

Strategy development

Final strategy framework

Feedback paper

7 July 2020

Executive summary

We are resetting the Authority's organisational strategy.

In February 2020 we released a discussion paper and held three workshops on the themes that were emerging in our new strategy. The discussion paper also contained context for the reset and detailed the process we were following.

We have completed the high-level design of the strategy and communicated this through the Authority's new 2020-2024 Statement of Intent. We are now focussing on implementation.

The purpose of this document is to summarise the feedback we received from stakeholders and how it helped inform the design of our strategic framework and priority actions. It should be read in conjunction with our new Statement of Intent.

The Authority plays a critical role for all New Zealanders. The industry we steward provides an essential service. Electricity is a foundation for modern life, wellbeing and the economy.

Our primary function remains to regulate New Zealand's electricity system and markets, enforcing the rules and holding industry participants to account through active monitoring and enforcement. Where required, we facilitate the development and enhancement of the markets to ensure their robustness and the delivery of long-term benefits to consumers.

We take our responsibility very seriously.

Five key sector ambitions now focus us, supported by five key strategic capabilities in which we will invest for success.

Sector ambitions	Strategic capabilities
<ul style="list-style-type: none">• We want <i>consumer centricity</i> to guide regulation and the industry• We want <i>low-emissions energy</i> to electrify the economy• We want to build <i>trust and confidence</i> in the industry for all stakeholders• We want to see <i>thriving competition</i> delivering better outcomes for New Zealanders• We want to see <i>innovation flourishing</i>	<ul style="list-style-type: none">• Listening and empathy• Purposeful connection• Inspired culture• Transformative mindset• Impactful delivery

Acting as a *kaitiaki for electricity*, our regulatory stewardship aims to both protect the progress and strengths of New Zealand's electricity system for generations to come, and ensure industry participation continually builds new strengths as it delivers the outcomes Parliament expects of us and creates wider long-term benefit for New Zealand.

The engagement we have had with stakeholders in developing our strategy has been extremely useful, and we look forward to continuing the dialogue.

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1 Introduction

Resetting the Authority's strategy

- 1.1 We are resetting the Authority's organisational strategy. We have completed the strategic framework and high-level design and communicated these through our new 2020-2024 Statement of Intent. We are now focussing on implementation.
- 1.2 The purpose of this document is to reflect the feedback we heard from stakeholders in February 2020 and to set out the changes we made to our framework as a result of that feedback.

Overview of the process we undertook

- 1.3 In February 2020 we released a discussion paper¹ (February discussion paper) on the emerging draft themes of our strategy. We had compiled those themes after a significant level of stakeholder engagement. The discussion paper also contained background material on the drivers behind and process for our strategy reset.
- 1.4 In mid-February we held three stakeholder workshops on the emerging themes. At these workshops we collected a large amount of feedback. We also received a significant quantity of written feedback, from a diverse range of stakeholders.
- 1.5 We had intended to engage further during the next steps of our strategy development, including on the drafting of the key actions to deliver against our new sector ambitions.
- 1.6 Unfortunately, the planned additional workshops were unable to take place due to the impact of COVID-19 and our need to respond.
- 1.7 We had to fulfil our accountability requirements and publish our new Statement of Intent by 30 June 2020, which required internal sign-off of the final draft in mid-April. The content of the Statement of Intent largely reflects the discussions we have had with the sector and stakeholders to date.

The impact of COVID-19 on our strategy

- 1.8 We believe our new strategic framework focusses on the right sector ambitions and strategic capabilities to position the Authority and sector to support New Zealand's economic recovery.
- 1.9 Our primary function remains to regulate New Zealand's electricity system and markets, enforcing the rules and holding industry participants to account through active monitoring and enforcement. Regulatory certainty is key to fostering investor confidence.
- 1.10 Key areas of focus for us through the recovery period include:
 - improving consumer outcomes
 - increasing our monitoring and compliance capability and capacity
 - improving the amount and quality of information we publish
 - ensuring the flexibility of the electricity system to accommodate innovation, investment and change.
- 1.11 The range of potential scenarios for the next five years is much broader than it has been in the past. We must ensure regulatory settings support New Zealand through this period.

¹ The discussion paper is available on our website at <https://www.ea.govt.nz/dmsdocument/26339-strategy-development-2020-emerging-themes-discussion-paper>

- 1.12 The Authority will remain agile and be flexible in our prioritisation as more clarity is gained on COVID-19's longer-term impacts on consumers and the electricity sector.

We intend to continue engaging on our strategy

- 1.13 The workshops we held in February were extremely useful and well received by stakeholders. Thank you to those who contributed, and for the constructive feedback on how future workshops could be run.
- 1.14 Additional workshops will be scheduled, and timing confirmed soon.

