



Quarterly report to the Minister for Energy 1 October to 31 December 2024

31 January 2025

Contents

1.	Summary of the quarter	3
2.	Key performance achievements	7
3.	Statement of performance expectations measures	12
4.	Baseline review recommendations	15
5.	Competition measures	16
6.	Organisational health	17
7.	Audit and risk	20
8.	Financial analysis and update	21
	Appendix A: 2024/25 Market development activities	22
	Appendix B: Audit and risk	31
	Appendix C: Financial performance	36

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 summarises the Authority's performance from **1 October to 31 December 2024**.

The Authority has placed focus on both strategic and operational activities, including a revised [priority work programme](#), driving value-for-money through productivity measures, and rapidly responding to risks for consumers, the market and security of supply. This report highlights our quarterly progress delivering the performance measures in our *Statement of performance expectation 2024/25 (amended)* and recommendations from our 2022/23 strategic baseline review. It also includes new mapping to show how our activities align with the Statement of Government Policy for the electricity industry (released on 11 October 2024) and our usual reporting on organisational health, audit and risk, and finance.

Highlights for this quarter:

- **All eight initiatives proposed by the Energy Competition Task Force are currently on track against the published Task Force work programme.**

The Authority's focus is on making a material difference to generation and retail competition, and therefore to market performance. In so doing, it will enable more options for consumers, and ultimately to the security and affordability of New Zealand's electricity supply. Key achievements in the quarter were:

- Developed a standardised flexibility product with an industry co-design group and launched with the sector (trading commenced January). This provides wholesale market participants with a new risk management tool to manage spot price risk.
 - Completed a review of international practice for use in comparing the New Zealand market for all appropriate options for incentivising and rewarding demand response.
 - With input from stakeholders, we assessed whether our level playing field measures work between gentailers and independent retailers. The input provided will inform our level playing field measures options paper which is due to be published in February 2025. The preliminary recommendation is to focus future work on non-discrimination.
 - Engaged with industry, including MEUG and flexibility providers, to better understand their perspectives on what demand response they can offer, and what opportunities there may be across the wholesale market, ancillary services and bilateral contracts to unlock more demand response.
 - Engaged with the Electricity Authority Advisory Group (EAAG) and received expert peer reviews and constructive feedback on a number of Task Force initiatives
- **Improving transparency and monitoring of retail price increases**
The Commerce Commission's review of the revenue limits for Transpower and most local lines companies indicates that household electricity bills will increase by about \$10 a month, on average, from April 2025, but with some regions registering price rises of \$25 per month. The reasons for the price difference vary between lines companies but a significant factor is the number of consumers the costs are spread over.

The Authority is concerned about the increases and the impact on large and small consumers. We have used our powers to request information on expected retail price increases for retailers with more than 1,000 connections. We have also requested information on what support they will be giving to regions facing higher than average prices rises. We want greater transparency across the sector and will be looking to communicate on the passthrough of distribution and transmission price increases to consumers and regional price variations and their impacts as a first step to do what we can to mitigate further consumer price shocks.

- **Consumer Care Obligations mandated to improve customer care**

We published our decision on the Consumer Care Obligations and these are now 'live'. These mandate key protections for residential electricity consumers in New Zealand, and worked with retailers on how to implement the new rules. From 1 January 2025:

- retailers cannot disconnect a property with a known medically dependent consumer; and
- fees or charges must be reasonable and cost reflective.

All remaining obligations under the Consumer Care Obligations apply from 1 April 2025.

- **Winter 2025 preparation**

The Authority introduced requirements for generators to disclose their **supply contingency arrangements** for winter 2025. We are continuing to work with generators to ensure that adequate alternative fuel and supply arrangements are in place for winter 2025 to effectively manage potential energy risks through the winter period.

The system operator reviewed its settings for the **contingent storage release buffer (CSRB)** in the Electricity Risk Curves and has decided to maintain their current settings, noting their ability to temporarily adjust the settings should the need arise.

The Authority's first **monthly security outlook report** was published in December 2024. This is a new monthly report providing a scenario-based view of the security of supply risk for the following three months.

In late December we published our decision to reinforce the **outage coordination obligations** on generators and other asset owners in the Code. This will ensure that generation, transmission and distribution outages that have the potential to impact security of supply are disclosed in a timely manner and kept up to date.

- **Encouraging more innovation and investment**

44 energy innovators entered the Authority's Power Innovation Pathway (Pathway) to support more and faster market-ready innovations and investments for the benefit of consumers and security of supply.

More information on any enhanced support projects will be shared in early 2025.

The Pathway remains open for regulatory information and advice, and for entrance into round two.

- **Strengthening network connection rules**

The Authority developed and consulted on proposed Code changes to regulate efficient connection pricing. We received 70 submissions on our connection pricing consultation and 49 for network connections.

Our proposals are designed to remove barriers to businesses and services such as public transport connecting to the network as our economy continues to electrify. This

change would spread fixed costs across more network users and reduce regional differences, making it easier for businesses to operate across multiple regions and lowering power costs over time.

- **Ongoing work following the 'Review into Northland tower collapse'**

As noted in the previous Quarterly report to the Minister, the Northland tower collapse report was released 25 September 2024 following the review conducted by the Authority as requested by the Minister for Energy under section 18 of the Electricity Industry Act 2010 (the report).

The Authority is actively monitoring Transpower's progress in implementing the recommendations outlined in the report. To date, the Authority has confirmed that three of the 19 recommendations for Transpower have been fully implemented. Transpower's first six-month progress report is due March 2025.

The Authority is also investigating an alleged breach of the Code by Transpower, as grid owner, in relation to the Northland event. The provision allegedly breached requires Transpower to design, construct, maintain and operate all interconnection assets in accordance with good electricity industry practice. At the end of the investigation the investigator appointed by the Authority will make a recommendation for the Authority to either discontinue the investigation or make a formal complaint to the Rulings Panel.

Points to note:

1. In the quarter, the Authority delivered against the Minister's *Letter of expectations 2024/25* and the activities outlined in our *Statement of performance expectations 2024/25 (amended)*, with **15 out of 15 (100%) performance measures currently on target**, and **20 out of 24 (83%) activity areas on track**. There are four activity areas that are not on track because of sequencing with interdependent projects and plan adjustments informed by valuable consultation feedback. Further details are included in section 2 'Key performance achievements' and 'Appendix A: 2024/25 Market development activities'.
2. We received 20 submissions on our levy-funded appropriations for 2025/26 and 70% supported an increase to our operating appropriation. Submissions inform the funding request to the Minister (due mid-February) and included feedback on our regulatory strategy and principles for the 2025/26 work programme.
3. The Authority's work programme and priority projects have been reprioritised to reflect developments in quarter 2 of the 2024/25 year, including industry developments, winter high prices, formation of the Energy Competition Task Force, and the release of the Government Policy Statement. We have amended the *Statement of performance expectations 2024/25* to reflect our new priority activities, see [*Statement of performance expectations 2024/25 \(amended\)*](#) (published 16 December 2024).
4. Financially, quarterly expenditure was \$5.2 million less than budgeted, due to negotiated savings in third-party provider costs. There are \$3.4 million in savings due to lower market making service provider costs, of which \$3.0 million of additional budget funds (held over and above the maximum contractual trading fees available to Vivienne Court to 31 December 2024) were released. The Authority successfully negotiated a new provider which came into place from 1 July for a two year period at a favourable cost. Given the risk associated with a new provider and complex contract, the Authority

ensured service levels were being met before releasing the excess budget and making it available for the reprioritised work programme.

