

STATEMENT
OF PERFORMANCE
EXPECTATIONS

1 July 2022 - 30 June 2023

Presented to the House of Representatives pursuant to section 149L of the Crown Entities Act 2004.

This Statement of Performance Expectations (SPE) is a partner document to the Statement of Intent 2021 - 2025 (SOI) published in June 2021.

The SOI sets out our long-term strategic intentions for a four-year period. It is published at least every three years.

The SPE is published annually. It details our planned work and financial forecasts for one year.

The SOI is available at: <http://www.ea.govt.nz/about-us/strategic-planning-and-reporting/statement-of-intent/>

For further information about the Electricity Authority's work, visit www.ea.govt.nz

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Glossary and abbreviations

There are many technical terms used in the electricity sector, and some of these occur in this document. To assist readers, a glossary of common electricity industry terms is on our website at www.ea.govt.nz/glossary/

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Foreword

This past year has seen the world continuing to navigate significant uncertainty and challenges across all aspects of life.

The Authority is acutely attuned to the challenges and the need to ensure a stable regulatory regime to give the electricity sector and public certainty and build confidence. Aside from the COVID-19 pandemic and pressure on global supply chains, weather and fuel shortages are immediate challenges.

We know the electricity sector is well equipped to navigate hard times. We have a robust system that is reliable, secure and, for the most part, efficient. But it's not perfect nor is the system equipped in its current state to respond to what will be a very different environment in the future. The Authority has spent the last year interrogating various aspects of current rules and security of supply, while also identifying critical areas of analysis in the interests of a low emissions future.

As kaitiaki of the sector, the Authority's regulatory stewardship aims to protect and progress the strengths of New Zealand's electricity system for generations to come and ensure industry participation continually builds new strengths and delivers the outcomes for consumers that Parliament expects of us. On a practical level, this means we make and enforce the rules for the industry. But like all regulators, we are not immune to the wider environment in which we regulate to achieve positive outcomes for consumers.

Stewardship of the sector is even more crucial as we steer through the next few years. Mass electrification, retirement of thermal generation, a volatile climate and a pandemic puts an unprecedented level of pressure on the system. There will be more challenges during the next few years that will require an all of system response — preparedness and clarity of expectations are critical.

As an independent Crown entity, our independence is valuable for furthering the contribution of markets to supporting private and public sector investment in electricity infrastructure – improving information, signals to the market, and promoting predictability of how the regulatory regime will evolve over time.

The Authority has a critical role to play in the transition to the legislated target of net zero emissions by 2050, and the more immediate Government aspirational target of 100 percent renewable electricity generation by 2030. The Authority has developed a transition roadmap in which we signal all the projects underway to support a low energy future including understanding how the wholesale market will operate under 100 percent renewables; the impact on future security and resilience; harnessing the role of distribution in the transition and promoting a stable investment environment. And all of this with the objective of making sure the transition delivers positive outcomes for New Zealanders.

We are shifting away from a power system supported by fossil-fuelled thermal generation (which has relatively low investment costs and high operating costs) towards renewable energy (which has relatively high investment costs but very low operating costs). The Authority is keen to facilitate an orderly and predictable retirement of thermal generation and exit from the electricity market of major energy users.

It is important that the right investment signals are provided to the wholesale market in the 3 to 4 years before such changes occur to allow market participants to plan accordingly. As we progress through those changes we are attuned to the need to address a market for firming technology - to complement a high percentage of renewables. One of our key workstreams is to understand how the wholesale electricity market will operate under a 100 percent renewable system and what changes may be necessary.

More generally, innovation and technological advances are significantly changing the way our electricity system operates and the way people interact with the system. This includes advances in computational power and new technologies including small-scale distributed generation, batteries and intelligent energy management systems that are expected to be very beneficial for consumers and the environment. Enabling mass demand side participation in the wholesale market will be critical as more people and products engage with a system historically dominated by a few supply side players.

The Authority remains steadfast in its focus on the future while maintaining vigilance over the current state to ensure a reliable system in which consumers can have trust and confidence.

The rare 9 August event reminded us of the complexity of managing the fine balance of electricity supply and demand while highlighting the importance of simple, quick and easy to access communication for those impacted. Lessons were learned, improvements have been made and we will continue to work with Transpower and the industry to avoid another 9 August.

Building and maintaining trust and confidence in the electricity market and in the wider system is even more critical as we live within increasingly uncertain times. We need to balance a stable regulatory framework in which innovation is enabled and fostered. The Authority will continue to put consumers front and centre of what we do and how we do it. We know when consumers are well informed, they are empowered to make good choices.

Our focus on consumers has been part of our consideration of the Electricity Industry Amendment Bill. In its current form, the Bill recommends amendment to our statutory objective to include an explicit focus on consumer protection – domestic and small business consumers in relation to the supply of electricity. The Bill is still under consideration.¹ The Authority will continue to work with the new consumer advocacy council and the energy hardship reference panel, acknowledging the importance of these groups and sharing our knowledge and experience to support improved outcomes, particularly for our most vulnerable consumers.

I look forward to another busy yet important year with the Board, staff, sector, and other agencies to continue the relentless push for improvement on behalf of New Zealand consumers.



Dr Nicola (Nicki) Crauford
Electricity Authority Chair
13 June 2022

¹ The Economic Development, Science and Innovation Committee released its report on the Bill on 22 March 2022. On 17 May 2022, the Bill passed its second reading and has been referred to the Committee of Whole House prior to its third and final reading.

Statement of Responsibility

The Crown Entities Act 2004 requires the Electricity Authority to prepare a Statement of Performance Expectations, including prospective financial and non-financial information, before the start of each year, to promote our accountability to the public. The prospective financial and non-financial information may not be appropriate for any other purpose and is unaudited.

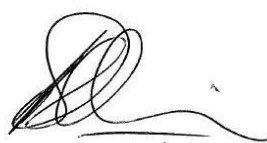
We acknowledge responsibility for the preparation of the prospective financial and non-financial performance statements included in this Statement of Performance Expectations for 1 July 2022 – 30 June 2023. This includes the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures, pursuant to the Crown Entities Act 2004.

We acknowledge the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of our performance and financial reporting.

In our opinion, the prospective statements fairly reflect our forecast financial position at 30 June 2023 and the results of our financial and service performance for the period ending on that date. We therefore authorise the issue of the prospective statements.



Dr Nicola (Nicki) Crauford
Chair
13 June 2022



Mark Sandelin
Member
13 June 2022

Purpose of the Statement of Performance Expectations

This Statement of Performance Expectations (SPE) outlines our plan for the 2022/23 financial year. It includes information about our activities and business-as-usual functions, as well as our forecast financial statements.

The SPE is a partner document to our Statement of Intent 2021-2025 (SOI), published in June 2021. The SOI sets out our long-term strategic intentions for a four-year period, while this SPE details our planned work and financial forecasts for the 2022/23 financial year. It outlines how we plan to use each of our appropriations and what we aim to achieve.