2 Sector support for a new approach

There is widespread support for our strategy reset

- 2.1 There is widespread support for the reset of our strategy given the changes in the external environment.
- 2.2 Submitters agreed with the key themes of change summarised in the discussion document – particularly those relating to digitisation, decarbonisation and decentralisation.
- 2.3 We will review our strategy regularly with stakeholders to respond to continued rapid change in the external environment.

Stakeholders generally agree with us taking a broader focus

- 2.4 There is widespread support for us to focus our attention on the broader context and the need for us to collaborate to work towards achieving broader system outcomes. Agencies, industry and other key stakeholders will need to work together to agree the areas of individual influence and overlap.
- 2.5 Regulators are often now expected to think more broadly about the wider environment and the interaction of their sector with others – considering long-term economic, social, cultural and environmental implications together. How these broader objectives are accounted for in our decision-making as we pursue our statutory objective will need to be made clear.
- 2.6 Stakeholders agree electricity should not be considered in isolation of the rest of the energy sector. Focussing on wider objectives is viewed as appropriate given our role as the regulator.
- 2.7 Weighting contextual issues, including the recovery from COVID-19, and broader policy objectives – such as decarbonisation and energy affordability – will be a key challenge. This challenge is not unique to the Authority.
- 2.8 Stakeholders requested we keep abreast of the development and application of Treasury's Living Standards Framework and the guidance it provides policy-makers for accounting in their decision-making for factors that are difficult to assess. We also received strong feedback on continued use of net present value analysis for cost-benefit analyses to support key decisions, wherever and whenever possible.
- 2.9 We agree with the view of stakeholders that welfare issues are best addressed by social agencies, and where appropriate we will work alongside those agencies, sharing information and taking any action when and if appropriate.
- 2.10 Stakeholders indicated that our existing *strategic directions* remain sound. We recognise they retain value as building blocks for our market development function in support of our new strategy.

Stakeholders support us reviewing our foundation documents

- 2.11 Our role as the regulator needs to be clearly articulated and supported by a stable regulatory framework which can respond, with industry, to both opportunities and challenges.
- 2.12 Stakeholders raised the need for clarity between our role and activities, and those of related agencies, particularly in respect of the transition to a low-emissions energy sector.
- 2.13 A key question from stakeholders, in both the workshops and written feedback, has been whether our empowering legislation, including our statutory objective, permits us to take a broader, system-wide view of the electricity and greater energy sector.

- 2.14 Several stakeholders also raised our existing interpretation of our statutory objective as a potential barrier to us considering wider issues such as the transition to a low-emissions economy and expressed a desire for the interpretation of our objective to reference balancing the energy trilemma.
- 2.15 There is clear support from stakeholders for us to review our interpretation of our statutory objective, especially given the length of time that has elapsed since the original interpretation was released.
- 2.16 We intend to commence this review in the 2020-21 Financial Year. Many of the issues described above can be included in the scope of that review.
- 2.17 Stakeholders believe our consultation processes and decision-making framework would benefit from review and improvement. They suggested we review our other foundation documents, including our Consultation Charter – which sets out our Code amendment principles. We have already committed to reviewing the charter in the FY21, and planning for this workstream has commenced.

3 Views on our role and purpose

- 3.1 The February discussion paper set out emerging views on our role, stating:
- (a) we recognise our and electricity's role in enabling progress, wellbeing and prosperity for New Zealand
 - (b) our core responsibility is the execution of our statutory functions, for example running and developing the electricity market
 - (c) we have consumers at our heart and take a long-term view of how electricity regulation will need to evolve to deliver benefit
 - (d) we are a trusted, expert voice of electricity, we build trust, we coordinate and collaborate, and take a leadership role in cross-agency discussions
 - (e) we set the narrative around key long-term balances and trade-offs between sustainability, reliability and affordability.

Summary of feedback

- 3.2 We received broad support for the emerging view of our role.
- 3.3 We also received specific feedback around certain aspects of our role. There was consensus the Authority needs to be:
- a respected leader in the sector, encompassing our role as an analysis-based regulator
 - an impartial, trusted and objective voice within the electricity industry
 - an advocate for important and ongoing issues such as the transition to low-emissions energy in New Zealand
 - a champion for the electricity market, highlighting the success of the sector.
- 3.4 There is support for us to provide a voice for electricity that is seen as being expert, impartial and objective, but stakeholders do not think it is our role to be the *only* voice. The use of the term "an advocate for electricity" was uncomfortable for some; the term "champion" was suggested instead.
- 3.5 Stakeholders agree we need to set the narrative around the long-term balances and trade-offs in the energy trilemma. However, there was some concern about the amount of resource that would be required to perform this function effectively. We are required to monitor, inform and educate, and this aligns with leading the evolving industry narrative.
- 3.6 Stakeholders support us improving our inter-agency leadership for the electricity sector, and keeping consumers front and centre while we do so.
- 3.7 A small minority commented that our role is fundamentally only about our statutory objective – promoting competition, reliability and efficiency in the electricity sector.
- 3.8 We recognise this remains the basis for our role as the regulator and have articulated these responsibilities clearly in the design of our new strategic framework.