The remainder of underspend is primarily timing-related, with expenses being rephased due to the reprioritisation of our work programme and the operationalisation of the baseline funding increase for the 2024/25 year. The current underspend against budget is expected to reduce throughout the remainder of the year.

Careful financial management and the ongoing productivity and savings focus means the Authority has been able to absorb unplanned but priority activities, such as the Northland Review, the Task Force and the data project within current funding.

For any questions, contact:

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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* and Government Policy Statement. It is aligned to our *Statement of performance expectations 2024/25 (amended)* and organised into our five regulatory functions. More detail on specific market development activities is in Appendix A: 2024/25 Market development activities. Updates whose outcomes give regard to the Government Policy Statement are flagged with an asterisk (*).

Regulatory function	Progress this quarter	Future delivery
Promote market development	<ul style="list-style-type: none"> Announced a new standardised flexibility product to improve competition in the wholesale electricity market. It’s part of a package of measures to enable new generators and independent retailers to enter and better compete in the market. The standardised flexibility product co-design group shared insights and recommendations at an online seminar in December.* Delivered improvements to help distributors capture and input more detailed data into the Electricity Registry about distributed generation on their networks.* Engaged with stakeholders on proposed changes to make it easier for businesses and public services to connect to the electricity network. This would lower costs for all consumers over time and will also benefit public services such as charging stations for new electric buses and ferries, new housing developments, and businesses such as manufacturers and data centres.* Made changes to how charges are allocated under the transmission pricing methodology to create a level playing field for connecting new technologies to the grid (effective 1 April 2026). Our amendments aim to encourage efficient investment and increase use of the grid.* Engaged with stakeholders on our work to improve the future security and resilience of the electricity system by improving the common quality requirements. The Authority wants the Code’s common quality requirements to enable evolving technologies, particularly inverter-based resources.* 	<ul style="list-style-type: none"> As included in the <i>Fortnightly report for the Minister (250113)</i>, the Task Force will release six policy/Code amendment consultation papers for feedback in January and February. The new super-peak hedge contract began trading in January 2025 (following development by the standardised flexibility product co-design group) with ongoing monitoring and support to follow.* Finalise improvements to common quality requirements as a part of Part 8 Code amendments following the future security and resilience consultation in October. Getting these requirements right will help ensure that consumers can have confidence in the power system delivering a reliable and secure supply of electricity as more solar, wind, and energy storage resources are deployed into the system.* Select applicants from Round 1 of the Power Innovation Pathway for enhanced regulatory support and support the other applicants as required. These initial applications have the potential to benefit consumers through providing better regional resilience, increased security of supply and a more efficient and affordable electricity system. We will assess applications as they continue to enter the Pathway for Round 2.*

Regulatory function	Progress this quarter	Future delivery
	<ul style="list-style-type: none"> Released the findings of the risk management review and consulted on its preliminary findings, receiving 11 submissions. The review found that there are a range and combination of solutions available to retailers to manage their risk. However, questions remain about the pricing and availability of a specific type of contract, which provides morning and evening price cover, when residential demand is highest and wholesale electricity prices can get very high.* Received 44 applications to Round 1 of the Power Innovation Pathway (Pathway), our process to support innovators to bring their fresh ideas to market faster. Applications ranged across four themes: learn-by-doing trials, solutions with no explicit regulatory barrier, Code specific support, and innovative ideas.* 	
Monitor, inform and educate	<ul style="list-style-type: none"> Stakeholder engagement on improving data collection from electricity retailers.* New security of supply outlook published (December 24 – March 25) providing improved information on the supply and demand outlook. Supports stakeholders to make better informed decisions and respond proactively to mitigate their risks.* The Authority has approved collecting more information on grid-connected generation and load projects, as well as the cost of generation developments on the transmission and distribution networks. Increases transparency for new and proposed projects to support a more competitive and efficient market for new generation.* Information and communication significantly increased to help improve participation and understanding of the electricity markets by consumers and industry participants. Greater engagement in public domain through 57 news items, 11 press releases, four <i>Eye on electricity</i> explainer articles, and 57 LinkedIn posts. 	<ul style="list-style-type: none"> Collect generation investment from February 2025 to provide a more complete picture of the generation pipeline. Improves information for investment, infrastructure planning, local government and central government decision and policy making. Commence consumer information campaign to broaden public understanding of the electricity system and build public confidence in future reliability (expanding MDAG recommendation 22 – Information programme for opinion-makers).* Risk management workshop (with the system operator) for lines company and retailer communications and customer services staff to prepare for any future conservation campaign and/or rolling outages.* Industry exercise (with the system operator) to practice, learn and improve response to an unexpected security of supply event.

Regulatory function	Progress this quarter	Future delivery
		<ul style="list-style-type: none"> Finalise the pre-winter campaign focused on education for cost mitigations and promotion consumer rights under the Consumer Care Obligations.*
<p>Operate the electricity system and markets</p>	<ul style="list-style-type: none"> Stronger rules governing outage coordination. Changes from 1 January 2025 ensure information is provided to the system operator to minimise security of supply risks for consumers.* Switch and Data Formats Group established to replace two dormant technical groups (the Standing Data Formats Group and Switch Technical Group) and provide more efficient and effective switching process and information exchange advice. Membership is made up of 14 industry representatives. Finalised the financial 'reset settings' with the system operator, which informed our 2025/26 levy consultation and will inform our funding request to the Minister. 	<ul style="list-style-type: none"> Levy-funding request to Minister, supported by levy funded appropriations consultation analysis. The request will include proposed funding for market operation service providers, including the system operator. Review improvements for the multiple trading and switch process by the end of April 2025. Purpose is to further enable consumers to have more than one retailer at their property (such as one for generation and one for load) to take advantage of increased innovation and services. Also seeks to make the retailers' back-office switching processes more accurate and efficient, helping to contain retailers' costs.* Continue contract negotiations with the system operator, focussing on agreeing non-financial terms that will make the contract more efficient and fit for the future.
<p>Enforce compliance</p>	<ul style="list-style-type: none"> Faster investigations into alleged breaches of the Electricity Industry Participation Code compared to the same time last financial year. Issued four warning letters and closed 29 cases, only one of which was 'high complexity'. (High complexity cases require more time and resource to resolve and may involve more than one participant, other jurisdictions or regulatory bodies). Published the final 2023/24 retailer alignment report with the Consumer Care Guidelines; <ul style="list-style-type: none"> 43 out of the 48 retailers self-reported full alignment with the Guidelines, representing 96% of consumers being covered by aligned retailers. Small retailer alignment has improved. 	<ul style="list-style-type: none"> Consumer Care Obligations Industry best practice project implementation, including ongoing communications, case studies and guidelines, webinars and training. Prepare for the new annual compliance framework under the Consumer Care Obligations that requires retailers to submit their first compliance report by 30 September 2025 (for 1 January to 30 June 2025).








