networks, including how connection costs and pricing for public electric vehicle (EV) charges can facilitate the electrification of transport, and how access to metering information can better support demand flexibility. In particular, within the next four months, investigate and develop actions to address variation in EV connection	Enabling investment and innovation, System security and resilience

charges for public EV chargers across the country, as well as other regulatory barriers to the roll-out and adoption of EV technology.	
Deliver improved outcomes for the Authority's additional objective to protect the interests of domestic and small business consumers, including the Electricity Price Review's recommendation to establish mandatory minimum standards for medically dependent domestic consumers.	Consumer protection, Monitoring, Compliance, education and enforcement
Monitor retailers' conduct regarding vulnerable consumers and prompt payment discounts and late payment fees. Support broader sector initiative, such as Consumer Advocacy Council, Energy Hardship Expert Panel and the Energy Hardship Reference Group.	Consumer protection, Monitoring, Compliance, education and enforcement

Appendix B Annual corporate plan progress report 1 March to 30 June 2024

Appendix C Description and mitigation of critical and high risks

The critical and high risks. Each of these risks has mitigations that have been identified and are regularly updated by the risk owners and reviewed by senior management.

Risk Description	Prev Rating	Current Rating
If there is underinvestment in infrastructure, or investment does not keep pace with the demand for new generation in the move toward decarbonisation and/or decentralisation, then this is likely to result in reduced reliability of the network, high prices, conservation campaigns, and market intervention.	High	High
If there is a short-term supply-side issue, (outage, dry year, fuel unavailability) this may lead to energy shortages.	High	High
If consumers lack engagement and trust in the electricity market (including consumer needs not being met) then this may result in a reduced confidence in the sector and in the effectiveness of competition to meet consumer needs, and a decreased willingness to increase their reliance on electricity for transport and heat.	High	High
If the Authority loses relevance to the public, industry and sector stakeholders, or if the market place and/or regulation fails and/or insufficiently responds to the needs of stakeholders (particularly our most vulnerable stakeholders) then this is likely to result in a loss of social licence for the conventional delivery model and the loss of political and sector confidence.	High	High
If there is market collusion, a supplier disrupts the wholesale market through deliberate behaviour or a breach of rules, or an absence of market rules then this may result in a lack of confidence in the market and/or outcomes that do not reflect a competitive market.	High	High
If there is a reduction in staff capability (e.g. core and/or critical skill gaps), and/or capacity (decline in productivity due to health, safety, wellbeing or a culture that is not conducive to organisational objectives), then this may result in the Authority's agility to respond to changes or ability to operate at full performance being compromised.	High	High
If there is a permanent supply-side withdrawal of plant currently relied on by the system, either in planned or unplanned manner, then this may lead to energy shortages in certain situations.	High	High

Risk management methodology

We continue the journey to improve our risk maturity level by updating and revising our internal Risk Management Framework. The value underpinning this Risk Management Framework document is one of working together (mahi kotahitanga). Our objective is for all staff of the Electricity Authority to adopt the same language when discussing risk and to foster open and transparent communication when it comes to identifying, assessing, and managing risk across the whole of the Authority.

To achieve the above, the Authority has developed this framework which is consistent with the principles and processes in the ISO 31000: 2018 (E) Risk Management Guidelines. Aligning with the guidelines allows us to better ensure the risk owners are fully aware of and carry out their duties, follow a singular workflow process, link risks and issues, and escalate risks when there is a concern.

Operationally we utilise individual risk registers for all teams to record their identified risks. The risks will then be triaged and incorporated into a singular enterprise risk register. This allows for greater analysis of the risks and linkages can be made when a risk becomes an issue. Some risks will remain at the individual level whilst others will be similar theme. This is a journey which is underway.

All parties rate risks using the common qualitative approach, according to their likelihood and consequence of occurring, resulting in an overall risk rating. The risk rating matrix has been updated to reflect a more practical number of parameters. The overall rating is a current risk rating, which reflects the residual risk post mitigation, assuming the implemented mitigations are operating effectively.

The risk appetite has been set for the Authority. The next steps in enhancing the framework will be to put in place the risk appetites and formalise the risk tolerances. By undertaking this step the tolerances will used to manage the identified risk. This will provide information to support making informed decisions.