New purpose statement

- 3.9 Based on our earlier views, and the supportive feedback, we developed the following new purpose statement:

*We are the **kaitiaki of electricity**. Our purpose is to **enhance New Zealanders' lives, prosperity and environment through electricity**.*

- 3.10 The statement recognises that a respected regulator and electricity regulation serves all New Zealanders. It is the tool through which we can contribute to wider outcomes.
- 3.11 Our regulatory stewardship provides the stable investment framework and fair rules required to ensure the industry delivers the right balance of reliability, sustainability and affordability to create collective benefit for the country.
- 3.12 Our focus on stewardship is about reinforcing our core craft as the industry regulator to protect progress and build new strengths in New Zealand's electricity system for consumers.
- 3.13 Our purpose is anchored to our statutory objective and functions and gives us the direction to work alongside industry to deliver against the agreed sector ambitions.

4 Our sector ambitions

- 4.1 Our February discussion paper was informed by earlier feedback from industry, stakeholders and Authority staff on what success for New Zealand's electricity sector would look like over the next 5-10 years.
- 4.2 Five interrelated "outcome" themes had emerged:
- (a) Zero-carbon Aotearoa
 - (b) Consumer centricity
 - (c) Trust and confidence
 - (d) Thriving competition
 - (e) Innovation flourishing
- 4.3 In the discussion paper and in workshops, we sought feedback on whether the themes were appropriate, and whether any were missing.
- 4.4 We also asked whether any themes were of a higher priority than any others.

From outcomes to sector ambitions

- 4.5 During the process to design and refine our strategic framework, we have renamed the theme headings from *Outcomes* to **Sector ambitions**.
- 4.6 This better reflects their place in our strategy, relationship with our statutory functions and purpose, and recognises that our ambitions for the sector are broader than we can influence alone.

Summary of feedback

- 4.7 Feedback was positive and strongly supportive of the themes:
- At the workshops, most participants agreed with the themes.
 - Much of the written feedback we received was also supportive of the themes, without providing specific detail.
- 4.8 In response to feedback, we adjusted the title of one of the ambition headings. Feedback also influenced refinement of the detailed content under each sector ambition in our final strategy document, our Statement of Intent.
- 4.9 Some new themes were suggested but for the reasons outlined below, we have not added them to those from our initial engagement. We will review the continued appropriateness of ambition themes when we review our strategy within the next 12 months.
- 4.10 Some parties suggested some of the theme headings were outcomes, while others could be viewed as mechanisms (*Thriving competition* and *Innovation flourishing*). Some parties also noted *Trust and confidence* would be a natural output of achieving the other outcomes.
- 4.11 We agree with these comments but consider all five are worthy of focus and pursuit. In particular *Trust and confidence* can be targeted as an explicit ambition in its own right.

Zero-carbon Aotearoa

- 4.12 Zero-carbon Aotearoa was widely supported as a core ambition for the sector. Some people suggested further clarity was required on our role in the transition to a low-emissions economy.

4.13 There was also some concern in the workshops that we might be advocating for *net-zero emissions in electricity generation*, as a subset of the wider energy sector and economy. This is not the case.

4.14 Key themes of feedback included:

- Electricity has a key role in facilitating New Zealand's transition to a low-emissions economy.
- Multiple electricity sector participants must play a role in achieving this ambition.
- There needs to be ongoing effort to maintain inter-agency coordination with the Climate Change Commission, Commerce Commission, Energy Efficiency and Conservation Authority and other agencies, and that we have a key leadership role to play in enabling this.
- We also need to acknowledge the importance of the transmission and distribution sectors as an enabler for the transition.
- The ambition heading should not be tied so explicitly to the 2050 targets – “sustainable electricity ecosystem” was suggested as an alternative.

From *Zero-carbon Aotearoa* to *Low-emissions energy*

4.15 We decided to change *Zero-carbon Aotearoa* to **Low-emissions energy** in response to stakeholders wanting more clarity on the scope of our role. The change narrows the focus considerably, de-links it from the 2050 target, and ensures there is no confusion regarding the Authority's position on whether the energy sector needs to be net zero.

4.16 The Authority's role in the transition to a low-emissions economy is primarily one of enabling and supporting. We can ensure the electricity sector is performing as efficiently as it can in meeting these wider objectives and ensure there are no undue barriers to the transition occurring. We need to be deliberate in undertaking initiatives which support New Zealand in meeting its wider environmental goals.

Consumer centricity

4.17 Consumer centricity was widely supported as a core ambition for the sector, and there was little direct feedback on it.