Regulatory function	Progress this quarter	Future delivery
	<ul style="list-style-type: none"> ○ Large and medium retailers continue to report full alignment with Guidelines related to protections for medically dependent consumers. ● Prepared for the implementation of the mandatory Consumer Care Obligations, including industry and consumer group workshops, webinars and communications. ● Increased compliance education activities, compliance case studies, industry webinars, a two-day registry manager’s training course with Jade Software (registry manager) for industry participants. ● New audit portal went live in October to support reporting breaches, supported by industry training. 	
Protect interests of small consumers	<ul style="list-style-type: none"> ● Electricity Authority Advisory Group engaged on two initiatives: virtual disaggregation and measures to improve price signals.* ● Published the Consumer Care Obligations (as stated). ● Received 13 submissions on ‘improving retail market monitoring’ consultation to give consumers quicker access to their data from retailers and more free data requests.* ● Ongoing engagement and collaboration with MBIE to support the broader work on Consumer Data Right for electricity. 	<ul style="list-style-type: none"> ● Review and implement feedback from the Electricity Authority Advisory Group to improve how we engage with them. The Authority will look to engage more strategically on future initiatives, involving the EAAG at the problem definition and establishment phases of work. ● Undertake a short technical consultation in January 2025 for the Consumer Care Obligations. This will facilitate the flow of medically dependent consumer information from retailers to distributors to use when planning and undertaking work on the network. ● Prepare proposals and options for a new online retail switching service to help consumers compare and choose the right electricity plan for them. This includes whether to mandate retailer participation in the service and standardise consumer billing information.*
Support functions	<ul style="list-style-type: none"> ● Piloted activity-based costing to support productivity, value-for-money initiatives, project management and resource planning.* ● Published our <i>Statement of performance expectations 2024/25 (amended)</i> to reflect our new priority activities. 	<ul style="list-style-type: none"> ● Implement activity-based costing across the organisation with lessons learned following the pilot.*

Regulatory function	Progress this quarter	Future delivery
	<ul style="list-style-type: none"> • Work programme simplified and reprioritised with projects grouped under six critical workstreams and alignment with the Government Policy Statement and the MBIE-commissioned baseline review recommendations. 	




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		
 Competition	 Reliability	 Efficiency
 Protection of small consumers		
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 ¹
Electricity industry governance and market operations	12	0	0	49,097	88%
Managing the security of New Zealand's electricity supply	2	0	0	50	8%
Electricity litigation fund	1	0	0	48	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		



¹ YTD spend percentage is shown on the total agreed available appropriation that is available for use in the full year (not budgeted within the year due to the nature of the appropriation).

Performance measures	Target 2024/25	YTD status	Relevant statutory objective
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	●	📈

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 security of supply and education campaigns within our reprioritised work programme are focussed on improving engagement and understanding (related to MDAG recommendation 22).

5. Competition measures

The Authority is developing a competition dashboard to better monitor competition, and provide transparency to market participants and consumers. We expect to publish this dashboard in February 2025 and the measures will be included in future quarterly reports. The indicators proposed are as follows:

Success measures	Indicators	Comment
Declining market concentration	HHI for generation	Links to be included in future reports
	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 performance

People and capability

The Authority is undertaking a programme of change to drive excellence in delivery and greater efficiency and effectiveness. These changes enable the Authority to regulate for and within a changing energy system.

In December we made changes to our organisational structure to increase our capacity and capability and create clearer accountability for outcomes.

There were significant changes in the leadership team to create General Manager roles for Retail and Consumer, Networks & Systems Change, Wholesale and Supply, and Communication, Engagement and Data. Two of these roles have been filled internally and other roles are being recruited for.

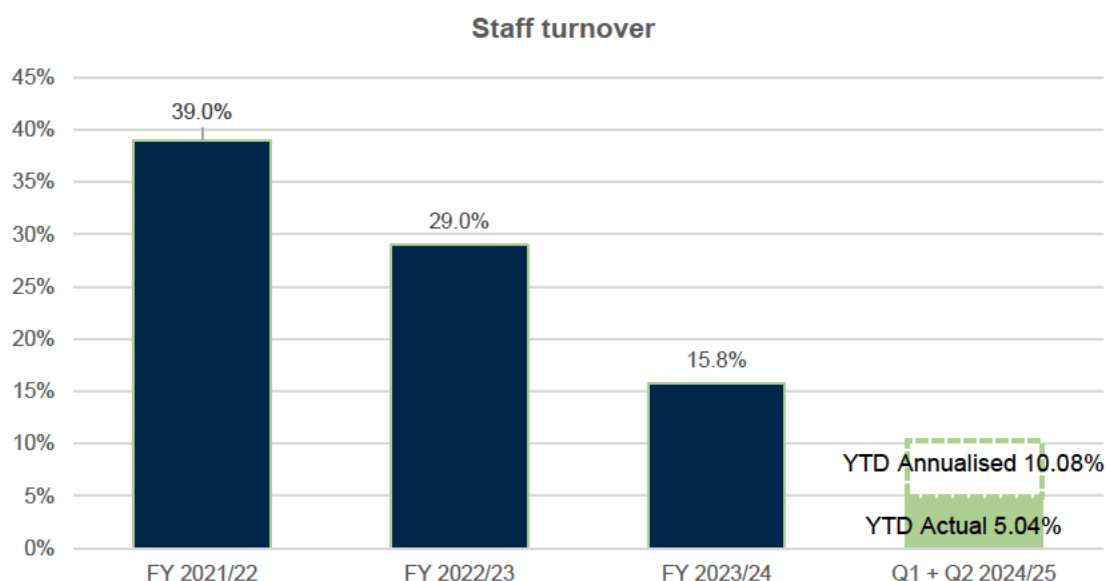
FTE, vacancies and average salary

Staff numbers at the Authority increased this quarter as vacancies were filled. The organisational changes outlined above also led to new vacancies due to the structural changes and new positions being established. The average salary has remained constant.

	Quarter 1 as at 30 Sep 24	Quarter 2 as at 31 Dec 24	Quarter 3 as at 31 Mar 25	Quarter 4 as at 30 Jun 25
FTE	135.22	137.17		
Vacancies	2	16		
Average salary	\$156,140.94	\$156,681.59		

Staff turnover

Staff turnover continues to be low for the year-to-date period July to December 2024 at 5.04% (and 2.84% for the quarter). When annualised, staff turnover continues to trend downward from previous years.



Information on contractors² and consultants³ 1 July 2024 to 31 December 2024

2023/24 Full Year Actual \$000	Contractors and consultants	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
	Operational								
928	Contractors	211	233	21	514	491	(22)	632	918
2,187	Consultants	618	492	(126)	1,410	1,054	(356)	1,843	2,992
3,115	Total operational spend	829	725	(104)	1,923	1,545	(378)	2,475	3,910
	Capital								
265	Contractors	27	-	(27)	27	-	(27)	-	27
-	Consultants	17	-	(17)	17	-	(17)	-	17
265	Total capital spend	44	-	(44)	44	-	(44)	-	44
3,380	Total contractors and consultants	873	725	(149)	1,968	1,545	(423)	2,475	3,954

Spend on contractors and consultants was \$0.1 million higher than budgeted for the second quarter of 2024/25. Year-to-date expenditure is \$0.4 million higher than budget, which is due to 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 and delivery of the Energy Competition Task Force.

