



Office of Hon Simon Bridges

MP for Tauranga

Minister of Energy and Resources

Minister of Labour

Associate Minister for Climate Change Issues

17 FEB 2014

Dr Brent Layton
Chair
Electricity Authority
PO Box 10041
WELLINGTON 6143

Dear Brent

I am writing to convey my expectations as you start developing the Electricity Authority's 2014 Statement of Intent. My expectations supplement the expectations expressed in the July 2012 enduring letter of expectations from the Minister of Finance and the Minister of State Services and provided to all Crown Entity Chairs.

Contributing to government priorities

The Government's four priorities for this term are: building a more productive and competitive economy, managing the Government's finances, delivering better public services within tight financial constraints, and rebuilding Christchurch. I expect the Electricity Authority to continue considering ways to contribute to these priorities.

Further, I expect the Electricity Authority to consider how it will support the Government's Business Growth Agenda (BGA) and, to the extent relevant, assist to achieve real job growth. The BGA aims to build a more effective and productive economy for New Zealand by supporting businesses to be more productive and competitive. It focuses on six key input areas: export markets, capital markets, innovation, skilled and safe workplaces, natural resources, and infrastructure.

More progress is required on the BGA and I expect the Electricity Authority to continue its contribution to securing our energy future, which is an important element of the infrastructure component of the BGA. Businesses need confidence in a secure supply of electricity and the regulatory regime must support diverse sources of reliable and renewable electricity at competitive prices. Competition in electricity supply provides choice to consumers, places downward pressure on prices and incentivises efficient investment.

Implementing entity specific agreed strategy and priorities

I expect the Electricity Authority's top priority to be a focus on actions to promote even stronger competition in the retail and wholesale electricity markets. This should be reflected in the Authority's work programme and the level of resource dedicated to this area. In particular, I encourage continuation of work that focuses on consumer groups less responsive to the What's My Number switching campaign; development of a granular retail pricing and consumption database and related information tools to make it easy for consumers to find the best prices in the market for their particular circumstances; and continues to reduce barriers to entry and barriers to demand-side participation in retail and wholesale electricity markets. I also welcome further activity in this area.

You should remain mindful of stakeholders' ability to contribute to the Authority's work programme. In particular, you should continue to ensure work is focused on areas with the greatest impact, sequenced appropriately and signalled well ahead of time.

In this vein, I am concerned at the level of resources the Authority applies to its transmission pricing investigation, and the associated resource demands this places on stakeholders.

I also expect the Electricity Authority to support the Ministry of Business, Innovation and Employment in monitoring the level of disconnections, identifying the causes of increased levels of disconnection and coming up with possible solutions.

Delivering better services and better value

Results matter, not processes or unquestioned continuation of existing programmes. I expect you to focus on the things that matter to New Zealanders. This includes ensuring that your services are modern, responsive, business like, and provide good value for money.

You also need to ensure that the Electricity Authority is constantly looking for ways to improve how it does business and delivers value against the levy payers' investment. You should be using either the formal Performance Improvement Framework (PIF), PIF self-review methodology or some other continuous improvement process. I expect the Board to continue to be vigilant in identifying cost savings and focus on those areas where the organisation can deliver most value. I encourage you to further consider shared service options with other agencies and syndicated procurement, where appropriate.

Improving strategy and performance information

You will be aware of recent changes to the Public Finance Act and Crown Entities Act which include streamlined and improved planning and reporting provisions.

I expect the Statement of Intent (SOI) to be a genuinely strategic document covering at least four years, setting out the agreed strategic direction for the Electricity Authority. The SOI and annual statement of performance expectations should provide a clear performance framework and support improved reporting to Parliament and the public on results. There is now an option for the SOI to endure for up to three years - if you are considering this option for the 2014 SOI you should discuss this with the Ministry. For 2014, I expect the draft SOI to be provided to me two months before the beginning of the new financial year. Please discuss with the Ministry if this timing is problematic.

I expect the Electricity Authority to address any issues identified in recent reviews of organisational performance and to make on-going improvements to its performance measurement framework and, in particular, how it measures and assesses progress towards outcomes.

Working openly and collaboratively to achieve results

No entity can expect to make a difference working alone.

I expect the Electricity Authority to take responsibility for achieving sector results – collaborating with other relevant organisations, the business community and international agencies and, where possible, with Māori and other communities.

As your Responsible Minister, I expect the 'no surprises' policy will continue and that I will be informed, well in advance, of any material or significant events, transactions, and other issues that could be considered contentious or attract wide public interest. A similar approach should be adopted with Ministry of Business, Innovation and Employment officials and other regulators.

I expect the Electricity Authority to continue the constructive working relationship with the Ministry of Business, Innovation and Employment's monitoring officials through regular meetings and discussions.

Finally, I thank the Electricity Authority Board for your efforts over 2012/13 and I look forward to working with you in the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S. Bridges', with a long horizontal flourish extending to the right.

Hon Simon Bridges
Minister of Energy and Resources