4.18 Key themes of feedback included:

- There are varying opinions on what consumers' needs and wants are, and that the reality is likely to be extremely diverse. Some want to participate, engage and experience “energy freedom”, while others are happy not to engage at all.
- The need to increase our (and the industry's) understanding of the diversity of consumers' and consumers' diverse needs.
- Reliability is critical to consumers, and they want reliable supply of electricity at affordable prices. (This is consistent with the insights we gained from direct consumer engagement earlier in the strategy development process).

Trust and confidence

4.19 Trust and confidence was widely supported as a core ambition for the sector.

4.20 Key themes of feedback included:

- Trust and confidence in the electricity market are critical to the electrification of heat and transport.
- Trust and confidence in the Authority, and in the predictability of regulation, are critical for investment in long-lived assets, particularly in the context of reducing the emissions of the energy sector over the long term.
- Ongoing reliability and resilience are critical to maintaining trust and confidence in the sector.
- Trust and confidence are benefits that would be derived from successful delivery of other ambitions.
- Trust in the performance of the wholesale markets is not high at present and needs to be a key focus for the Authority.
- Consumers' and industry's levels of trust would benefit from the Authority providing more current and timely information.

Thriving competition

4.21 Thriving competition was widely supported as a core ambition for the sector.

4.22 Stakeholders believe this needs to be a strong focus for us for the next few years.

4.23 Key themes of feedback included:

- We need to focus on reducing barriers and levelling the playing field for non-incumbent participants.
- We need to be explicit about what competition means, what it delivers and why we can trust it to bring benefits to consumers.
- This area of focus needs to include information availability and transparency, and open data (which we have included in *Innovation flourishing*).
- Our focus (including our key performance measures) needs to include *all* parts of the system where competition is possible, not just the retail sector.
- Retail churn and the number of retailers in the market are not necessarily the most appropriate measures of success, and we need to report equally on wholesale market metrics.

Innovation flourishing

4.24 Innovation flourishing had mixed support as a primary outcome. Some said it was a subset of *Thriving competition*; others said it was not as high a priority, or that it was a “distraction”.

4.25 When considered as a sector ambition, we still believe innovation requires an explicit focus.

4.26 Key themes of feedback included:

- We need to pursue more trial-and-error approaches to regulatory development.
- New technologies are important, but should not surpass the main objective of providing customers affordable and reliable electricity.

- 4.27 We will review this ambition theme in future to determine whether its status as a primary sector ambition should be retained.

Other suggested theme headings

- 4.28 Several other themes were suggested in written feedback and the workshops.
- 4.29 We considered each of the new suggested themes. However, as they were implicit in the five ambitions already benefiting from a general consensus, we did not progress the new suggestions further.
- 4.30 We will reconsider each theme and the suggestions when we review the strategy.

Suggested themes

Providing reliable and economic supply of electricity

- 4.31 Some stakeholders said they expected more explicit recognition in the outcome headings of the importance of system security and reliability, and recognition of the energy trilemma.
- 4.32 There was a concern our strategy should have an explicit focus on ensuring reliable and economic supply of energy, the ability to meet peak demand and reserve energy.
- 4.33 In our view these areas of focus are implicit in most of the ambitions and note:
- (a) In our published Statement of Intent, we have made explicit reference in the descriptions and priority actions of the themes – particularly in relation to the first three ambitions.
 - (b) Competition, reliability and efficiency, as the limbs of our statutory objective, remain a core and visible component of our new strategic framework.
 - (c) Competition is a critical enabler of the sector ambitions and an important focus for the next phase of our journey.

Consumers and industry receive current and timely information

- 4.34 Availability of data and information that is current and unbiased is a suggestion that has emerged repeatedly in the feedback.
- 4.35 Participants raised that evolving priorities of the government and within the sector require reliable timely information to ensure participants can make decisions confidently.
- 4.36 Increased provision of data and information will be key focus areas to deliver against the *Trust and confidence*, and *Innovation flourishing* ambitions.

Efficient market arrangements

- 4.37 Developing and maintaining efficient market arrangements was a suggestion that we believe is implicit in most of the themes and will underpin their achievement.

Priority order of the sector ambitions

- 4.38 We asked stakeholders to give feedback on whether any of the themes were of a higher priority than any others.
- 4.39 There was a wide range of views, with each of the first four themes receiving support as the highest priority. *Innovation flourishing* was the only one of the five themes not considered to be a priority in written feedback, although it was highlighted as one at the workshops.

- 4.40 Different stakeholders often viewed the importance of the ambition themes from their own perspective – suggesting we have achieved a balance that can work for a broader set of stakeholders.