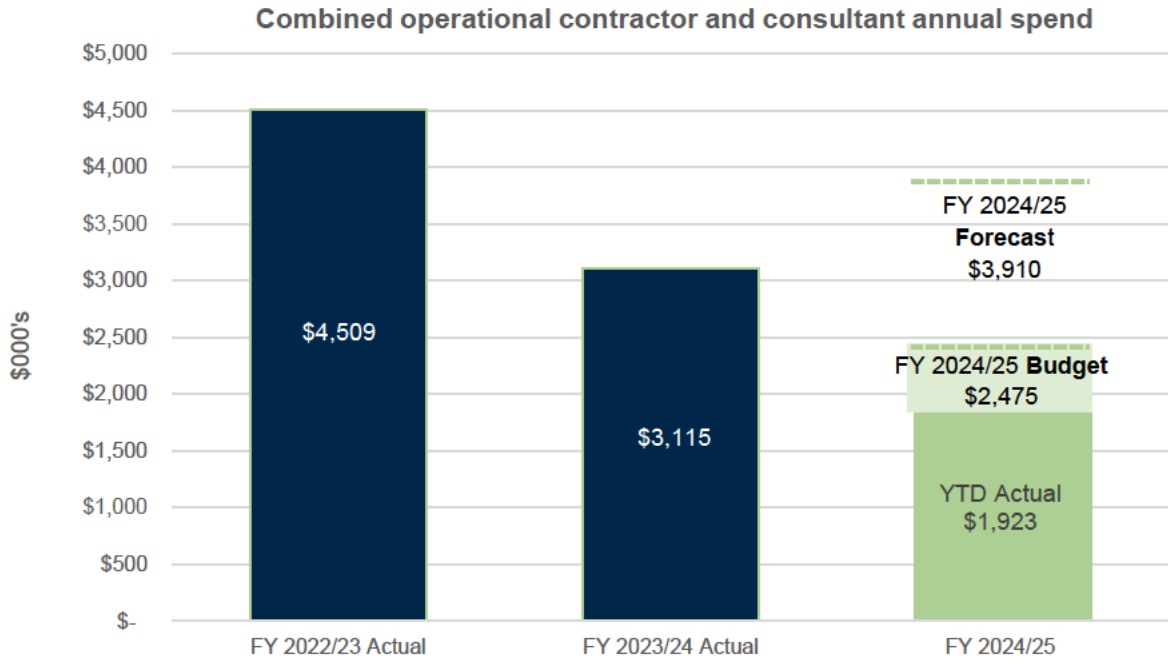
The combined full year forecast of \$4.0 million is \$1.5 million higher than the full year budget of \$2.5 million. Of the total forecast overspend:

- \$0.9 million relates to the three unplanned events noted above, which MBIE have indicated costs pertaining to these events must be covered within our appropriation.
- \$0.6 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 reprioritised.

Excluding the spend related to the three unplanned events (\$0.9 million) the full year forecast is \$3.1 million. While this exceeds the \$2.5 million budgeted cost, it is \$0.3 million lower than the total \$3.4 million spent in the 2023/24 financial year, which itself was 37% lower than the 2022/23 year.

² 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.

³ 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 efficient to employ on a full-time basis.



*Graphs excludes costs relating to capital expenditure

7 Audit and risk

We continued to develop our risk management maturity during this quarter. We have set up and adopted a risk maturity framework to measure our progress.

We refreshed our internal risk reporting to reflect our recently developed risk appetite statements, including an updated enterprise-wide risk register. This quarter, we have included reporting of risks rated high or critical and include our mitigations. We will continue to develop our risk maturity and are actively investigating the approach to risk management from electricity market regulators internationally to benchmark our approach.

Details on audit actions, audit reports, and risk management are included in appendix B.

8 Financial analysis and update

The Authority's financial performance is provided for the quarter period of 1 October 2024 to 31 December 2024, the year-to-date period (1 July 2024 to 31 December 2024) and the forecast financial position to 30 June 2025.

Total Authority expenditure year-to-date funded by Crown appropriations was \$49.1 million. This is \$6.8 million less than the budgeted \$55.9 million.

The full year forecast expenditure of \$105.9 million is an underspend variance of \$6.6 million against budget. The main reason for this is the release of \$6.2 million of risk contingency associated with commercial market making costs. The Authority successfully negotiated a new provider which came into place for a two-year contract from 1 July at a significant lower cost than budgeted, holding the savings as risk contingency for a new provider and complex service contract. After six months of embedding the new provider, the Authority made the decision to release the risk contingency funds, making it available for the reprioritised work programme (refer Figure 3, Appendix C commentary).

The balance sheet on 31 December 2024 remains in a stable position with equity being \$0.8 million higher than 30 June 2024. Total assets are \$35.7 million, and total liabilities \$19.5 million, resulting in total equity of \$16.2 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 expands on the activities the Authority is progressing or completing within the 2024/25 financial year that are included in measure 1 'Planned activities that promote market development achieve published annual outcomes'. Annual outcomes are tangible milestones that the Authority aims to deliver within the year and are used to assess our performance. Note that the measure is for the delivery of these milestones by 30 June 2025, and the delivery dates under each annual outcome are indicative.

We reprioritised our work programme for 2024/25 to reflect the significant changes to our operating environment following winter 2024, the Government Policy Statement on the electricity industry made under section 17 of the Act in October 2024 and formation of the Energy Competition Task Force. These changes did not fully align with our performance measure framework, so we amended the *Statement of performance expectations 2024/25* to update the framework with our work.

The below is an update on the activities as outlined in our *Statement of performance expectations 2024/25 (amended)*. 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  Affordable  Efficient	 Successful delivery is on track as planned.	 Successful delivery is 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	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
Retail data project	Data for better performance: unlocking the value of consumer data. As a modern regulator, we develop insights based on accurate data. This multi-year project focuses on improving our collecting and monitoring of retail data to 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	Use the Authority's information gathering powers in the Code to collect better information from retailers about the retail market and outcomes for domestic and small business consumers. This will be used to publish insights and inform the Authority's regulatory work. Final decision	\$	Demand side-flexibility Competition Other	●	●		




Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
	decisions that will benefit consumers. The information gathering request is the first stage and is set to be issued by the end of Q3 2024/25 with data ingestion beginning in Q1 2025/26 FY.	made and information gathering request issued by 30 June 2025.						
Architecture and security review of data platform	Our retail data project will result in the Authority receiving large volumes of personally identifiable information by August 2025. To be well-equipped to safely and securely handle personal data, we commissioned an external supplier to review the security of our data platform. They made 63 recommendations to harden the security posture of our data platform in line with current best practice. We have engaged experts at designing and building data platforms on Databricks to assist staff to implement these recommendations.	The Authority will have a well-architected and well governed data platform that conforms with best practice standards ahead of receiving, storing and using personally identifiable information. We will implement all relevant recommendations by 30 June 2025.	\$	Demand- side flexibility Competition Other	●	●		
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 on proposed Code amendment on efficient connection pricing by June 2025.	£	Demand- side flexibility	●	●		
Mandating the Consumer Care Guidelines	The Authority has decided to mandate the Consumer Care Guidelines to improve protections for consumers alongside a Code amendment consultation to ensure that the current voluntary protections become mandatory. Key provisions of the Obligations will come into effect on 1	Consumer Care Guidelines are mandatory and in place by January 2025.	\$	Other	●	●		







Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
	January 2025, with remaining provisions coming into effect from 1 April 2025.							
Regulatory strategy	The Authority has recently updated its vision and strategic outcomes. Building on this, it will develop a regulatory strategy to outline how our regulatory functions will make progress towards our refreshed strategic outcomes, and how this work will deliver value to consumers in line with our statutory objectives.	Draft regulatory strategy socialised with stakeholders by December 2024.	NA	NA	●	●		Annual outcome is completed. During the remainder of the financial year we will explore next steps to finalising/operationalising the current iteration of our regulatory strategy.
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.	Code amendment proposals by June 2025.	🛡️	Reliability and security of supply Demand side flexibility	●	●		
Reviewing risk management options for the retail market	A risk management review to investigate concerns 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.	📄	Update the wholesale electricity market	●	●		
System operator service provider agreement negotiation	Security of supply: system operator service. The system operator is the Authority's largest market operation service provider and plays a critical role in the real time operation of the wholesale market. The service provider agreement negotiation covers the contract refresh with the system operator setting out the specific	New agreement finalised and signed ready for commencement on July 2025.	🛡️	Reliability and security of supply	●	●		

Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
	functions and processes that the system operator must perform.							
New Electricity Authority Advisory Group (EAAG)	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 our work programme in 2024/25.	\$	NA	●	●		Several initiatives the group provided advice on were already well progressed limiting the time and level of input EAAG had. The Authority will look to engage more strategically on future initiatives, involving the EAAG at the problem definition and establishment phases of work.
Consider requiring gentailers to offer firming for PPAs	Energy Competition Task Force 1A: This initiative will consider requiring gentailers to offer a minimum volume of flexible electricity in the form of long duration contracts that could be used to firm new generators' Power Purchase Agreements.	Code change decision by June 2025.	⚡	Update the wholesale electricity market Competition	●	●		
Introduce standardised flexibility products	Energy Competition Task Force 1B: This initiative will develop over-the-counter flexibility products that provide retailers and industrials buying on the wholesale market with protection against high spot prices at specific times.	Initial voluntary trading begins by January 2025.	⚡	Update the wholesale electricity market Competition	●	●		

Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
Prepare for virtual disaggregation of the flexible generation base (backstop measure)	Energy Competition Task Force 1C: This initiative will design rules that would require gentailers to offer a share of their flexible generation base to buyers on the wholesale market in the form of risk management contracts.	Publish outline by February 2025.		Update the wholesale electricity market Competition				Sequence and scope relative to other backstop measures (or a more substantive redesign of hedge market arrangements) is still being determined.
Investigate level playing field measures (backstop measure)	Energy Competition Task Force 1D: This initiative will investigate what level playing field measures are appropriate, including risks and possible triggers.	Publish options by February 2025.		Update the wholesale electricity market Competition				High-level policy direction agreed by the Authority Board, and presented to Ministers in December 2024, as part of the package 1 market performance roadmap. Current risks to the tight timeline to publish options by February 2025 are being addressed.
Cost-reflective distribution export tariffs	Energy Competition Task Force 2A: This initiative will consider requiring distributors to pay a rebate when consumers export surplus energy back into the system at peak times.	Code change decision by June 2025.		Strengthen transmission and distribution networks				
Time-varying retail pricing	Energy Competition Task Force 2B: This initiative will consider requiring retailers to offer time-of use pricing plans to shift electricity demand to times when it is cheaper and more abundant.	Code change decision by June 2025.		Demand side flexibility				

Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
Time-varying retail feed-in pricing	Time-varying retail feed-in pricing Energy Competition Task Force 2C: This initiative will consider better rewarding consumers who export electricity onto the network at peak times.	Code change decision by June 2025.	Ⓜ	Demand side flexibility	●	●		
Reward industrial consumers for providing short-term demand flexibility	Energy Competition Task Force 2D: This initiative will identify gaps in existing financial incentives for short-term industrial demand flexibility and propose a Code change if required.	Code change decision (if required) by June 2025.	Ⓜ	Demand side flexibility	●	●		
Review of market making	The Authority will evaluate and consult on the market making Code urgently amended in September 2024. We will also provide an early indication of wider settings review later in 2025.	Decision paper published by June 2025.	Ⓜ	Update the wholesale electricity market Spot price volatility	●	●		
Digitalisation work programme	Initiatives to understand the New Zealand data landscape and address key issues impeding transparency of our low voltage networks. Greater access to consumers' consumption and power quality data will improve the visibility of the low voltage network in a timely fashion to: <ul style="list-style-type: none"> inform investment choices (by distributors, innovators, and consumers) to support the development of efficient planning and optimisation of distribution networks (including 	Consultation on options to improve visibility of low voltage networks by June 2025.	\$	Demand side flexibility Competition	●	●		

Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
	flexibility services, safety, fault management, etc) <ul style="list-style-type: none"> reduce the costs for consumers of the transition to a low-carbon economy. 							
Non-price barriers to efficient connection of large capacity load to distribution networks	Stage one of the network connections project will address the non-price barriers to the efficient connection of large capacity distributed generation and load on networks. This will ensure application and connection processes for new or upgraded connections are easier, faster, more equitable and more consistent across distribution networks.	Decision on first tranche of proposals by June 2025.		Demand side flexibility	●	●		
Update to scarcity pricing settings	Ensuring that times of potential shortages in generation and demand-side flexibility are clearly and consistently signalled in the wholesale market. This will lead to improved coordination and investment signals for flexible resources. Stronger, more consistent price signals for both spot exposed consumers and retailers to better manage their risk exposure and more reliable investment signals for flexible resources.	Decision on preferred settings by June 2025.		Reliability & security of supply Spot price volatility	●	●		
Outage coordination enhancements – enhancing the system operator’s ability to coordinate asset outages to	Strengthening the outage coordination obligations in the Code to ensure that timely information is provided to the system operator to coordinate asset outages in a way that minimises the risk to security of supply for consumers. Decision on preferred option for Stage 1 improvements by December 2025.	Decision on preferred option for Stage 1 improvements by December 2024.		Reliability & security of supply	●	●		Completed - we have published our final decision on rule changes, for implementation on January 1 2025

Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
support security of supply								
Thermal fuel disclosures	Enhancing the collection and publication of information on the availability of thermal fuels. This aims to support a secure and resilient electricity market by enhancing visibility of available fuel and improving security of supply and market monitoring.	Improvements to the availability of thermal fuels information in place by June 2025.		Reliability & security of supply Spot price volatility				We received concerns from two thermal generators on the proposed publication of information we obtained under section 46 of the Act. We delayed publishing to work on adjusting our approach to reflect concerns raised. We will be releasing a consultation on January 28 that sets out Authority's proposal to collect and publish thermal fuels information on an ongoing basis as informed by discussions with generators.
Power Innovation Pathway	Pilot this initiative which will provide a "front door" for innovators to access regulatory advice and support year-round. A small number of initiatives will receive full support to accelerate progress with the aim of getting their product/service to market faster to benefit consumers.	Applications triaged and first tranche of supported projects selected by February 2025.		Reliability & security of supply Spot price volatility				

Activity	Activity description	Annual outcome (dates are indicative)	Strategic outcome	Alignment to GPS	Quarterly progress			Comments as required
					Q1	Q2	Q3	
				Demand-side flexibility Competition				





Appendix B: Audit and risk

Audit and assurance

There are no current outstanding high or critical audit issues.