The 2022/23 SPE has been informed by:

- our strategic framework
- our key market development activities
- submissions we received on the consultation for our 2022/23 appropriations
- responses we received in our annual surveys.

We also publish our Annual Corporate Plan on our website, setting out our key development work, including targets, milestones, and deliverables for the 2022/23 year.

Our strategic framework

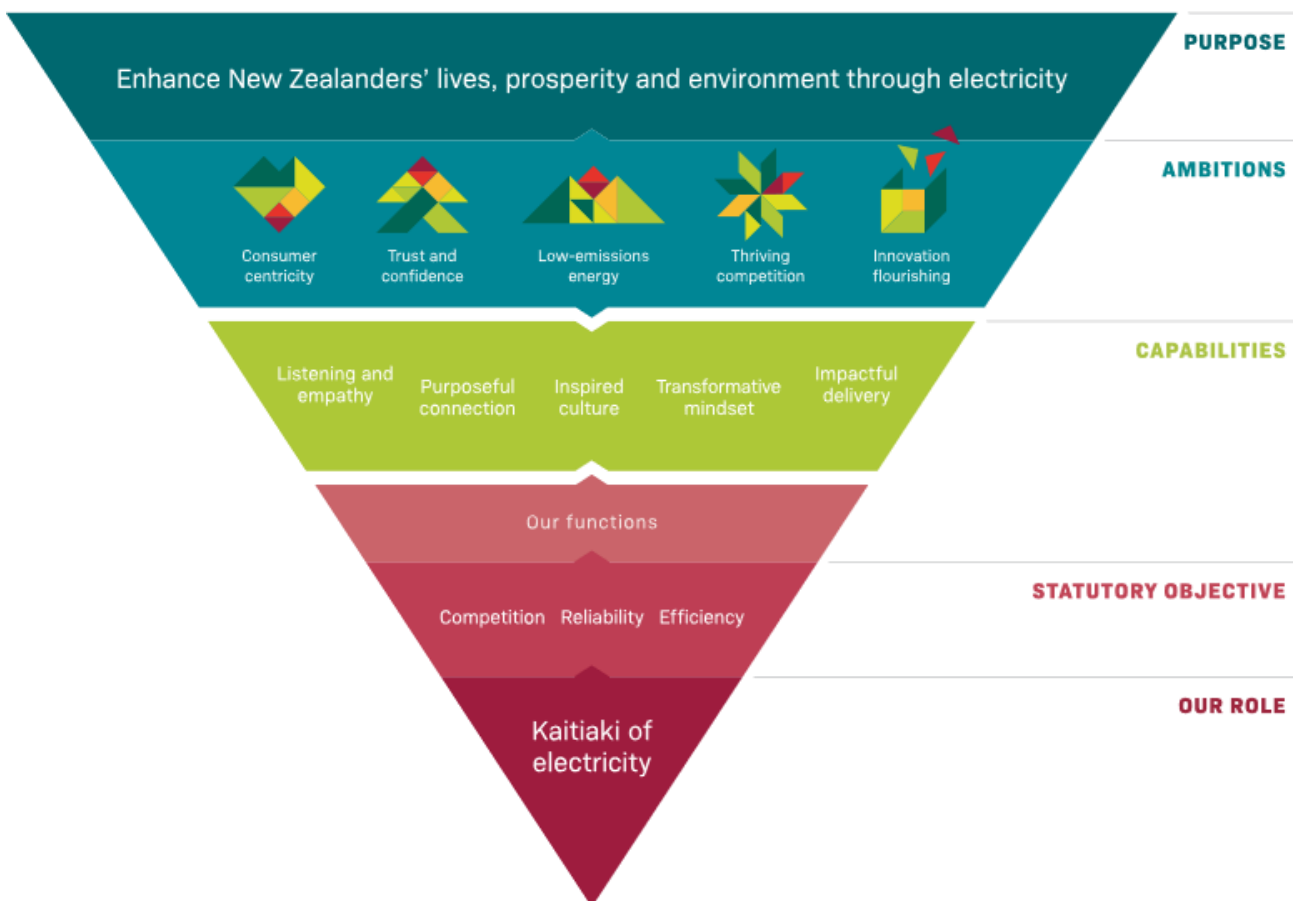
Regulators are often expected to think more broadly about the wider environment and the interaction of their sector with others – considering long-term economic, social, cultural and environmental implications together, and embed principles of te Tiriti o Waitangi to ensure the right rules are in place that both enable and guide change.

As the regulator of New Zealand’s electricity system, our work provides a platform for the country to achieve its aspirations for enhanced quality of life, growth and prosperity, the environment and the transition to a low-emissions economy.

Our integrated framework sets out five strategic ambitions for the sector that guide the prioritisation of our work. This framework is aligned to the tikanga-based values of kaitiakitanga (long-term sustainability), manaakitanga (social responsibility), whanaungatanga (social connections) and whairawa (thriving whanau), which are implicit in our purpose.

Our 2021–2025 Statement of Intent (SOI) sets out our strategic framework, along with impact measures and targets reflecting our long-term strategic intentions for the next four years.

INTEGRATED STRATEGIC FRAMEWORK



Our purpose

We guide the nation's electricity system on behalf of all New Zealanders – promoting positive consumer outcomes today and ensuring continued enhancement and reliability for future generations.

We are the **kaitiaki of electricity.**

Our purpose is to **enhance New Zealanders' lives, prosperity and environment through electricity.**

Our work provides the platform from which electricity can be used to make things better.

Electricity plays a critical role in the quality of our lives and businesses, the state of our environment, strength of our communities, performance of our economy and the nation as a whole.

Electricity is an enabler – a mechanism for change and progress.

Electricity regulation is the tool through which we can contribute to wider outcomes. Electrification of the wider energy system will play a key role in the transition to a low-emissions economy.

Statutory objective — the outcomes we seek

Section 15 of the Electricity Industry Act 2010 sets out our statutory objective:

...to promote **competition** in, **reliable** supply by, and the **efficient** operation of the electricity industry for the long-term benefit of consumers.

Competition

Competition helps ensure New Zealanders have plenty of choice about how they get and use electricity and improves their access to competitive pricing. We encourage competition in all electricity-related markets, right across the supply chain, taking into account long-term opportunities that will lead to better outcomes for consumers.

Reliability

Reliability is important because homes and businesses depend on a continuous supply of electricity. We seek reliable day-to-day and long-term security of electricity supply for consumers. Our regulatory focus on reliability will become even more important as the country reduces emissions through increased electricity use.

Efficiency

When efficiency is high, electricity system resources and investments are focussed in the right areas, and costs to operate the system can reduce and become more flattened. Ongoing innovation and improvements help create greater efficiency. For a consumer, greater efficiency should translate into more affordable electricity and services.

We set out more detailed information about our statutory objective and **Competition, Reliability** and **Efficiency** outcome measures in our SOI.

Strategic ambitions — where we focus impact

Five strategic ambitions for the sector guide the prioritisation of our work. They focus the pursuit of our statutory objective and our purpose – ensuring we create wider long-term benefit for New Zealand.