Priority actions under the sector ambitions

- 4.41 A critical part of the strategy is our priority actions for the next five years. These actions are fundamental to the execution of our strategy and sit underneath the final strategy framework.
- 4.42 Input received from stakeholders prior to publishing our draft themes, from written feedback and the workshops, was used to help inform the design of the priority actions. These actions are detailed in our Statement of Intent and are attached in Appendix A.
- 4.43 We have also used stakeholder feedback from February to help develop the impact measures (key performance indicators) of our strategy that will help inform us and stakeholders how successful we have been in executing our strategy.
- 4.44 As discussed in section one, we had intended to take feedback on these themes and measures in draft form in April, but due to the impacts of COVID-19 this was not possible within the timeframes required and we have now committed to them. We intend to discuss these with you when we resume our workshops.

5 Our strategic capability

- 5.1 Our organisation and investment areas have changed progressively over the past 10 years. We expect the organisation to continue to evolve as we invest in the strategic capabilities required for successful delivery. This will be a significant shift for us, but one we're committed to for the long-term benefit of New Zealand consumers.
- 5.2 We gathered feedback on how we can best build our organisation's capabilities to deliver the outcomes. We proposed five strategic capability themes in our February discussion paper:
- (a) Deep empathy
 - (b) Purposeful connections
 - (c) Committed culture
 - (d) Transformative thinking
 - (e) Impactful delivery
- 5.3 We sought feedback on whether the themes were appropriate, and if any were missing.
- 5.4 We also asked if any themes were of a higher priority than any others.

Summary of feedback

- 5.5 Feedback was broadly positive and strongly supportive of the capability themes.
- 5.6 Different stakeholder types believed different themes were the most important.
- 5.7 In response to the feedback, we adjusted the titles of four of the strategic capability headings, to better clarify our development focus.

Deep empathy

- 5.8 Deep empathy was widely supported as a key capability, but stakeholders suggested the focus of our development needs to be broader and more explicitly about listening. We agree.
- 5.9 Key themes of feedback included:
- Stakeholders agree we need to more deeply understand all segments of consumers, industry participants and our other stakeholders.
 - We need to build our approachability and relevance, to ensure consumers and other stakeholders are aware of the role we play for them.
 - We should build our knowledge of emerging consumer energy technology and of consumers who actively choose to engage and participate (eg, prosumers).
 - A deeper understanding of consumers will help us undertake granular data analysis and understand distributional effects.
 - Listening is a critical component of building empathy with consumers, industry participants and our other stakeholders. A greater emphasis on listening was called out by many as a priority for the Authority.
 - We need to be approachable, and curious about those who are impacted by our decisions. This will help us develop empathy.

From Deep empathy to Listening and empathy

- 5.10 We have changed *Deep empathy* to **Listening and empathy**.
- 5.11 Stakeholders generally agreed that development of empathy through curiosity and listening would lead to increased understanding and better outcomes.

Purposeful connections

- 5.12 Purposeful connections was widely supported as a key capability.
- 5.13 Key themes of feedback included:
- We need to clarify who our stakeholders are.
 - It is important there is transparency on how people can make and maintain connection with us, as this will facilitate better sharing of information and insights.
 - Stakeholders agree there needs to be an increased focus on collaborative approaches. We think this is implicit in several of the capability themes.
 - Stakeholders support us engaging more actively and visibly, especially with other government agencies. There should be more transparency of regulator/policy-maker dialogue.
 - Stronger connection with overseas markets and overseas regulators will be critical to efficient and timely regulatory change.
 - We need to build cultural awareness into our decision-making.
 - There is support for us to continue making more use of workshops and forums to increase our level of connection through decision-making processes.

From Purposeful connections to Purposeful connection

- 5.14 We have changed *Purposeful connections* to **Purposeful connection**.
- 5.15 While this is a subtle change, it implies a more ongoing, deliberate state of connection with consumers, participants, other stakeholders and partner agencies – as opposed to one-off, discrete and time-bound connections.

Committed culture

- 5.16 Committed culture was widely supported as a key capability.
- 5.17 Many stakeholders highlighted the critical role organisational culture plays in the implementation of strategy.
- 5.18 Key themes of feedback included:
- We need to build diversity in our culture.
 - We need to achieve a balance of deep practical, technical expertise and understanding of the industry with diverse non-electricity industry experience.
 - If we can sufficiently develop our culture, we should become a preferred employer.

From Committed culture to Inspired culture

- 5.19 We have changed *Committed culture* to **Inspired culture**.

- 5.20 Stakeholders like the explicit focus on culture but recommended aspirational adjective with more feeling. We agree.