There were four internal audit reviews progressed in 2023/24, as per the three-year audit plan. The internal audit process has been updated and documented through the reports listed in the table below, which will be received by the Authority's Audit and Finance Committee for further action in January 2025.

Following the acceptance of the 2023/24 internal audits by the Audit and Finance Committee the new batch of issues will be loaded into the audit issue register for monitoring and completion.

Report	Progress	Reporting stage
Suspicious transactions analysis and fraud risk assessment		Report finalised with management response and recommendations. Progress on recommendations to be tracked through monthly management reporting.
Cyber security		Report finalised with management response and recommendations. Progress on recommendations to be tracked through monthly management reporting.
Compliance investigations and enforcement		Report finalised with management response and recommendations. Progress on recommendations to be tracked through monthly management reporting.
Transmission pricing methodology programme post-implementation review		Report finalised with management response and recommendations. Progress on recommendations to be tracked through monthly management reporting.

Risk management

This report contains a summary of our 'critical' and 'high' enterprise risks and their mitigations. We have 34 enterprise risks, with 11 categorised as critical or high.

Current risks rated ‘high’ (no risks are currently rated ‘critical’)

Risk name	Description	Mitigations in place	Mitigations currently planned
Authority systems and information security	If the Authority IT systems do not meet high performance and security standards then this may result in heightened cyber and network security risks and/or system performance issues.	<ul style="list-style-type: none"> Yearly penetration testing of the network(s), as part of annual review of cybersecurity (this year: disaster recovery, contracts and availability of systems) Access to applications or systems is by request and is role based. 	<ul style="list-style-type: none"> Annual review of cybersecurity, conducted by an external party to keep us up to date on best practice Refresh planned for cybersecurity workstream following Authority re-organisation in December 2024.
Ineffective service provider contracts	If service provider contracts (particularly for services the Authority must legally contract for) do not deliver on Authority requirements, this could lead to ineffective support of our strategic direction or statutory objectives.	<ul style="list-style-type: none"> We are shortening contract periods (as contracts come up for renewal) to enable reviews to align contracted services with a rapidly changing sector. This is underway for the System Operator Service Provider Agreement. We have a relationship charter in place with Transpower NZ (which provides the system operator and FTR manager services) Strengthen service provider reporting and governance, allowing tight management of service provider performance. 	<ul style="list-style-type: none"> Bolster other service provider contracts with additional mechanisms such as relationship charters. Shortening contract periods will also be considered when we review the contracts for the market operation service providers in 2027.
Reliance on key staff or employees	As a relatively small organisation with a range of highly specialised and technical functions, we risk not having the required resourcing internally to respond quickly to shifting external needs, limiting opportunities to be future focussed and positively influencing and driving change in the sector.	<ul style="list-style-type: none"> Flex generalist skillsets such as project management and administration support across the organisation to release specialist technical capability where most needed. 	<ul style="list-style-type: none"> Develop and use capability matrices, development and succession plans. Maintain a competitive panel of external technical providers which can be drawn upon at short notice on a competitive basis (with regular review of its use)

Risk name	Description	Mitigations in place	Mitigations currently planned
The Authority's social licence to operate	If the Authority loses relevance to the public, industry and sector stakeholders, or if we do not fulfil their needs (particularly our most vulnerable stakeholders) then this is likely to result in a loss of social licence and the loss of sector confidence in our work.	<ul style="list-style-type: none"> We work with consumer (advocacy) groups, industry and our own advisory groups to test activity outcomes and refine the methods we use to deliver our outcomes. Through our delivery methods (including consultation), we make our process and analysis available for public scrutiny. 	<ul style="list-style-type: none"> We will work to ensure that our Consumer Care Obligations contact centre delivers a service that vulnerable consumers find effective and easy to engage with.
Infrastructure investment	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.	<ul style="list-style-type: none"> Ensure security of supply policy settings prioritise the efficient management of energy resources. Make information available to existing and potential participants to help support their investment decision making. 	<ul style="list-style-type: none"> Ensure both Authority and SO monitoring is fit for purpose and highlights risks and opportunities through our security of supply monitoring. Without preference for a specific solution, ensure regulatory settings incentivise networks to maintain and invest in reliability alongside the Commerce Commission.
Consumer trust in the market	If consumers lack engagement or trust in the electricity market, this could lead to reduced effectiveness of competition to meet consumer needs, and a decreased willingness by consumers to electrify.	<ul style="list-style-type: none"> Extended our contract with Consumer NZ until July 2025 to support the operation of the electricity price comparison website Powerswitch. Running communication campaigns (e.g. publishing a series of consumer-centred articles on national media to encourage people to compare their electricity plans). 	<ul style="list-style-type: none"> Ensure our procurement for a new comparison service provider leads to a solution that consumers find easy to interact with and holds as complete information as possible.
System resilience and supply	In a major adverse event or a natural disaster and the system is not sufficiently resilient, then this may lead to unplanned (extended) supply interruption.	<ul style="list-style-type: none"> Work with the Security and Reliability Council and other stakeholders to identify resilience issues and incentives to strengthen them. 	<ul style="list-style-type: none"> Coordinate with other agencies (Infrastructure Commission, NEMA, MBIE, Commerce Commission) to ensure related policy settings

Risk name	Description	Mitigations in place	Mitigations currently planned
			promote resilience being appropriately prioritised.
Project delivery controls and standards	If there are no project delivery controls and standards this may lead to the Authority not delivering the intended outputs and outcomes within the agreed time and cost.	<ul style="list-style-type: none"> Status reporting on high priority projects has been introduced and will be rolled out for lower priority projects. 	<ul style="list-style-type: none"> PMO function implementation underway, which will include a 12-18 month roadmap of delivery of capability uplift, frameworks, processes, and templates.
Wider project prioritisation	Project prioritisation processes are being newly developed within the Authority, reflecting changes in our operating environment. If the prioritisation process is not clearly agreed and communicated this may lead to inconsistent prioritisation of activities relative to our strategy.	<ul style="list-style-type: none"> Review of prioritisation and budget allocation processes has begun. 	<ul style="list-style-type: none"> Further develop prioritisation and budget allocation processes, enhancing our overall organisational performance Develop and embed portfolio-wide oversight and portfolio management practices.
Incident Management administration	If the Authority's incident management and business continuity capability is unable to respond effectively to unplanned external events, this may result in avoidable disruptions to service levels.	<ul style="list-style-type: none"> The Authority's incident management team runs scenario testing and practices to look for opportunities to improve our effectiveness. This includes regular testing of support functions. Applications and information guides are kept updated Regular training is provided for new staff and updates are provided to all staff on processes. 	<ul style="list-style-type: none"> Continue seeking opportunities to test scenarios and practices, including with our service providers and other agencies
Staff turnover	If staff turnover leads to reduced capacity, we may have insufficient specialist capability or loss of institutional knowledge to deliver our roles efficiently and effectively.	<ul style="list-style-type: none"> Monitoring of labour market conditions Supporting employee wellbeing with tools and training. Supporting managers with tools and training to lead, develop and engage their team members. 	<ul style="list-style-type: none"> Developing further tools and providing training for enhancing leadership at all levels of the organisation, to support and retain our future leaders