Successful delivery of our functions and statutory objective are a fundamental part of all five ambitions – meaning continued focus on delivery of high-quality operational activities, increasing retail and wholesale market competition, enforcing compliance, and improving the regulatory and pricing settings for the transmission and distribution systems.

Low-emissions energy



The Climate Change Commission's advice shows the need to electrify New Zealand's heat and transport and increase low-carbon electricity generation. Making the most of New Zealand's renewables advantage is essential in our transition to a low-emissions economy. Significant levels of investment in new generation will be required.

We need to promote a stable investment environment with robust rules and clear price signals. This will ensure the transition is as efficient as possible while maintaining energy security, system adaptability, and affordable electricity for consumers.

Consumer centricity



Expectations of both regulator and industry have shifted – recognising a need to think more broadly about the wider environment we interact with, strengthen the consumer voice, and deeply consider how our decisions affect outcomes for all consumers – whether they be domestic, community, small, medium or large businesses, or industrial consumers.

We will put consumers and our understanding of their varied perspectives and aspirations front and centre of what we do and how we do it. Consumer-centricity in energy system development is a key enabler for innovation, and further improving consumers' access to better pricing, control, and ability to participate in energy markets.

Trust and confidence



Actively building trust and confidence in the industry and regulation through greater transparency, understanding and improved behaviours is increasingly important. Consumers expect participants to be held accountable to the rules. Participants require a stable investment framework and regulatory environment to enable decision-making that will deliver further benefit to consumers.

As regulator, we need to continue using markets and our compliance function to create the right incentives for progress, work with participants to ensure better practice by all of industry and enhance consumers' and stakeholders' understanding of the electricity industry and how it delivers benefit.



Thriving competition

Increased disruption to traditional electricity business models and industry structure through competition improves choice, control and affordability for consumers. Competition and competitive pressure now need to expand across new parts of the supply chain to drive efficiency, reliability, innovation, and integrate new technology.

We're committed to encouraging participation and reinforcing competition in traditional and emerging markets by putting in place the mechanisms needed to maintain a level playing field. Our regulatory environment needs to enable participants to better manage risk and provide consumers value for money through a growing range of innovative products, services, and opportunities to participate.



Innovation flourishing

Innovation and new technology will affect how electricity is generated, distributed, and consumed, and will ultimately change the cost and competitive structure of our industry. Data transparency, insights and automation will act as key enablers for increased deployment of distributed energy resources, and support consumers' ability to control their energy use and participate in new ways.

Our role is to help unlock the full benefits of innovation for consumers by making sure the settings are conducive to innovation and industry success. This demands a proactive, agile, and forward-looking regulatory approach to match the pace of change and help innovation flourish.

Measuring our strategic ambitions and statutory objective

We report the progress of our strategic ambitions and statutory objective every year in our *Annual Report*.

Strategic ambitions...

Each *strategic ambition* has a series of *impact measures* that relate to it. Our impact measures are designed to measure the contribution our work makes towards achieving our strategy.

Statutory objective...

Each part of our *statutory objective* (competition, reliability, efficiency) has a series of *outcome measures* that relate to it. Our outcome measures are designed to measure the contribution our work makes towards achieving our statutory objective.

Further details on our impact and outcome measures can be found in our SOI.

Our functions

Our statutory functions are set out in section 16 of the Act. The exercise of our functions supports the activities set out in our Annual Corporate Plan and makes a valuable contribution to our strategic priorities.² The SPE sets out these functions, along with the measures and targets used to report our performance over the coming year.

We have four operating functions covering the business we carry out from day to day, including our work programme. We also have two contingent functions, which are only expected to be carried out if certain events or situations occur.

Our four major functions and their contribution to our strategic priorities are summarised in the table below, where the tick's size indicates the relative importance of contributions.

Table 1: The strategic impact of Electricity Authority functions

Our functions	Links to our strategic ambitions				
	Low-emissions energy	Consumer centricity	Trust and confidence	Thriving competition	Innovation flourishing
Promote market development	✓	✓	✓	✓	✓
Monitor, inform and educate	✓	✓	✓	✓	✓
Operate the electricity system and markets	✓		✓	✓	✓
Enforce compliance		✓	✓	✓	✓

Linking our strategy, functions, and planned activities

We review our planned activities and the exercise of our functions each year to meet changes in our operating environment and ensure alignment with our strategy.

In this SPE, we describe how our work for the coming year is expected to contribute to achieving our strategic ambitions, the links between our strategy and functions, as well as the performance measures and targets we intend to achieve through the exercise of our functions.

As the impacts of COVID-19 continue to affect the country, we remain flexible and responsive to ensure the industry continues to deliver the benefits of competition, reliability, and efficiency to New Zealand.

In developing this SPE, we have engaged with the Minister of Energy and Resources (Minister), the Ministry of Business, Innovation and Employment (MBIE), and Audit New Zealand.

² Each year, we publish an Annual Corporate Plan, detailing our planned workstreams and activities to address our statutory objective and strategic priorities: <https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/our-work-programme/>

Our organisational capabilities

A critical component of our strategic framework is our strategic capability. We have set out five key strategic capabilities we will rely on to deliver our strategy:

- listening and empathy
- purposeful connection
- inspired culture
- transformative mindset
- impactful delivery

We go into more detail on our organisational capabilities in the Statement of Intent 2021-2025 (SOI).³

Values and behaviours are critical and need to map closely alongside the capabilities. While our role as kaitiaki of electricity and our purpose statement identify why we exist, our values and behaviours provide the how – who we are, what we stand for and how we behave.

In 2021, the Senior Leadership Team (SLT) established a set of agreed behaviours specific to their leadership cohort. The Authority is now engaging in an interactive process with staff to refresh our values and what they mean to us in 2022 and beyond. This includes ensuring that, as kaitiaki of electricity, we appropriately reflect the principles of te Tiriti o Waitangi.

We also continue to engage with Diversity Works to guide us on our journey towards embedding a respectful workplace culture that addresses diversity, equity, and inclusion.

In April 2022, we ran the annual engagement survey, measuring our progress against the improvements identified in 2021 and encouraging further feedback on what we are doing well and areas for further improvement in 2022/23.

Electricity Industry Amendment Bill 2021

At the time of writing, the Electricity Industry Amendment Bill 2021 is progressing through parliament. The proposed amendment Bill includes changes to the Electricity Authority's statutory objective (section 15) and functions (section 16).

In late March 2022, the Economic Development, Science and Innovation Committee, having considered public submissions on the Bill, released a report recommending the Bill and all its amendments be passed.

Dependent on the Bill receiving Royal Assent and coming into force, there may be an impact on the Authority's performance measures in the SPE and SOI in 2022/23. We are keeping a close eye on the Bill as it progresses through its readings and is considered by the House of Representatives.

³ Available on the Electricity Authority website: <https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/statement-of-intent/>

Our appropriations

The Authority receives funding from the Crown through appropriations of public money each financial year. The Crown recovers the cost of this funding, up to the level of actual expenditure incurred, through a levy on industry participants. Any over-recovery of levy revenue is refunded to participants.