Transformative thinking

- 5.21 Transformative thinking was widely supported as a key capability, but many stakeholders stressed that thinking needs to be followed by action. We agree.
- 5.22 Key themes of feedback included:
- We need to play an active role in fostering, trialling and funding new concepts with the industry.
 - We need to be welcoming and respectful of challenge and debate. We need to listen with the purpose of deeply understanding and be known for being open to changing our minds.
 - We need to be deliberate in questioning proposals and actively testing for issues, false assumptions or biases.
 - Agility is a key organisational capability that could be more prominent in our strategy. While transformative thinking is desirable, agility enables the balance between new thinking, consistency and predictability in decision-making – a key driver of investor confidence.
 - We need to reflect more on the decisions we have made, including through post-implementation reviews, to improve future decision-making.

From Transformative thinking to Transformative mindset

- 5.23 We have changed *Transformative thinking* to **Transformative mindset**.
- 5.24 Stakeholders suggested action is more important than thinking. In our view, “mindset” is more active while implying a conscious balance between action, and scales of rigour based on the situation at hand.

Impactful delivery

- 5.25 Impactful delivery was widely supported as a key capability.
- 5.26 Key themes of feedback included:
- Improving our regulatory process and development is critical – and we need to do this in a measurable way. This includes project management, setting KPIs, ensuring transparency and setting out clearly how the products of engagement, such as submissions, have been accounted for in decision-making.
 - Efficient and effective prioritisation was also strongly signalled by stakeholders as a key capability. This is a critical component of *Impactful delivery*.
 - We need to be more flexible in our use of industry working groups for early input.
 - We need to build and further develop our market monitoring capability and become much more active in this area.
 - We need to build our capability to undertake sophisticated quantitative analysis and conduct rigorous post-implementation reviews.

- There is strong support for ongoing use of cost-benefit and net present value analysis to prioritise and make key decisions. We agree that regulatory decision-making should be well considered and supported by robust analysis and appropriate validation.

Other suggested theme headings

5.27 Several other themes were suggested in written feedback and the workshops.

Rigorous analysis

5.28 We agree this needs to be a key focus. Rigorous analysis and evidence-based decision-making are fundamental to building trust and confidence in the execution of our role.

5.29 While this capability is implicit in both *Impactful delivery* and *Transformative mindset*, in our first review we will assess whether this needs to be more explicit.

Deep knowledge

5.30 Some suggested deep industry and technical knowledge is also a key capability required; in our view this is implicit in both *Transformative mindset* and *Impactful delivery*.

5.31 Knowledge will also be gained through *Purposeful connection* with our stakeholders, genuine listening, and developing increasing levels of empathy.

True political ability to keep independence

5.32 We agree that independence is critical to our ability to function as a high-performing regulator, and for building trust and confidence.

5.33 We believe this is a key outcome of the Authority being purposefully connected with our stakeholders – strongly connected, but always independent. Strengthening trust and confidence specifically, and more broadly successful execution of our strategy, would reinforce our reputation and our independence.

Priorities within the strategic capabilities

5.34 We asked stakeholders which of the five strategic capabilities we should prioritise.

5.35 As with the sector ambitions, there were widely differing views and no clear consensus. All five were indicated as being important.

6 Key shifts

- 6.1 As part of the strategy development process, we asked staff and stakeholders what changes in our behaviour they thought were necessary for us to fulfil our role. We approached this as the required shifts from current to future state.
- 6.2 There were consistent themes for the key shifts, particularly in what behaviours were necessary to achieve the emerging outcomes. There were also clear linkages with the capabilities discussed in the previous section.
- 6.3 We included these key shifts in our February discussion document, asking stakeholders if they agreed and if any were missing. We also asked if any were of a higher priority than others.

Most critical shifts

- 6.4 There was little consensus on what the priority shifts should be. However, some stakeholders said the most critical shifts for us to make were towards:
- industry leadership and advocacy
 - swifter and more agile delivery
 - demonstrating clear listening, understanding and responses to stakeholders.
- This information will help inform priority areas for capability development.

