

1 May 2025

Hon Simon Watts  
Minister for Energy  
Parliament Buildings  
Wellington 6160

Dear Minister

**ANNUAL LETTER OF EXPECTATIONS FOR 2025/26**

Thank you for your letter of 17 April 2025 conveying your expectations for the Electricity Authority Te Mana Hiko (the Authority) for the 2025/26 year and beyond.

The Board acknowledges the Government's priorities and expectations set out in your letter and confirms there is alignment between your expectations and our current strategic direction and vision. Your letter will also inform our upcoming 2025/26 Statement of Performance Expectations (time permitting) and subsequent work programme where this can be done consistently with our statutory framework and our independent role.

This letter sets out how we are currently achieving, and will achieve, the Government's priorities and expectations outlined.

**Operating as a Crown entity**

As an independent Crown entity, the Authority determines a work programme that meets our statutory objectives and must implement this in accordance with our statutory framework. In carrying out our functions, we have regard to any statements of government policy on the electricity industry issued by the Minister for Energy and are informed by the Government's expectations communicated in the enduring letter of expectations issued to statutory Crown entity Boards, and the letter of expectations from the Minister for Energy.

**Government priorities**

The Authority acknowledges and supports the Government's priority for an efficient electricity system and recognises this is vital for a competitive, growing economy, environmental sustainability, and social well-being. We also understand and agree with the need for change to happen at pace.

The Authority is absolutely focused on improving the security and affordability of electricity (including by ensuring wholesale and retail markets are competitive and efficient). We have regard to the Statement of Government Policy issued to the Authority in October 2024, the enduring letter of expectations issued to statutory Crown entity boards in April 2024, and your letter of expectations to the Authority. These priorities are reflected in our Statement of

Performance Expectations and determine the work programme that meets our statutory objectives.

## **Entity-specific expectations**

### ***1. Keeping the lights on***

Security of supply is central to the Authority's work programme. This work programme includes preparing for Winter 2025 and Winter 2026 and developing a roadmap for the longer term to encourage the innovation and investment required to make New Zealand's electricity system more resilient. Key current and future deliverables include:

- Updating scarcity price settings, effective 17 April 2025, to ensure the correct pricing signals are set in the wholesale market to incentivise immediate responses, should a shortage situation emerge. These settings encourage real-time resource availability and longer-term investment in demand side flexibility, batteries and fast-start generation.
- Improving the system operator's outage coordination by strengthening obligations in the Code to ensure 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. This is in place.
- Ahead of winter 2026, we are [publishing](#) relevant information regularly to ensure stakeholders are informed on security of supply and demand outlook, appropriate price signals are provided to the market, forward price discovery is improved, and the system operator has clear, comprehensive and impartial procedures to cope with power system emergencies should one arise. This includes frequent explainers into different aspects of the market as events or changes occur. Our [weekly security of supply snapshots](#) include a summary of the overall electricity system risk for the next three months.
- Enabling greater uptake of new technologies and providing greater energy security through reviewing the common quality requirements in Part 8 of the Code as part of our Future Security and Resilience project. We are publishing proposals on common quality issues including those related to frequency, voltage, harmonics, information requirements. Final Code decisions are expected in December 2025.

### ***2. Make electricity more affordable through downward pressure on prices***

The Authority Board is clear that a thriving and competitive market is essential for affordable electricity. The fuel shortage and period of sustained high wholesale prices in August 2024 demonstrated the work required to improve the performance of the electricity market and make affordable electricity available to everyone. That is why, in partnership with the Commerce Commission, we established the Energy Competition Task Force to immediately bring prices down.

Our ongoing Task Force and broader policy work programme includes:

- Enabling new generators and independent retailers to enter and better compete in the market through a package of initiatives including PPAs and level playing field measures. We have these proposals out for consultation with industry and stakeholders to determine next steps.
- Strengthening the performance of the wholesale market through implementation of recommendations from MDAG's final report [Price discovery in a renewables-based](#)

[electricity system: Final Recommendations Paper 2023](#). This work has been ongoing since early 2024 with quarterly reporting updates provided on our website.

- Ensuring better informed risk management decisions by participants through the collection and publication of thermal fuel availability, often used for firming. The Authority has received this information and will be publishing a dashboard as soon as possible. This information will also ensure the Authority can take timely action to support the sector in mitigating risks.

We are confident these activities will help bolster competition, encourage investment and provide consumers with the opportunities and controls needed to manage their electricity costs. We continue to actively consider and develop other opportunities for improving market performance, including through our monitoring and analysis and stakeholder engagement.

### **3. Build trust and confidence**

Upholding market design and rules is essential for maintaining trust and confidence in the system, and enforcing compliance is a fundamental responsibility of the Authority. We have strengthened our compliance capability over the past 18 months and have implemented a continuous improvement approach for compliance timeframes and stakeholder education.