To obtain these funds, we prepare an appropriations request for the Minister, outlining the costs of performing our functions and exercising our powers and duties under the Act. Before making this request, we consult on the proposed appropriation levels with those affected by the levy, and the outcome of this consultation is reported to the Minister at the time the appropriations request is submitted.

We are funded by the Crown from three appropriations within Vote Business, Science and Innovation:

Table 2: Electricity Authority functions per appropriation

Electricity Authority appropriations	Our functions under the appropriation
Operating appropriation:	
1 Electricity Industry Governance and Market Operations	Promote market development
	Monitor, inform and educate
	Operate the electricity system and markets
	Enforce compliance
Contingent appropriations:	
2 Managing the Security of New Zealand's Electricity Supply	Addressing funding requests from the system operator for the management of security of supply events.
3 Electricity Litigation Fund	Taking enforcement action and defending cases against the Authority.

Under each appropriation, the following sections of the SPE will describe:

- what is intended to be achieved
- the scope of appropriation
- functions provided under this appropriation
- 2022/23 performance measures and targets
- the 2022/23 appropriation.

Performance measures used in the 2022/23 Estimates of Appropriations

Some performance measures we use in the SPE are also used in the 2022/23 Estimates of Appropriations. These performance measures are shown in **bold**.

Reporting performance targets

The following pages detail our performance measures and targets for our functions in 2022/23. We will report on how we have performed against these targets in the 2022/23 Annual Report.

Assessment of our performance against the targets will be based on the following rating system:

Criteria	Rating
On target or better	Achieved
Within 5% of the target	Substantially achieved
More than 5% below the target	Not achieved

Service performance reporting standard

The New Zealand Accounting Standards Board (XRB) has issued a Standard for Service Performance Reporting: Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48), effective for all reporting periods commencing on or after 1 January 2022.

While PBE FRS 48 largely impacts how we report on our non-financial performance information at year end, this Statement of Performance Expectations has been prepared to align with the new standard.⁴

Service performance judgements and assumptions

In preparation of this Statement of Performance Expectations, the Authority has made the following judgements and assumptions in the selection of our non-financial performance measures and targets:

- we have reviewed the performance measures used, and deemed the ones selected as best capturing the work we do to deliver our functions.
- it is our judgement that the performance measures also adequately inform progress towards delivering the ambitions and outcomes in the SOI.
- in our view, the performance information in this SPE will meet the requirement of our stakeholders, including industry participants, consumers, and related government entities.

Further to the above judgements being made in the selection of performance measures, we also apply judgements in the measurement, aggregation, and presentation of performance information. In alignment with PBE FRS 48, judgements and assumptions based on performance measure results will be disclosed in the 2022/23 Annual Report.

⁴ For the purposes of PBE FRS 48, this SPE is our forecast statement of service performance. 'Non-financial performance information' refers to service performance in the standard.

Electricity Industry Governance and Market Operations

The Electricity industry governance and market operations appropriation is the operational appropriation. Over 57 percent of this appropriation is used to fund the service providers that operate the electricity system and markets, with the remainder funding the Authority's own operating costs.

What is intended to be achieved

This appropriation is intended to achieve effective promotion of competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers.

Scope of appropriation

This appropriation is limited to formulating, monitoring and enforcing compliance with the regulations and rules governing the electricity industry and other functions in accordance with the statutory functions under the Electricity Industry Act 2010 (Act); and delivery of core electricity system and market operation functions carried out under service provider contracts.

In 2022/23 the budget for this appropriation is \$95.452 million. Further information is provided later in this section, and in the prospective financial statements.

Functions provided under this appropriation

This appropriation funds our operations, including Board members' costs, the Rulings Panel, the Security and Reliability Council and advisory groups. It also funds the operation of the electricity system and market operations and the exercise of our four operating functions:

- operate the electricity system and markets
- monitor, inform and educate
- enforce compliance
- promote market development

2022/23 performance measures

Promote market development

We promote development of the electricity markets by making amendments to the Electricity Participation Code 2010 (Code) and through market facilitation measures.

Market facilitation measures are the actions we can take short of amending the Code or recommending changes to regulations. This can include working directly with participants to develop desired results, education programmes, publication of guidelines, and publication of model agreements.

Measure	2020/21 result	2021/22 target	2022/23 target	Relevant ambition
1 Planned activities that promote market development achieve published annual outcomes.	Substantially achieved. 78%	80%	80%	▪ All
2 Our market development decisions and processes are lawful and appropriate.	Achieved	Zero (0) legal challenges that result in an Authority market development decision being overturned.	Zero (0) legal challenges that result in an Authority market development decision being overturned.	▪ All
3 Transparent, rigorous post-implementation reviews are conducted to establish whether Code amendments or market facilitation measures deliver intended benefits and impacts on market behaviour.	Achieved. One review completed.	In 2021/22 we plan to complete one post-implementation review. Post-implementation reviews show that market behaviour altered in intended direction identified when the Code or market facilitation measure was approved.	One review completed	▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing

Additional notes to the performance measures

- 1 Planned activities that promote market development are published in our Annual Corporate Plan, available on our website: <https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/>
- 2 Our decisions include market development decisions to implement Code amendments or market facilitation measures. These decisions can be disallowed, appealed, or judicially reviewed – on the process used to reach the decision, and/or on the lawfulness, reasonableness or appropriateness of the decision itself.

An appeal or judicial review can overturn a market development decision by directing us to reconsider a decision or re-run a process. The House may also overturn a Code amendment if it accepts a Regulations Review Committee recommendation for it to be ‘disallowed’ – meaning the Code amendment decision will no longer have force. As at March 2022, a High Court judicial review hearing has been completed following a challenge to the Authority’s June 2020 Transmission Pricing Methodology guidelines decisions, and we are awaiting a judgement.

Monitor, inform and educate

We monitor market behaviour, make data, information and tools available, and educate consumers and participants.

Measure	2020/21 result	2021/22 target	2022/23 target	Relevant ambition
4 The Authority regularly publishes robust monitoring reports.	NEW 4 quarterly reviews published. Trading conduct reporting began 2021/22	Baseline to be established* Number of quarterly reviews and trading conduct reports published.	4 quarterly reviews published Regular trading conduct reports published.	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing
5 The Authority actively promotes understanding of its work and the electricity system to a wide audience.	NEW	Baseline to be established* Number of website views and social media followers.	Increase in activity across all public-facing channels.	<ul style="list-style-type: none"> ▪ Consumer centricity ▪ Trust & confidence
6 Content on EMI is reviewed and revised as needed to maintain relevance.	NEW	Baseline to be established* Number of content pieces reviewed and revised.	Increase on prior year	<ul style="list-style-type: none"> ▪ All
7 Data and analytical tools are made available to support the Authority's decision-making process.	NEW	Baseline to be established* Number of products made available.	Increase on prior year	<ul style="list-style-type: none"> ▪ Low-emissions energy ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing

Additional notes to the performance measures

- 4 Due to the newness of the trading conduct reports (first published in August 2021), the ongoing regularity is yet to be determined (e.g. weekly, fortnightly, monthly, quarterly, etc.). As at March 2022, trading conduct reports were published weekly, however there may be periods where this is not the case, such as the December holiday period.
- 5 The Authority's public-facing channels include the EA website (ea.govt.nz), general media, and social media. An increase in activity includes an increase in website views and social media followers.
- 6 The Electricity Market Information website (EMI) is the Electricity Authority's channel for publishing data, market performance metrics, and analytical tools to facilitate effective decision-making within the New Zealand electricity industry.
- 7 Data and analytical tools includes the use of tools such as Tableau and Delta to provide information in a way that supports the decision-making at the Authority.
- * Where there is a new measure without an existing baseline, this will be collected alongside the performance measures used the 2021/22 Annual Report.