Risk name	Description	Mitigations in place	Mitigations currently planned
		<ul style="list-style-type: none"> We are developing and extending high performers. 	<ul style="list-style-type: none"> Develop and use capability matrices, development and succession plans.
Staff welfare	If staff wellbeing is impacted by a dynamic operating environment and rapidly growing workload, this may lead to staff health and safety issues.	<ul style="list-style-type: none"> Increase resourcing inside of our funding envelope Supporting managers with training and tools to manage priorities and lead teams through ambiguity Providing internal wellbeing initiatives and EAP support, and monitoring of key indicators Prioritisation and rationalisation of work programme 	<ul style="list-style-type: none"> Supporting all staff with further training and tools to manage priorities and work through ambiguity
Insufficient funding	If we can't undertake the full extent of our priority work programme in our current funding envelope, it could undermine our ability to deliver the outcomes we think are most important for consumers in the short, medium and long term.	<ul style="list-style-type: none"> Indicate the outcomes we will deliver for consumers through sharing of our work programme Monitoring and reporting on the performance of our work programme delivery 	<ul style="list-style-type: none"> Quantify and clearly show the costs and benefits associated with our activities to our relevant stakeholders Continue to improve how we measure our performance

Appendix C: Financial performance

This appendix provides more information about the Authority's financial performance for the quarter period of 1 October 2024 to 31 December 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 31 December 2024

2023/24 Full Year Actual \$000	Appropriations	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
100,843	Electricity industry governance and market	24,588	28,124	3,537	49,097	56,248	7,151	112,497	112,497
-	Managing the security of New Zealand's electricity	50	-	(50)	50	-	(50)	-	50
178	Electricity litigation fund	26	-	(26)	48	-	(48)	-	48
101,021	Total Appropriations	24,664	28,124	3,461	49,195	56,248	7,053	112,497	112,595

Figure 2: Appropriation expenditure, 1 July 2024 to 31 December 2024

2023/24 Full Year Actual \$000	Electricity industry governance and market operations appropriation expenditure	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
30,485	System operator - operating expenses	7,785	7,760	(24)	15,535	15,521	(15)	31,042	31,305
17,857	System operator - capital-related expenses	4,313	4,585	272	8,617	9,170	553	18,539	18,122
48,342	System operator expenses	12,098	12,345	248	24,152	24,690	538	49,581	49,427
13,224	Market making	1,612	5,040	3,428	3,249	7,080	3,831	14,400	7,230
2,974	Clearing manager	655	655	0	1,310	1,310	0	2,620	2,620
2,009	Wholesale information and trading system	350	332	(18)	698	664	(34)	1,328	1,398
1,037	Reconciliation manager	199	320	121	397	639	242	1,278	795
835	Registry	219	253	34	435	506	71	1,012	906
935	FTR manager	265	265	-	530	530	-	1,060	1,060
-	Consumer mobility	364	365	1	727	731	3	1,462	1,576
1,416	Depreciation and amortisation	378	485	107	699	931	233	2,055	1,529
11	IT costs	4	140	136	6	140	134	140	190
22,441	Other service provider expenses	4,046	7,856	3,809	8,052	12,531	4,479	25,355	17,303
5,399	Authority operations - work programme	1,087	1,156	69	2,276	2,279	3	4,079	5,495
18,636	Authority operations - personnel	5,868	6,653	784	11,627	12,658	1,031	25,576	26,044
6,203	Authority operations - other operating costs	1,489	1,846	358	2,990	3,717	727	7,906	7,574
30,060	Authority operating expenses	8,444	9,655	1,211	16,893	18,654	1,761	37,561	39,112
100,843	Total expenditure	24,588	29,855	5,268	49,097	55,876	6,779	112,497	105,842

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 31 December 2024 was \$5.3 million lower than budget. Year-to-date expenditure is \$6.8 million lower than budget mainly due to:

- **System operator** – expenditure is \$0.5 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 \$4.5m below budget, primarily due:
 - **Market-making** - \$3.8m lower cost includes \$3.0 million release of risk contingency held over and above the maximum contractual trading fees available to Vivienne Court to 31 December 2024. The Authority successfully negotiated a new provider which came into place from 1 July, with savings over \$6.0 million. After six months (of the total two-year contract) of embedding a new provider, the Authority made the decision to release excess budget for this service making it available for the reprioritised work programme.

- **Other expenses** – includes reconciliation manager costs being \$0.2 million lower than budget due to CPI, and service provider depreciation and amortisation being \$0.2 million lower than budget.
- **Personnel costs** - \$1.0 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** - \$0.7 million, including training and professional development, depreciation and amortisation, information technology costs, 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	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
-	System operator - operating expenses	50	-	(50)	50	-	(50)	-	50
-		-	-	-	-	-	-	-	-
-	Total expenditure	50	-	(50)	50	-	(50)	-	50

Expenditure incurred to date of \$0.05 million relates to the 'Managing the security of New Zealand's electricity supply' appropriation are for proactive preparation of an official conservation campaign by the system operator.

2023/24 Full Year Actual \$000	Electricity litigation fund appropriation expenditure	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
178	Authority operations - work programme	26	-	(26)	48	-	(48)	-	48
-		-	-	-	-	-	-	-	-
178	Total expenditure	26	-	(26)	48	-	(48)	-	48

There has been little expenditure relating to the 'Electricity litigation fund' appropriation during this quarter and year to date. 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 31 December 2024

2023/24 Full Year Actual \$000	Comprehensive revenue and expense	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
101,021	Crown appropriations	24,664	28,124	3,461	49,195	56,248	7,053	112,497	112,595
1,450	Interest revenue	383	300	(83)	768	600	(168)	1,200	1,377
102,470	Total revenue	25,046	28,424	3,378	49,963	56,848	6,885	113,697	113,972
17,708	Personnel costs	5,657	6,420	763	11,113	12,167	1,054	24,944	25,126
928	Contractors	211	233	21	514	491	(22)	632	918
2,187	Consultants	618	492	(126)	1,410	1,054	(356)	1,843	2,992
2,119	Depreciation and amortisation	562	753	190	1,054	1,453	398	3,120	2,196
69,366	Service provider contracts	15,766	19,715	3,949	31,506	36,291	4,785	72,881	65,201
8,713	Other expenses	1,849	2,243	394	3,599	4,421	822	9,078	9,508
101,021	Total expenditure	24,664	29,855	5,192	49,195	55,876	6,681	112,497	105,940
1,450	Total comprehensive revenue and expense	383	(1,431)	(1,814)	768	972	204	1,200	8,032

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 31 December 2024

2023/24 Full Year Actual \$000	Other Expenses	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
71	Advisory and working group fees	29	11	(18)	45	24	(21)	41	96
65	Auditor fees for external audit	-	-	-	-	-	-	85	85
36	Auditor fees for other services	12	-	(12)	12	-	(12)	35	35
623	Board member remuneration	200	205	5	442	356	(86)	767	793
1,638	External work programme support	443	664	221	819	1,226	407	2,236	2,503
178	Litigation fund	26	-	(26)	48	-	(48)	-	48
-	Managing the security of New Zealand's electricity supply	50	-	(50)	50	-	(50)	-	50
669	Operating lease expenses	204	185	(20)	388	369	(19)	738	771
5,210	Other operating expenses	819	1,075	257	1,669	2,232	564	4,744	4,712
41	Rulings Panel remuneration	18	45	27	23	90	67	180	181
182	Travel expenses	49	59	9	103	124	21	252	235
8,713	Total Other Expenses	1,849	2,243	394	3,599	4,421	822	9,078	9,508

Authority Board member remuneration has increased due to additional work through the winter wholesale market situation, establishment of the Task Force and the Northland review. Of the total \$0.44 million cost, an estimated \$0.06 million relates to specialist work covering activities such as the winter wholesale market situation, the Task Force and the Northland review.