As regulator, we have levers in place to ensure that any breaches are penalised and escalated where necessary. We also put considerable focus on ensuring breaches do not happen in the first place.

We are also focusing on:

- Levelling the playing field between independent retailers and gentailers. We have work underway which aims to prevent gentailers giving preferential treatment to their retail arms for hedge contracts, so independent retailers and generators can better compete with the gentailers.
- Compliance education programmes to assist the industry and avoid breaches. This is particularly important for new entrants and innovators.
- Implementing our Consumer Care Obligations introduced on 1 April 2025 which provide strict requirements for retailers and distributors to provide fair, transparent, and accessible services, particularly for vulnerable consumers or households in financial hardship. We are actively monitoring compliance to ensure that consumers are getting the assistance they need as well as providing retailers with webinars and guidance to promote compliance. Work is going in to making sure consumers are aware of their rights including through use of a consumer call centre, website information and by working with Utilities Disputes Limited.
- Proactive and continuous improvement of the regulatory settings through our Code review programme and Omnibus Code amendment programme. The programmes enable us to quickly address issues identified with the Code to promote efficient regulation and remove unnecessary barriers.

### **4. Provide value for money**

We are focused on improving value for money for levy payers while creating efficiencies and generating savings on our procured services through our commercial processes. We are also committed to constant improvement in addressing our cost drivers.

- We have undertaken a concerted programme of work to get more strategic value from our largest cost driver – our third-party service providers who comprise two thirds of our cost base. We have achieved significant savings through more effective contracting, monitoring

and reporting, and will develop a strategic roadmap for procurement of market operation service providers.

- We have recently piloted time-cost allocation at the Authority and are moving to the next phase of implementation. This will enable a better understanding of the true costs of our activities, improve resource allocation, and enhance long-term planning and investment decisions.
- We are strengthening Authority capability around commercial contract negotiation, resource planning, risk management, and project delivery, to reduce costs and support productivity.

**5. Prepare an annual report that identifies trends in contracting, risk management behaviour and market performance for the New Zealand market starting from 2024/25.**

Monitoring and information provision – including reporting on the electricity sector performance and trends – is a core regulatory function of the Authority. The Authority regularly reports on the electricity market and the hedge market. This analysis and reporting informs decision-making, drives competition, identifies breaches of the Code and highlights areas where further focus is required.

The Authority is expanding our reporting and making this more accessible to participants and consumers, including:

- A Competition Dashboard has been implemented (1 April 2025) to report on trends relating to retail market competition, spot market competition, risk management competition and long-term competition. This is updated quarterly and supports market transparency and investment.
- The flexibility hedge dashboard has been implemented (1 April 2025) to publish prices and traded volumes of key types of flexibility products, including peak, super-peak and the standardised super-peak product. This supports risk management and competition in the market.
- Upgrades to our data platform are currently underway, as are improvements in how we present interactive and visual data stories. This work will be completed by August and will not only significantly increase our information security posture but it will also better enable people to explore and understand trends in the electricity industry. This supports investment and improved trust and confidence in the industry. It will complement our existing publications which include weekly trading conduct reports, quarterly market performance reviews, in-depth reviews and studies of particular topics through our eye on electricity articles, and electricity data and metrics.
- New thermal fuels information requirements will help participants make informed decisions about risk-management as we head into winter 2025 and beyond. This took effect from 1 April 2025.

The Authority is also considerably increasing its retail market monitoring and data analytics capability to increase transparency and accountability. This will allow us to identify potential issues earlier, publish more valuable insights, and increase the data used for making informed policy decisions that will benefit consumers.

We have introduced a programme to work with stakeholders to identify how our monitoring and information provision can add further value, including consideration of an annual report on trends on contracting, risk management behaviour and market performance for the New Zealand market.

**6. Implement a program with retailers to achieve “bill consistency” including a standardised bill with obligations to include certain information to make it easier to switch providers. I would like this to occur as soon as possible with a standardised bill available by 1 January 2026. This is aligned to the 2018 Electricity Price Review and will complement the Customer and Product Data Act 2025.**

The Authority has responded to and implemented the Electricity Price Review recommendations aimed at making it easier for consumers to switch providers.<sup>1</sup> We are now prioritising additional initiatives that should significantly improve consumers’ ability to get the best deal available to them. This includes our work with Ministry of Business, Innovation and Employment (MBIE) to develop standardisation of information under the proposed new consumer data right.

While the Electricity Price Review did not make specific recommendations on bill consistency, it provided useful input that we have already incorporated into our work.<sup>2</sup> New Zealand experience and international research shows that influencing consumer switching behaviour is complex, and there is no one silver bullet. It is critical for change to occur in a way that does not increase costs for consumers.

The Authority recently implemented new mandatory Consumer Care Obligations, with requirements on retailers to help consumers to be on the best plan for their needs, including to standardise certain financial information in consumer bills and providing information to consumers about other plans (when consumers sign up and at least annually).