Operate the electricity system and markets

We are responsible for the day-to-day operation of the electricity system and markets, delivered through contracts with service providers.

Measure	2020/21 result	2021/22 target	2022/23 target	Relevant ambition
8 Market operation service providers' (MOSPs) performance meets agreed standards and contract requirements, or a remedial plan is agreed and actioned by specified date.	Achieved. All relevant standards and requirements met.	Achieved	Achieved	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Low-emissions energy ▪ Thriving competition ▪ Innovation flourishing
9 Any significant issues in MOSP systems, as identified in audit processes, have a remedial plan agreed and actioned by specified date.	Achieved. No significant issues identified.	Achieved	Achieved	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Low-emissions energy ▪ Innovation flourishing

Additional notes to the performance measures

8/9 MOSPs include the system operator and other service providers. Performance in measure 8 is focused on processes and procedures (measured through the system operator annual performance assessment, and regular monitoring and reviews), while measure 9 is focused on MOSP software systems (measured through audits of the systems).

For example, significant service provision issues identified in audit processes may include breaches of the Code and/or issues that have affected market confidence, and/or issues that have resulted in multiple complaints and/or a warning letter to the CEO.

Enforce compliance

We monitor, investigate, and enforce compliance with the Act, relevant regulations and the Code.

Measure	2020/21 result	2021/22 target	2022/23 target	Relevant ambition
10 Percentage of investigations decided within 12 months of the investigation being opened.	Not achieved. 88%	100%	100%	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Consumer centricity ▪ Thriving competition ▪ Innovation flourishing
11 Our compliance decisions are lawful and appropriate.	NEW	Baseline to be established*	Zero (0) legal challenges that result in a compliance decision being overturned.	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Thriving competition ▪ Innovation flourishing

Additional notes to the performance measures

- 10 Investigations in this context include all fact-finding enquiries as well as formal investigations of alleged breaches of the Code.

In 2021/22 the Authority reviewed the methodology used to calculate this measure, which relied on reporting investigations as they were closed. Going forward, this measure will include any open investigations that have exceeded the 12-month timeframe in the relevant financial year. This change in methodology will help to provide a more current assessment of the Authority's performance in this area.

The Authority is also working to close a backlog of historic investigations following the COVID-19 lockdowns and subsequent disruptions.

- 11 The Compliance Committee makes decisions on alleged breaches of the Act, various regulations, and the Code. The committee determines appropriate enforcement responses, whether settlements should be approved, or further investigation undertaken and makes recommendations to the Board regarding the laying of formal complaints with the Rulings Panel and instigating prosecutions with the Courts.

These decisions can be appealed or judicially reviewed – on the process used to reach the decision, and/or on the lawfulness, reasonableness, or appropriateness of the decision itself. A successful appeal or judicial review could overturn a compliance decision.

- * Where there is a new measure without an existing baseline, this will be collected alongside the performance measures used the 2021/22 Annual Report.

2022/23 appropriation and cost breakdown

Electricity industry Governance and Market Operations appropriation	Actual 2020/21 (\$000)	Budget* 2021/22 (\$000)	Budget* 2022/23 (\$000)
Revenue from the Crown	76,627	82,674**	95,452***
Expenditure***	76,627	82,674	95,452
<p>* The budget for 2021/22 corresponds to the Supplementary Estimates of Appropriations for the year ending 30 June 2022. The budget for 2022/23 corresponds to the Estimates of Appropriations for the year ending 30 June 2023.</p> <p>** An in-principle expense transfer from 2020/21 to 2021/22 for \$1.777 million was confirmed in the October 2021 baseline update. An expense transfer for RTP from 2021/22 to out years of \$2.871 million was confirmed in the October 2021 baseline update. Market Making Funding for 2021/22 of \$3.600 million was confirmed in the October 2021 baseline update A \$2.000 million baseline update was approved by the Minister in March 2022 for the year ended 30 June 2022 and out years.</p> <p>*** Market Making Funding for 2022/23 of \$14.400 million was confirmed in the October 2021 baseline update.</p>			

Electricity industry Governance and Market Operations expenditure breakdown	Actual 2020/21 (\$000)	Budget* 2021/22 (\$000)	Budget** 2022/23 (\$000)
System operator—operating expenses	26,367	27,088	28,309
System operator—capital-related expenses	15,554	14,552	13,961
System operator expenses	41,921	41,640	42,270
Service provider—clearing manager	2,444	2,795	2,526
Service provider—wholesale information and trading system	1,703	1,838	2,052
Service provider—pricing manager	758	781	781
Service provider—reconciliation manager	931	958	947
Service provider—registry	701	705	795
Service provider—FTR manager	813	832	869
Service provider—depreciation and amortisation	1,375	1,301	1,800
Service provider—IT costs	5	60	24
Other service provider expenses	8,729	9,270	9,794
Market making	0	3,600	14,400
Real Time Pricing	0	0	4,116
Authority operating expenses	25,977	28,164	24,872
Total expenses	76,627	82,674	95,452
<p>* An in-principle expense transfer from 2020/21 to 2021/22 for \$1.777 million was confirmed in the October 2021 baseline update. An expense transfer for RTP from 2021/22 to out years of \$2.871 million was confirmed in the October 2021 baseline update. Market Making Funding for 2021/22 of \$3.600 million was confirmed in the October 2021 baseline update A \$2.000 million baseline update was approved by the Minister in March 2022 for the year ended 30 June 2022 and out years.</p> <p>** Market Making Funding for 2022/23 of \$14.400 million was confirmed in the October 2021 baseline update.</p>			

Managing the Security of New Zealand's Electricity Supply

What is intended to be achieved

This appropriation is intended to achieve enhanced security of supply in the electricity system during periods of emerging or actual security situations. These situations are expected to be rare and the appropriation is not drawn on in the normal course of events.

Scope of appropriation

This appropriation is limited to the management by the system operator (Transpower) of actual or emerging emergency events relating to the security of New Zealand's electricity supply. The system operator can request funding from this appropriation to:

- increase monitoring and management responsibilities in the event of an emerging or actual security situation.
- plan and run an official conservation campaign.

Managing the security of New Zealand's electricity supply is a multi-year appropriation for the period 2022/23 to 2026/27. Expenses under this appropriation can only be incurred by the system operator—we cannot incur any expenses of our own under this appropriation.