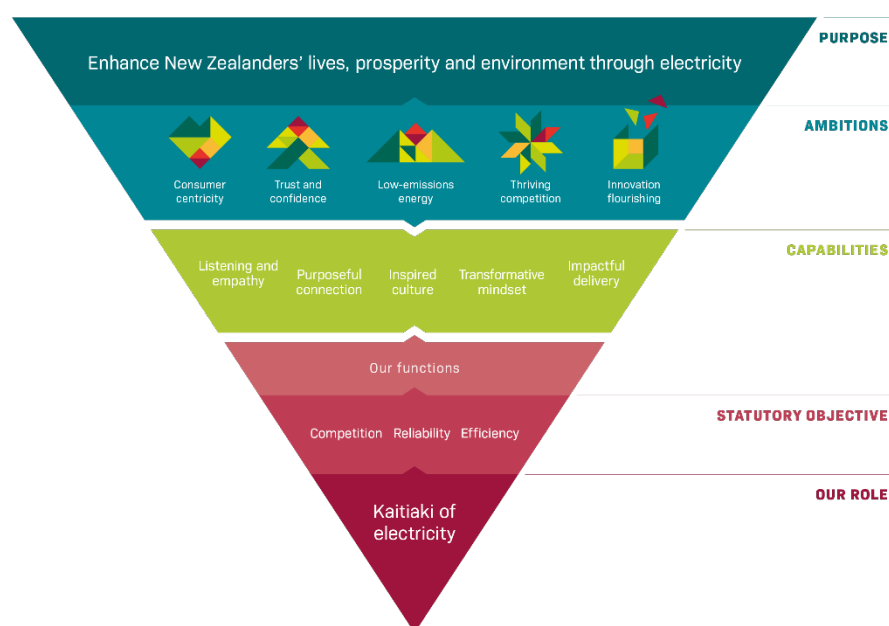
Extra shifts that we may need to make

- 6.5 Stakeholders suggested a number of other shifts we could make, including:
- having the confidence to call out non-compliant behaviour
 - developing regulatory flexibility to promote innovation
 - becoming a data-sharing organisation and industry
 - proactively releasing data and insights
 - being internationally connected and learning
 - being dynamic and holistic
 - focussing on reliable, economic supply.
- 6.6 We agree that these are attributes of an effective and impactful electricity regulator.
- 6.7 We will seek feedback from stakeholders and staff on a regular basis to determine progress. We will continue to refine the list of key shifts before we seek feedback and determine our baseline, later in 2020.

7 Our final strategic framework

- 7.1 The final purpose statement, ambitions and capability headings have been integrated with our statutory objective (section 15 of the Act) and functions (section 16) to create a new high-level strategic framework. This is shown below and published in our Statement of Intent.
- 7.2 This framework is a refinement of the draft we presented in the February discussion paper. As it flows upwards and broadens, the framework illustrates how we as the regulator can contribute to wider external expectations for long-term benefit through our regulatory craft, pursuing our statutory objective and exercising our functions.
- 7.3 Our primary function remains to regulate New Zealand's electricity system and markets, enforcing the rules and holding industry participants to account through active monitoring and enforcement. Where required, we will facilitate the development and enhancement of the markets to ensure their robustness and the delivery of long-term benefits to consumers.
- 7.4 Our regulatory stewardship aims to both protect the progress and strengths of New Zealand's electricity system for generations to come and ensure industry participation continually builds new strengths as it delivers the outcomes for consumers that Parliament expects of us.
- 7.5 There are three sections in the framework:
- (a) the role grouping (bottom)
 - (b) the capability and delivery layer (middle)
 - (c) the purpose grouping (top).
- 7.6 The interrelationship between our sector ambitions and statutory functions is further recognised through the upwards and downward pressure placed on the delivery layer. This reinforces the importance of our objective and functions in the new strategy, and provides the creative tension needed to focus delivery, to innovate and to grow capability.

Integrated Strategic framework



8 Implementation, execution, evolution

Implementation

- 8.1 Implementation of our new strategy is underway.

Improving how we prioritise investment

- 8.2 We received consistent constructive feedback on our need to be disciplined in prioritising our work.
- 8.3 We are progressing a new organisational investment framework – allowing us to better assess and compare the merits and priority of projects – internal and external. We will then apply our judgement in the selection and sequencing of the highest priority projects.
- 8.4 We envisage that the investment framework will guide our resourcing choices specific to the development of our market monitoring, compliance, infrastructure (systems, market operation service providers), and design work. Traditionally, we have focussed our engagement with industry participants around market design priorities. In future we are seeking to broaden the conversation with stakeholders to cover a broader range of our regulatory functions.
- 8.5 Our Statement of Intent clearly sets the strategic intentions and operational work programme for the medium term. Supporting the execution of the Statement of Intent, we will continue to fulfil our obligations to consult on the appropriation to meet our public accountability requirements.
- 8.6 In the first year of implementing the new strategy, our 2020/21 priorities reflect our existing commitments to deliver on the Government's response to the Electricity Price Review and complete other legacy projects. As these initiatives are progressively completed, we will be increasingly utilising the investment framework to guide where we invest our discretionary effort.
- 8.7 We anticipate that the investment framework will evolve over time. The current categories of assessment are:
- (a) long-term net benefits to consumers
 - (b) alignment with our strategy and statutory objective
 - (c) risk of inaction
 - (d) legislative requirement
 - (e) required to maintain confidence in the day-to-day operational efficiency or reliability/security of the system.

Capabilities and operating model

- 8.8 We are developing a new operating model to support the execution of our strategy, including initiatives required to develop the strategic capabilities and enable us to engage more broadly.
- 8.9 To take advantage of the synergies between our sector ambitions and the strategic capabilities, we are identifying how the capabilities can be built and developed as part of delivering the initiatives under each of our priority actions.
- 8.10 As discussed in our February discussion paper, we acknowledge we are only starting to incorporate te ao Māori perspectives into our culture, work and our decision-making and will also progress this integration through our new operating model.