We recognise that Powerswitch is no longer fit for future purpose and are well progressed in developing a consumer mobility programme that is comprehensive and wide ranging. The actions and milestones include:

- Working with MBIE on standardising product and consumption data, a key component of a consumer-data-right enabled future that supports seamless switching (implementation starting early 2026, aligned with the timing of the electricity sector designation under the Customer and Product Data Act 2025).
- Supercharging a new Authority-funded comparison and switching service that will make it easier for consumers to compare and switch providers as a first phase in supporting switching capability (in place by the end of 2025).
- Enabling consumers to buy and sell from different retailers for electricity consumption and generation to improve their options and choice (implementation starting late 2025).
- Consulting with industry and the wider public on a whole-of-system view of a digitalised electricity system, which includes standardisation of data and simplification of consumer information (including billing information) (consulting from mid-2025).

As part of this work, we are working with industry on features such as AI enabled tools and standardisation that prompt consumer actions and are looking to improve consistency across bills, leveraging on improvements in data standardisation and a consumer-data-right.

The Authority will look to present you with an update in June 2025 on our consumer mobility programme, including improving bill consistency. This timing may also support a Cabinet decision on the consumer-data-right electricity designation and subsequent announcement.

---

<sup>1</sup> See Section C recommendations, [Electricity Price Review Report 21 May 2019](#).

<sup>2</sup> See also [Electricity Price Review Report 21 May 2019](#), page 33, where the panel strongly supported the goal of simplified bills but recognised ‘the devil is in the detail’.

## ***7. Implement changes to harmonise and simplify/standardise electricity distribution businesses' contractual terms/technical requirements for new connections.***

Increasing numbers of connections at the distribution level is a reflection of the evolution towards more electrification and greater decentralisation of the system.

The Authority has two work programmes underway to standardise and simplify both the process and pricing methodology for access to a distributor's network. This work is for both load connections (including EV charge points) and distributed generation (including solar and batteries). It will reduce barriers to new connections, helping to reduce the cost of electrification, housing development and business growth.

This is a complex area and we are working in close collaboration with the Commerce Commission and industry to ensure durable reforms that achieve significant improvements for access seekers.

- The Authority proposed significant reform to the connection processes in late 2024. This covered improving the speed and cost of getting generation and load connected, including through contractual terms and new connections. Decisions are due to be published by mid-2025
- The Authority is also consulting on the introduction of connection pricing methodologies that apply to connection of load to a distribution network. This includes fast-track measures that expect consistent terminology and reporting requirements. Decisions on Code amendments are due by mid-2025 followed by full reform.

## ***8. Enhance collaboration with other agencies and market participants, such as the System Operator, to support market monitoring functions***

The Authority Board has a clear commitment to working with industry and consumer groups, while also taking a whole-of-Government approach wherever it is possible. We understand the need for efficiency across government agencies and the need for good information flows, in and out of the regulator to achieve the outcomes we need for consumers. As required under our Act, we consult on proposed Code changes, providing options and cost benefit analyses, and take account of submissions before making final decisions.

As one of several agencies and organisations with distinct roles in the energy sector, we actively work with MBIE, the Commerce Commission, the Energy Efficiency and Conservation Authority and the Gas Industry Company to deliver for large and small consumers, informing and supporting an energy regulatory system that enables innovation, competition, consumer choice and affordability.

We are working to increase the accountability and transparency in our service providers (including the system operator), using contractual arrangements and collaborative arrangements to support the priorities around security of supply and affordability.

Traditionally, the Authority has had limited engagement, especially within the innovation and consumer care ecosystems. Over the past year, we've established new channels to broaden the flow of information to the public and to better guide our work across all regulatory functions.

We would be happy to provide a separate briefing on the engagement work being undertaken across the energy system.



### **2025/2026 Statement of performance expectations**

The information above sets out how we are currently meeting and intend to meet the priorities and expectations in your letter, consistent with our statutory objectives and functions. We will include adjustments to our Statement of performance expectations 2025/26 as appropriate (noting that some of these may not be included in the draft Statement of performance expectations due 1 May 2025 due to the short timeframe provided).

The draft Statement of performance expectations will include prospective draft financial statements. We understand the importance of getting updated financial information as soon as possible. Following discussions with the Minister's office, we will send our final draft for your review on 30 May 2025.

### **Concluding remarks**

The Electricity Authority Board is focused on delivering better outcomes, faster, for consumers and recognises the importance of clear milestones and accountability to achieve them. While some of these outcomes extend beyond our direct responsibilities, we actively collaborate with others to drive actions that positively impact New Zealanders—both at home and in business. We will continue to engage proactively with you and your office around emerging issues and look forward to maintaining a close and constructive relationship.



**Anna Kominik**  
Chair of the Board  
Electricity Authority

01 / 05 / 2025