The budget for this appropriation is \$6.000 million over five years, or \$1.200 million a year. Further information is provided later in this section, and in the prospective financial statements.

Functions provided under this appropriation

The system operator is responsible for ongoing security monitoring and emergency management.⁵ The security management functions of the system operator include the preparation of the emergency management policy, which is incorporated into the Code by reference following our review and approval. The policy sets out the steps the system operator will take and encourage industry participants to undertake in the event of an extended emergency.

Our primary role in respect to security of electricity supply is to ensure the Code promotes an efficient level of supply reliability. This includes specifying the functions of the system operator, how the functions are to be performed, and setting the requirements for transparency and performance. We also monitor the system operator's performance. This work is covered under the *Electricity industry governance and market operations* appropriation, in the promote market development and operate the electricity system and markets functions.

Our role in respect to this appropriation is limited to addressing requests from the system operator to use these funds. Our approval of any request is subject to an agreed process and criteria. The

⁵ Section 8(2) of the Electricity Industry Act 2010 states that as well as acting as system operator for the electricity industry, the system operator must (a) provide information and short- to medium-term forecasting on all aspects of security of supply; and (b) manage supply emergencies. Information about the system operator's security management role is available on its website at <https://www.transpower.co.nz/system-operator/security-supply-and-ercs>

process requires the system operator to provide evidence of an actual or emerging security event, and to describe the actions it intends to take using the funds and how the use of these funds will be monitored. Agreeing this information in advance helps us assess the effectiveness of the actions and the funding during and after the event.

The system operator would seek our approval for funding from this appropriation on a case-by-case basis when it considers increased monitoring or security management actions are justified. However, the system operator can, acting on a 'good faith' basis, incur up to \$300,000 of costs in this area without prior approval if it is not reasonably practicable to seek that approval.

2022/23 Performance measures

Managing the Security of New Zealand's Electricity Supply contributes to our reliability outcome (see page 30 of the 2021-2025 Statement of Intent). The effective management of dry years and emergency events, as measured by case-by-case-analysis, is one of a suite of statistics we use to measure whether there are efficient levels of reliable electricity supply. Should the system operator seek funding under this appropriation to manage a dry-year or emergency event, how it uses the funding would be reviewed as part of the subsequent analysis. The results of the review would be published on our website and a summary reported in our Annual Report.

Given that the relevant outcome and function performance measures are already captured elsewhere, the measures below are limited to those that demonstrate we have fulfilled our obligations for this appropriation.

Measure	2020/21 result	2021/22 target	2022/23 target	Relevant ambition
12 Electricity Authority decisions relating to System Operator requests for access to funding are made in accordance with the agreed process and criteria.	<p>Achieved.</p> <p>On 14 May 2021, we received a non-urgent application for funding under this appropriation. On 8 June 2021, we approved funding for the application.</p> <p>The process used and criteria assessed in our decision meets those agreed with the system operator.</p>	Achieved	Achieved	<ul style="list-style-type: none"> ▪ Trust & confidence ▪ Low-emissions energy

Additional notes to the performance measures

- 12 We have an agreed process and criteria for the system operator to follow. For example, correct documentation is provided; appropriate signoff by system operator management; evidence that there is an actual or emerging security event; intended actions are clearly described; and monitoring and reporting are specified.

Although an application was received and approved in 2020/21, the funding was not drawn upon due to improving conditions.

2022/23 Appropriation

Managing the Security of New Zealand's Electricity Supply appropriation*	Actual 2020/21 (\$000)	Budget** 2021/22 (\$000)	Budget** 2022/23 (\$000)
Revenue from the Crown	-	1,200	1,200
Expenditure	-	1,200	1,200
Note: * This is a multi-year appropriation of \$6.000 million over five years. Following the expiry of the previous appropriation, a new appropriation has been established, starting on 1 July 2022 and expiring on 30 June 2027. This appropriation is contingent in nature and is not routinely used. For consistency with the appropriations contained in the Government's Estimates documents for Vote Business, Science and Innovation, annual budgeted amounts have been included in the above appropriation table. However, as it is not routinely used, no amounts in relation to this appropriation have been included in the budgets within the other prospective financial statements contained in this SPE. ** The budget for 2021/22 corresponds to the Supplementary Estimates of Appropriations for the year ending 30 June 2022. The budget for 2022/23 corresponds to the Estimates of Appropriations for the year ending 30 June 2023.			

Electricity Litigation Fund

What is intended to be achieved

This appropriation is intended to ensure that we are able to participate in litigation effectively and without delay.

Scope of appropriation

This appropriation is limited to the costs and expenses we incur in participating in litigation.

In 2022/23 the budget for this appropriation is \$1.500 million. Further information is provided later in this section, and in the prospective financial statements.

Functions provided under this appropriation

Our functions under this appropriation include defending judicial review and appeal cases taken against us and taking enforcement action against participants under our compliance function.

2022/23 Performance measures

Measure	2020/21 result	2021/22 target	2022/23 target	Relevant ambition
13 The electricity litigation fund is used in accordance with the agreed criteria.	<p>Achieved.</p> <p>During 2020/21, the fund was used in accordance with agreed criteria for the costs and expenses the Authority incurred in participating in one High Court case.</p>	Achieved	Achieved	<ul style="list-style-type: none"> Trust & confidence

Additional notes to the performance measures

13 The criteria are set out in our output agreement with the Minister of Energy and Resources.

2022/23 Appropriation

Electricity Litigation Fund appropriation*	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Revenue from the Crown	1,144	1,500**	1,500**
Expenditure	1,144	1,500**	1,500**
Note: * As this appropriation is contingent in nature and is only used where certain events or situations arise, no amounts in relation to this appropriation have been included in the budgets within the other prospective financial statements contained in this SPE. ** The budget for 2021/22 corresponds to the Supplementary Estimates of Appropriations for the year ending 30 June 2022. The budget for 2022/23 corresponds to the Estimates of Appropriations for the year ending 30 June 2023 A \$1.000 million baseline update was approved by the Minister in March 2022 for the year ended 30 June 2022 and out years.			

Financial information

This part of the SPE is the forecast financial statements required by section 149G of the Crown Entities Act 2004.

Prospective financial statements

The purpose of these prospective financial statements is to provide a base against which the Authority's actual financial performance can be assessed to promote public accountability.

These prospective financial statements are prepared for the purpose described above, and the information may not be appropriate for any other purpose. Actual financial results achieved for the period covered may vary from the information presented, and the variations may be material. The information in the prospective financial statements is unaudited.

These prospective financial statements have been prepared to comply with the Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*.

There is no intention to update the prospective financial statements subsequent to presentation.

Reporting entity

The reporting entity is the Electricity Authority, which is an independent Crown entity in terms of the Crown Entities Act 2004 and the Public Finance Act 1989. The Authority was established under the Electricity Industry Act 2010.