Information on capital expenditure 1 July 2024 to 31 December 2024

2023/24 Full Year Actual \$000	Capital expenditure	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000	Forecast \$000
14	IT Hardware	10	25	15	10	45	35	75	75
-	Office Equipment	1	5	4	1	5	4	15	15
22	Furniture and Fittings	9	5	(4)	9	10	1	20	20
30	Leasehold Improvements	-	-	-	-	-	-	-	-
283	Authority IT Software	89	65	(24)	156	140	(16)	180	280
1,025	Service Provider IT Software	354	596	242	584	953	369	2,534	2,296
1,373	Total capital expenditure	463	696	233	760	1,153	393	2,824	2,686

Due to timing of reports and invoices, the NZX service provider software project costs have been estimated for the activity in November and December.

The full year is currently forecasting an underspend of \$0.2 million on service provider software, primarily due to rescoping and timing updates of a project commencing this financial year, with completion in the 2025/26 year.

Project forecasts will be reviewed with our service providers in quarter three.

Current financial position

Figure 4: Statement of changes in equity - 1 July 2024 to 31 December 2024

2023/24 Actual \$000	Changes in equity	2024/25 Year to Date Actual \$000	2024/25 Full Year Budget \$000
13,941	Opening balance at 1 July	15,391	15,501
1,450	Total comprehensive revenue and expense	768	1,200
15,391	Closing balance	16,159	16,701

Figure 5: Statement of financial position - 1 July 2024 to 31 December 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
	Assets					
	Current assets					
9,056	Cash and cash equivalents	15,868	19,046	3,178	19,274	14,145
585	Receivables and prepayments	1,023	200	(823)	200	500
9,641	Total current assets	16,891	19,246	2,356	19,474	14,645
	Non-current assets					
12,000	Investments	11,000	-	(11,000)	-	12,000
1,103	Property, plant and equipment	1,024	1,057	34	989	1,024
6,991	Intangible assets	6,777	7,649	872	7,721	7,638
20,094	Total non-current assets	18,801	8,706	(10,094)	8,710	20,662
29,735	Total assets	35,691	27,953	(7,739)	28,184	35,306
	Liabilities					
	Current liabilities					
12,495	Payables and accruals	9,500	9,525	25	9,908	9,908
1,540	Employee entitlements	1,144	1,200	56	1,200	1,500
(341)	GST payable (receivable)	1,107	200	(907)	200	200
353	Funds repayable to levy-payers	7,493	372	(7,121)	-	-
14,047	Total current liabilities	19,244	11,297	(7,947)	11,308	11,608
	Non-current liabilities					
79	Employee entitlements	79	18	(61)	20	79
218	Other provisions	209	164	(45)	155	215
297	Total non-current liabilities	288	182	(106)	175	294
14,344	Total liabilities	19,532	11,479	(8,053)	11,483	11,902
15,391	Net assets	16,159	16,473	314	16,701	23,404
	Equity					
9,011	Contributed capital	9,011	9,011	-	9,011	9,011
6,380	Accumulated surplus/(deficit)	7,148	7,462	314	7,690	14,412
15,391	Taxpayers' funds	16,159	16,473	314	16,701	23,423

The financial position as at 31 December 2024 reflects the impacts of the work programme reprioritisation exercise, plus the \$3.0 million market making contractual savings and risk contingency associated with the new service provider.

The lower costs incurred year to date are reflected in an increase in cash and cash equivalents and investments with a combined value of \$26.9 million, being \$7.8 million higher than budget. This is mainly offset by the appropriation repayable to the Crown being \$7.1 million higher than budgeted. Any underspend against our appropriation within a financial year is returned to levy payers, following the end of the year, through the annual levy reconciliation audit and reconciliation process.

Figure 6: Statement of cash flows - 1 July 2024 to 31 December 2024

2023/24 Full Year Actual \$000	Statement of cash flows	Dec 2024 Current Quarter			Dec 2024 Year to Date			2024/25 Full Year	
		Actual	Budget	Variance	Actual	Budget	Variance	Budget	Forecast
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	Cash flows from operating activities								
101,374	Receipts from the Crown	28,211	28,124	(86)	56,335	56,248	(87)	112,497	112,242
1,450	Interest from investments	383	300	(83)	768	600	(168)	1,200	1,377
(4,212)	Funds repayable to levy-payers	-	-	-	-	-	-	-	-
(78,743)	Payments to suppliers	(18,312)	(19,158)	(847)	(39,955)	(41,726)	(1,771)	(84,099)	(80,205)
(18,639)	Payments to personnel	(6,259)	(6,162)	96	(12,023)	(12,997)	(974)	(25,574)	(26,084)
(379)	Goods and services tax (net)	608	-	(608)	1,448	-	(1,448)	-	541
851	Net cash flows from operating activities	4,631	3,104	(1,528)	6,573	2,125	(4,447)	4,024	7,871
	Cash flows from investing activities								
-	Receipts from the sale of fixed assets	-	-	-	-	-	-	-	-
(12,000)	Withdrawal / (purchase) of Investments	1,000	-	(1,000)	1,000	-	(1,000)	-	-
(65)	Purchase of property, plant and equipment	(19)	(55)	(36)	(21)	(60)	(39)	(110)	(588)
(717)	Purchase of intangibles	(443)	(645)	(202)	(740)	(1,093)	(353)	(2,714)	(2,176)
(12,782)	Net cash flows from investing activities	538	(700)	(1,238)	239	(1,153)	(1,392)	(2,824)	(2,764)
	Net increase/(decrease) in cash and equivalents								
(11,931)	Net increase/(decrease) in cash and equivalents	5,169	2,404	(2,765)	6,812	972	(5,839)	1,200	5,107
20,987	Cash and cash equivalents at beginning of period	10,699	20,477	9,778	9,056	18,074	9,018	18,074	9,056
9,056	Cash and cash equivalents at end of period	15,868	22,881	7,013	15,868	19,046	3,178	19,274	14,164

Net cashflow was a \$5.2 million increase in cash and cash equivalents for the quarter, \$2.8 million higher than budget.

Cash flows from operating activities increased by \$1.5m higher than budget mainly due to lower cash payments to suppliers, and the November GST payment not being due until January 2025.

Term deposit investment movements excluded from the budget (\$1.0 million maturity) and timing of software asset expenditure (\$0.2 million lower) are the key reasons for the \$1.2 million lower than the expected net cash flows from investing activities budget in the quarter.

When the budget was initially set, the cash and cash equivalents at the beginning of the period included \$12.0 million of term deposits held. Since setting the budget, the Authority has reclassified term deposits as investments. This is the reason for the high variance of budget versus forecast.