



MP for Wigram

Minister of Energy and Resources

Minister Responsible for the Earthquake Commission

Minister for Greater Christchurch Regeneration

Minister of Research, Science and Innovation

Minister for Government Digital Services

03 APR 2019

Dr Brent Layton
Chair
Electricity Authority
PO Box 10041
Wellington 6143
brent.layton@xtra.co.nz

Dear Brent

ANNUAL LETTER OF EXPECTATIONS FOR 2019/20

I write to convey the Government's priorities and my expectations for your role in achieving these, along with my strategic and performance expectations for the Electricity Authority (the Authority) in relation to the 2019/20 financial year and beyond.

The Government's priorities are to build a productive, sustainable and inclusive economy and to improve the wellbeing of New Zealanders and their families. Building a modern economy that is fit for the 21st century and beyond means being smarter in how we work. It means an economy that produces and exports higher value goods, one that protects the environment, supports our regions to grow, and one that makes sure all New Zealanders share in the rewards of economic growth. We want every New Zealander to have access to world-class education and healthcare, to live in a home that is healthy and in a community that is safe, and to realise their potential. We want to transition our economy away from fossil fuels and towards affordable renewable energy that will support jobs and higher incomes. Moving to a highly renewable, low carbon future will be a long-term, managed transition, and necessitate a particular focus by Government.

I expect Crown entities to work constructively with the Government to meet these priorities.

Priorities for the Energy and Resources portfolio

Energy has a key role in meeting the Government's priorities to shift to a carbon neutral-emissions economy by 2050 and to 100 per cent renewable electricity. New Zealand needs strengthened energy resilience and secure, affordable and sustainable energy and effective management of energy infrastructure that provides the greatest wellbeing benefit for all New Zealanders over the long-term.

Specific priorities for the Authority

I appreciate the achievements of the Authority over the last year. The Authority has a strong record in delivering its objectives while maintaining high standards of good governance and robust operating systems.

During 2019/20 my specific expectations for the Authority are:

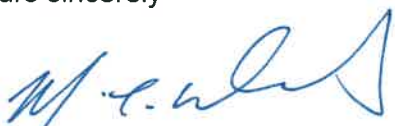
- *Adapting the electricity market for the impact of technology:* The energy sector is expected to significantly change in response to the emergence of new technologies and consumers' interaction with these technologies. Events during 2018 reinforced the importance of maintaining a level playing field that incentivises the best of use of new technologies, including those that protect and enhance consumer-driven choice. Effective functioning of the retail market is the core of the Authority's work. I expect it to ensure the market is well-prepared to adapt to make the best of new technologies, and to reduce barriers to the development and use of evolving technologies. In particular, this work should prepare the market for technologies that enable greater choice, and improved prices and services for all consumers, while contributing to the Government's vision of a transition to a low carbon economy.
- *Review of electricity pricing and energy policy work:* A great deal of review and policy development is being carried out to give effect to the Government's priorities that relate the work of the Authority. I expect the Authority to work with industry bodies, and government agencies such as MBIE and MfE, and others to support implementation of this work as decisions are made. I also look to the Authority to support market participants to adapt quickly to the upcoming decisions on the Electricity Pricing Review.
- *Lift engagement with stakeholders and consumers:* In the light of the significant change anticipated in the electricity industry, I expect you to put greater emphasis on effective communication to stakeholders and consumers. In particular, I would like you to engage and communicate with consumers to improve understanding of how the Authority's decisions benefit them over the long-term.

Response

Your advice by 5 April 2019 on how you propose to respond to the expectations set out in this letter would be appreciated.

I look forward to continuing our working relationship over the coming year.

Yours sincerely



Hon Dr Megan Woods
Minister of Energy and Resources

Copy to: Mr James Stevenson-Wallace, Chief Executive, james.stevenson-wallace@ea.govt.nz

Annex 1: General and good governance expectations

Effective boards

Ensuring the board is, and remains, high-performing is essential. There are many tools to help boards self-assess and improve performance. I expect you to carry out an assessment, using a robust process. Please provide me and the Ministry of Business, Innovation and Employment (MBIE) with a summary of the results of your self-assessment by 30 September 2019, including the steps the board is taking to respond to the results.

Your input into succession planning for the board is also sought. I expect you to provide MBIE with your view of the competency mix you need to work well as a board, along with your thoughts on upcoming appointments and any candidate attributes to target.

Deliver responsible governance with a broader measure of success

I ask you to be part of a public sector that builds a New Zealand we can all be proud of; a public sector that recognises the value of every New Zealander and backs all our people. To do this I expect you to think holistically about the impact of your organisation's plans and programmes prioritising interventions that make the biggest difference to lifting the current and future wellbeing of New Zealanders. In particular, I ask to you strengthen your effort to partner with Māori organisations to improve services and outcomes for Māori.

I expect you to actively promote and develop the diversity of your workforce for the long term to encompass a broad spread of experience, culture, perspective and lifestyle of those who live in New Zealand.

Effective monitoring of entity performance by boards and relationship with MBIE

In addition to setting and driving a strategy that delivers on government priorities, your board is the most important monitor of entity performance. I expect the board to provide me with high quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity.

I expect you to have a constructive working relationship with your monitor within MBIE. This relationship should include active participation and engagement with my officials in the process of setting your organisation's strategic direction and in any review of existing strategies, priorities and plans, and data systems.

I also expect you to work with and across government to integrate the work of your organisation with the role and work of other agencies, and to support the state sector stewardship of government departments.

No surprises

The Government has a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible
- inform the Minister in advance of any major strategic initiatives.

I also ask you to avoid 'pre-judging' my potential responses to risks and opportunities. I expect to hear about emerging issues and what major actions the board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.