The Authority is a Tier 1 public benefit entity, as defined under the *External Reporting Board Accounting Standards Framework*, and a reporting entity for the purposes of the Financial Reporting Act 1993, Public Finance Act 1989 and Crown Entities Act 2004.

Statement of compliance and basis of preparation

These prospective financial statements have been prepared on a going-concern basis in accordance with the requirements of the applicable *International Public Sector Accounting Standards*.

The financial statements are presented in New Zealand dollars rounded to the nearest thousand.

The accounting policies below have been applied consistently to all periods presented in the financial statements.

The financial information presented for the 2020/21 year reflects the actual results as published in the Authority's 2020/21 Annual Report. The financial information presented for the 2021/22 year reflects the budget as published in the Authority's 2021/22 SPE. The financial information presented for the 2022/23 year reflects the Authority's intended budget for that year. Budgeted financial information does not include actual transactions and events.

Statement of significant assumptions

These prospective financial statements have been compiled on the basis of government policies and legislation at the time the statements were finalised.

The prospective financial statements are consistent with the delivery of strategies and impacts disclosed in this SPE and the programme of work the Authority expects to undertake during the forecast period.

A conservative view has been adopted, with the assumption that funding will remain at the currently appropriated levels over the forecast period of these statements.

Budget expenditure is based on the assumption that the cost of certain inputs will increase in line with general inflation, while others will decrease as cost-saving measures are implemented.

The prospective financial statements have been prepared using the most appropriate assumptions at the time the statements were prepared. As the statements are prospective in nature, actual results will vary from those presented in this SPE.

Factors that may lead to material differences between the prospective financial statements and the subsequent actual financial results reported include:

- the level of litigation activity. In the 2022/23 year, the *Electricity litigation fund* appropriation provides the Authority with funding of up to \$1.500 million to ensure that it can participate in litigation effectively and without delay. The actual amount of expenditure incurred will primarily be driven by the number and complexity of legal challenges the Authority is a party to, if any, during 2022/23. As this appropriation is contingent in nature, no revenue or expenditure in relation to this appropriation has been included in the 2022/23 budgets in the prospective financial statements.
- security of supply emergency events. The *Managing the security of New Zealand's electricity supply* appropriation is available to fund the management of emergency events by the system operator. This is a multi-year appropriation of \$6.000 million over five years (starting on 1 July 2022 and expire on 30 June 2027). As this appropriation is contingent in nature and is not routinely used, no revenue or expenditure in relation to this appropriation has been included in the 2022/23 budgets in the prospective financial statements.

Prospective statement of comprehensive revenue and expense

	Note	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Funding from the Crown	1	77,771	82,674*	95,452**
Interest revenue		126	300	130
Total revenue		77,897	82,974	95,582
Personnel costs	2	14,262	13,501	15,363
Depreciation and amortisation		1,627	1,531	2,459
Service provider contracts		49,275	49,609	50,264
Other expenses	3	13,267	18,033	27,366
Total expenditure		78,431	82,674	95,452
Total comprehensive revenue and expense		(534)	300	130

Note:

* An in-principle expense transfer from 2020/21 to 2021/22 for \$1.777 million was confirmed in the October 2021 baseline update.

An expense transfer for RTP from 2021/22 to out years of \$2.871 million was confirmed in the October 2021 baseline update.

Market Making Funding for 2021/22 of \$3.600 million was confirmed in the October 2021 baseline update.

A \$2.000 million baseline update was approved by the Minister in March 2022 for the year ended 30 June 2022 and out years.

** Market Making Funding for 2022/23 of \$14.400 million was confirmed in the October 2021 baseline update.

Prospective statement of changes in equity

	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Opening balance at 1 July	13,348	13,650	13,950
Total comprehensive revenue and expense	(534)	300	130
Closing balance at 30 June	12,814	13,950	14,080

Prospective statement of financial position

	Note	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Assets				
Current assets				
Cash and cash equivalents		17,083	15,480	15,959
Receivables and prepayments		21	100	80
GST receivable		62	-	-
Total current assets		17,166	15,580	16,039
Non-current assets				
Property, plant and equipment	4	317	417	1,478
Intangible assets	5	5,461	5,053	4,481
Total non-current assets		5,778	5,470	5,959
Total assets		22,944	21,050	21,998
Liabilities				
Current liabilities				
Payables and accruals		8,526	6,000	6,800
Employee entitlements		812	1,000	1,000
GST payable		-	100	100
Appropriation repayable to the Crown		644	-	-
Other provisions		130	-	-
Total current liabilities		10,112	7,100	7,900
Non-current liabilities				
Employee entitlements		18	-	18
Total liabilities		10,130	7,100	7,918
Net assets		12,814	13,950	14,080
Equity				
Contributed capital		9,011	9,011	9,011
Accumulated surplus/(deficit)		3,803	4,939	5,069
Total Equity		12,814	13,950	14,080

Prospective statement of cash flows

	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Cash flows from operating activities			
Receipts from the Crown	78,415	82,674	95,452
Interest from investments	126	300	130
Repayment of appropriations to the Crown	(1,292)	-	-
Payments to suppliers	(59,546)	(68,543)	(76,811)
Payments to personnel	(14,269)	(13,501)	(15,345)
Goods and services tax (net)	(178)	(100)	-
Net cash flows from operating activities	3,256	830	3,426
Cash flows from investing activities			
Receipts from the sale of fixed assets	-	-	-
Purchase of property, plant and equipment	(138)	(155)	(1,408)
Purchase of intangibles	(2,666)	(1,541)	(1,539)
Net cash flows from investing activities	(2,804)	(1,696)	(2,947)
Net increase/(decrease) in cash and cash equivalents	452	(866)	479
Cash and cash equivalents at the beginning of the year	16,631	16,346	15,480
Cash and cash equivalents at the end of the year	17,083	15,480	15,959

Notes to the prospective financial statements

1. Appropriation revenue	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Electricity industry governance and market operations	76,627	82,674**	95,452***
Managing the security of New Zealand's electricity supply*	-	-	-
Electricity litigation fund*	1,144	-	-
	77,771	82,674	95,452

Note:

* The Managing the security of New Zealand's electricity supply appropriation, and the Electricity litigation fund appropriation, are both contingent in nature and not routinely used. For this reason, the Authority's prospective financial statements do not include any budgeted revenue or expenditure in relation to these appropriations.

** An in-principle expense transfer from 2020/21 to 2021/22 for \$1.777 million was confirmed in the October 2021 baseline update.

An expense transfer for RTP from 2021/22 to out years of \$2.871 million was confirmed in the October 2021 baseline update.

Market Making Funding for 2021/22 of \$3.600 million was confirmed in the October 2021 baseline update

A \$2.000 million baseline update was approved by the Minister in March 2022 for the year ended 30 June 2022 and out years.

