



Office of Hon Simon Bridges

MP for Tauranga

Minister of Energy and Resources

Minister of Transport

Deputy Leader of the House

Associate Minister for Climate Change
Issues

Associate Minister of Justice

23 MAR 2015

Dr Brent Layton
Chair
Electricity Authority
PO Box 10041
Wellington 6143

Dear Brent

Annual Letter of Expectations 2015/16

I am writing to convey my expectations for the 2015/16 financial year. 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 the Chairs of all Crown Entities.

Contributing to Government priorities

The Government's priorities 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 will continue considering ways to contribute to these priorities.

The Business Growth Agenda (BGA) is the vehicle the Government is using to build a more productive and competitive economy. The BGA is focussed on lifting business confidence by addressing the issues that matter most to firms. The *BGA Future Direction 2014 report* released in June 2014 outlined progress made across the BGA and set out the future approach. The report focuses on the six key inputs businesses need to succeed and grow: export markets, capital markets, innovation, skilled and safe workplaces, natural resources and infrastructure.

The Government is focussed on continuing the momentum and addressing the issues that matter most to firms, with further initiatives to be added over this term of Parliament. 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 to continue to 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 reducing barriers to entry into the retail market, facilitating consumer participation, and reviewing distribution pricing to ensure that consumers face efficient price signals.

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.

I also expect the Electricity Authority to support the Ministry of Business, Innovation and Employment (MBIE) in monitoring the level of disconnections and supporting industry to develop solutions.

Focus on achieving results

I expect you to focus on achieving results for New Zealanders, now and in the future. Entities should be able to demonstrate what difference they are making for customers, and shift resources as needed to improve delivery. Results matter, not processes or unquestioned continuation of existing programmes.

Services need to be modern, responsive, business like, and provide good value for money.

It remains a priority for the Government that all Crown entities remain focussed on the value for money of all expenditure and constantly look for ways to reduce costs. I therefore expect the Board to continue to be vigilant in identifying cost savings and focus on those areas where the Electricity Authority can deliver the most value.

Working collaboratively to achieve results

No entity can expect to make a difference working alone.

I expect the Electricity Authority to work with other agencies where this is needed to deliver results, and this expectation has been reinforced in recent legislative changes. Entities should be clear how they are working with other agencies, owning the sector results, and putting the client, not agency boundaries, first in service design.

The Board should continue to be vigilant in identifying cost savings and focus on those areas where the organisation can deliver most value. I am aware that you currently share IT support services with the Commerce Commission and encourage you to consider further shared service opportunities with other agencies, and syndicated procurement, where appropriate.

Performance Improvement

You need to be constantly looking for ways to improve how business is done and deliver value for taxpayers' investment in the entity. Entities should use the Performance Improvement Framework (PIF) formal or self-review methodology, or some other performance or continuous improvement process. I am aware that the Authority completed a PIF self-review in 2013/14. I expect you to develop and implement an improvement plan to address any issues identified.

Improving strategy and performance information

You will be aware that recent changes to the Public Finance Act and Crown Entities Act mean that the SOI can endure for up to three years and I am therefore not expecting you to produce a new SOI for 2015/16. You should discuss with monitoring officials if you are considering a new SOI for 2015/16.

I expect the Board to take responsibility for the setting and achieving key performance indicators, for the monitoring of entity performance, and for high quality performance and risk reporting. 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.

Openness and transparency apply wherever appropriate, including publishing non sensitive performance information on websites.

Making the Crown entity system work

The Crown entity system relies on Ministers, entities and monitoring departments working well together. In short, it takes all three parts of the Government working together to effectively deliver services.

Detailed roles, responsibilities and operating expectations for Ministers, monitoring departments and entities are now set out in *It Takes Three: Operating Expectations Framework for Statutory Crown Entities*. The application of the guidance and relevant Acts may vary for specific Crown entities.

I expect the Electricity Authority to continue the constructive working relationship with MBIEs' monitoring officials through regular meetings and discussions.

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 MBIE officials.

Finally, I thank Electricity Authority Board for your efforts over 2014/15 and I look forward to working with you in the coming year.

Yours sincerely

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

Hon Simon Bridges
Minister of Energy and Resources