Execution

Regulation for high performing markets

- 8.11 High-performing markets have a direct link to innovation, investment and increased levels of competition – driving improved outcomes for consumers and supporting economic growth, and in the case of COVID-19, economic recovery.
- 8.12 Participants require a stable investment framework and regulatory environment to enable decision making that will deliver further benefit to consumers.

Greater focus on monitoring and compliance

- 8.13 As set out in our February discussion paper, our statutory objective and functions have not changed. Delivery against our strategy will be undertaken through our functions and support our objective.
- 8.14 We published an interim work programme on 23 June 2020 which has been informed by the feedback we received in February and the challenges created by COVID-19.
- 8.15 As regulator, we will continue using markets and a strengthened focus on our monitoring, compliance and enforcement function to create the right incentives for progress.
- 8.16 Where required, we will enhance and facilitate market development to ensure rules are robust and will promote the long-term benefits of consumers.
- 8.17 While our new Statement of Intent retains the same outcome measures for the limbs of our statutory objective (competition, reliability and efficiency), our impact measures for our sector ambitions have been reset. The measures, described in our priority action tables (discussed in section four and listed in Appendix A), are fundamental to the execution of our strategy.
- 8.18 We also intend to report other quantitative metrics alongside our impact measures, including those we have reported previously.

Evolution

Next steps for strategy engagement and development

- 8.19 As discussed earlier, we were not able to test the draft priority actions for each ambition or their impact measures with stakeholders before we finalised our Statement of Intent.
- 8.20 We do however want to share our intended activity for FY2020-21 and extend our planning out to at least the next 18 months.
- 8.21 In our next workshops we will be sharing and discussing the initiatives under each ambition. We want to gather your feedback to test the alignment between our prioritisation and our stakeholders' views. Your views will help inform the activities we undertake in subsequent years.
- 8.22 We look forward to our next engagement.

Appendix A Priority actions and impact measures

This appendix contains the priority actions and impact measures for each of the five sector ambitions. These tables are also published in our 2020-2024 Statement of Intent.

Low-emissions energy

Action	Measure	Source	Desired trend
Ensure electricity market settings and conditions support an efficient transition to low-emissions energy, through competition, whilst maintaining reliability	Market participant confidence in settings to facilitate efficient transition Market participant confidence in reliability as New Zealand transitions to low-emissions energy	Participant survey	Increasing
Implement price signals that facilitate lowest overall cost to consumers, including through investment in and operation of energy technology and demand-side flexibility	Level of implementation of cost-reflective network prices, transmission pricing and real-time pricing	Authority data, including from network companies	Implementation increasing

Consumer centricity

Action	Measure	Source	Desired trend
Provide clarity on consumers' needs and the impact our decision making has on those needs being met	Assessment of the quality of our decision making on meeting consumers' needs	Independent assessment	Increasing
Increase the participation of and engagement with consumers in our decision-making processes	Assessment of the quality of our engagement with consumers in our decision-making processes	Independent assessment	Increasing

Trust and confidence

Action	Measure	Source	Desired trend
Increase our industry leadership and build trust and confidence in how we are taking up our kaitiaki role	Participant perceptions of trust and confidence in us and how we are fulfilling our role	Participant survey	Increasing
Increase active monitoring and reporting on the operation of the sector to improve conduct and compliance	Participant perceptions of the quality of our monitoring	Participant survey	Increasing

Monitor and enhance the operational efficiency and reliability of the electricity industry on an on-going basis	Participant perceptions of reliability and operational efficiency	Participant survey	Increasing
Increased knowledge gained by consumers and more broadly about New Zealand's electricity sector and the energy trilemma trade-offs	Assessment of the quality of material produced (e.g. EMI reports, thought pieces)	Independent assessment	Increasing

Thriving competition

Action	Measure	Source	Desired trend
Identify and remove inefficient barriers to new entrants entering and competing with established participants, especially in the wholesale market	Participant perception of ability for new entrants to compete with incumbents	Participant survey	Increasing
Ensure that networks are open and that regulatory and market settings enable the full potential of distributed energy resources (DERs) to be realised for all New Zealand electricity consumers	Number of network companies seeking to procure non-network services on a competitive basis Number of participants providing non-network services to network companies	Network company survey	Increasing

Innovation flourishing

Action	Measure	Source	Desired trend
Increase the availability and transparency of industry data	Number of data transactions we have facilitated Number of new datasets we have provided access to	Authority data	Increasing
Increase the ability of the regulatory system to accommodate new business models	Participant perception of the ability of the system to support rapid change Number of sandboxes, trials and pilots in play across the network	Participant survey	Increasing