*** Market Making Funding for 2022/23 of \$14.400 million was confirmed in the October 2021 baseline update.

2. Personnel costs	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Salaries and contractors	13,886	12,895	14,745
Contributions to defined contribution plans	434	606	618
Increase/(decrease) in leave provisions	(58)	-	-
	14,262	13,501	15,363

3. Other expenses	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Managing the security of New Zealand's electricity supply*	-	-	-
Electricity litigation fund*	1,804	-	-
Consultants	6,722	7,894	3,904
Auditor fees	59	50	50
Advisory and working group fees	73	155	100
Board members' fees	563	750	640
Rulings Panel fees	81	100	180
Operating lease expenses	603	595	612
Travel expenses	89	275	120
Market making	-	3,600	14,400
Real Time Pricing	-	-	4,116
Other operating expenses	3,273	4,614	3,244
	13,267	18,033	27,366

Note:

* The Managing the security of New Zealand's electricity supply appropriation, and the Electricity litigation fund appropriation, are both contingent in nature and not routinely used. For this reason, the Authority's prospective financial statements do not include any budgeted revenue or expenditure in relation to these appropriations.

4. Property, plant and equipment	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Computer hardware	88	260	70
Office equipment	76	36	20
Furniture and fittings	85	70	488
Leasehold improvements	68	51	900
Net book value at 30 June	317	417	1,478

5. Intangible assets	Actual 2020/21 (\$000)	Budget 2021/22 (\$000)	Budget 2022/23 (\$000)
Software	5,461	5,053	4,481
Net book value at 30 June	5,461	5,053	4,481

Statement of significant accounting policies

Revenue

The specific accounting policies for significant revenue items are explained below.

Funding from the Crown

The Authority is primarily funded from the Crown. This funding is restricted in its use for the purpose of the Authority meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

The Authority considers there are no conditions attached to the funding and it is recognised as non-exchange revenue at the point of entitlement. Appropriations received from the Crown are recognised as revenue to the extent that expenditure has been incurred. Appropriations received but not spent are treated as a Crown creditor and shown in the statement of financial position as a provision for refund of appropriations to the Crown.

Levies

The Authority administers a levy on industry participants under the Electricity Industry (Levy of Industry Participants) Regulations 2010. Levies are paid directly to the Crown for reimbursement of funding provided to the Authority. Levies are not recognised as revenue in the Authority's financial statements.

Interest

Interest is earned on bank deposits and is recognised in the period to which it relates.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of normally three months or less.

Receivables and prepayments

Short-term receivables and prepayments are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Authority will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: computer hardware, furniture and fittings, office equipment, and leasehold improvements.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Operational fixed assets costing \$1,000 (excluding GST) or more are capitalised and recorded at historical cost.

Market Operation fixed assets costing \$5,000 (excluding GST) or more are capitalised and recorded at historical cost.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of each asset class have been estimated as follows:

Computer hardware	3–5 years	20%–33%
Furniture and fittings	5 years	20%
Office equipment	5 years	20%
Leasehold improvements	Unexpired period of the lease	

Intangible assets

Software acquisition and development

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset when the software becomes operational. Work in progress is recognised at cost less impairment.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Authority's corporate websites are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The value of additions made to an existing asset are amortised over the remaining useful life of the existing asset.

The useful lives and associated amortisation rates of each asset class are estimated as follows:

Computer software	3–17 years	6%–33%
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Impairment of capital assets

The Authority does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised for the amount by

which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Payables and accruals

Short-term payables and accruals are recorded as exchange transactions at their face value.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

Annual leave earned but not yet taken is recognised as it accrues to employees at current rates of pay.

Sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Authority anticipates it likely to be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information.
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus/(deficit).

Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Income tax

The Authority is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Changes in accounting policies

There have been no changes to accounting policies.

Appendix A 2022/23 performance measure review

In preparation for the 2022/23 financial year, the Authority has undertaken a review of the performance measures used in this SPE. To ensure our performance measures are fit for purpose, we assessed them against the following six areas:

- relevant
- a faithful representation of performance
- understandable
- timely
- comparable
- verifiable

The outcome of the review meant that some existing performance measures have been removed or amended to better represent the Authority's performance going forward.

Some amendments were minor and intended to align the measure with current Authority terminology and practices. Material, or significant, changes have been summarised below.

Material changes to measures

Area / function	Measure	Target	Action	Rationale
Monitor, inform and educate	Robust investigation, analysis and reporting on events	Two reports completed per annum	Replaced (see measure 4, p.20)	This measure has been replaced with one focusing on more regular monitoring activity, enabling the Authority to hold itself to account in making our monitoring activity publicly available. This replacement also reduces duplication with our SOI, which includes investigation on events as outcome measures under Reliability. All measures in the SOI and SPE are reported in our Annual Report.
Monitor, inform and educate	Reviews requested by the Minister under section 18 of the Act achieve positive ratings by independent peer review	Reports under section 18 of the Act rated as good or very good by independent peer review	Removed	Since the Authority's first Annual Report in 2010/11, there has been one report requested under section 18, on 17 October 2014. As such, inclusion of this measure does not materially contribute to an assessment of the Authority's annual performance.
Monitor, inform and educate	Making information available to enable public understanding of the electricity system in New Zealand	Publish 10 or more consumer focused items on the New Zealand electricity system	Amended (see measure 5, p.20)	This measure has been amended to better reflect how the Authority promotes an understanding of itself and the electricity system, by considering the range of activities we do and channels

Area / function	Measure	Target	Action	Rationale
		Maintain the number of annual visits (60,000) to the consumer section of the Authority website		we use – including the consumer section of the Authority website and more (e.g. social media, workshops, speaking engagements, etc.).
Monitor, inform and educate	Making data, insights and analytical tools available	Maintain the number of annual visits (35,000) to the EMI website	Amended (see measures 6 and 7, p.20)	The target does not accurately represent the measure. The measure has been amended and split to focus both on internal data and analytical tools used, and the continuous improvement of data and analytical content available on EMI.
Operate the electricity system and markets	Electricity system and market operation performance will be assessed by monitoring service provider performance to ensure that contract requirements, including performance standards, are met	Performance levels met or remediation agreed Any issues identified in audits of market operations service providers have a remedial plan agreed and actioned by the agreed date	Amended (see measures 8 and 9, p.21)	The two targets have been split into separate measures, focusing on performance against processes and procedures, and performance of systems (e.g. software, incl. cybersecurity).
Operate the electricity system and markets	The Authority carries out its Code obligations in accordance with the Electricity Industry Participation Code 2010	No significant breaches as a result of the Authority carrying out its Code obligations	Removed	Based on the Code and the Authority's obligations under it, it's very unlikely that the Authority will significantly breach the Code, meaning this measure is not relevant to the Authority's performance.
Enforce compliance	Sound compliance processes followed	All reports to the Compliance Committee comply with the Authority's quality standards and case management procedures	Removed and replaced (see measure 11, p.22)	This measure relies on an internal process checklist being completed for each report. It has been removed in favour of a more substantial measure that ensures robust compliance decision making.

Proposed measures not included in this SPE

During the review several new measures were drafted but ultimately not used in this SPE. Rationale for not including these proposed measures came from subject matter experts' confirmation that the proposed measures were already addressed in an existing measure, fell outside of the scope of our functions, or did not contribute to the 'big picture' of the Authority's performance as well as the measures that were selected.