

Energy Efficiency and Conservation Authority Statement of Intent 2010-2013

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Chairman's Foreword

As we approach winter, it's pleasing to know that more than 100,000 New Zealanders now have a warmer, drier, healthier home thanks to Warm Up New Zealand: Heat Smart - the Government's insulation and clean heating funding programme.

It's certainly rewarding to receive feedback from satisfied New Zealanders who are already enjoying a warmer, healthier home environment as a result of the scheme, and it will remain EECA's top priority this year to ensure service providers continue to deliver a high standard of service, as the number of retrofits increases to 61,000 houses.

In addition to the substantial number of housing improvements, the scheme has provided an important financial stimulus during the recession, boosting jobs and spending in all regions of the country.

Economic growth is a driving goal for the Government, and good energy use is a vital factor in driving the economy forward. Better energy management results in bottom line savings for businesses, and better environmental stewardship enhances brand and reputation. In the business sector, EECA estimates there is around \$2 billion worth of potential energy savings per annum, and our work programmes this year will start to focus on realising these opportunities.

EECA's work in this area will be boosted with the incorporation of the Electricity Commission's electricity efficiency programme, and will allow us to focus on the most effective delivery of both Commission and EECA programmes.

As well as business, the transport sector stands out as an area of untapped energy savings potential, and EECA will be turning its attention to opportunities for effective interventions.

EECA always has a close eye on the cost effectiveness and strategic value of its programmes, and strives to target those areas that bear the most fruit, at the lowest cost. This will continue as we work to offer government the best possible value for money in tight economic times.

I am enthusiastic about the goals EECA has identified and confident that our priorities will enable us to cost effectively lift the energy performance of New Zealand's homes and businesses, and help us emerge from the recession in better shape than we were before.



Roger Sutton
Chairman
22 June 2010

Statement of Responsibility

This Statement of Intent sets out the medium-term intentions and undertakings of EECA, specifically the outcomes, impacts and outputs that EECA aims to deliver over the next three years.

The Board is satisfied that the Statement of Intent complies with sections 141 and 142 of the Crown Entities Act 2004.

EECA has developed systems and processes that support high-quality service delivery and regulatory decision-making, and provides reasonable assurance as to the integrity and reliability of financial reporting.

The performance to be achieved by EECA for the year ending 30 June 2011 that is specified in the Statement of Intent is as agreed with the Minister of Energy and Resources, who is the Minister responsible for overseeing and managing the Crown's interests in EECA.

The Board acknowledges responsibility for the preparation of this Statement of Intent with consideration for EECA's strategic direction, Forecast Financial Statements and Forecast Service Performance for 2010/11 and the following two years.



Roger Sutton
Chairman
22 June 2010



Toni Owen
Chair of Risk and Audit Committee
22 June 2010

Part 1: Strategic Direction

EECA's operating environment

In the year ending March 2008 New Zealand consumed 510 petajoules¹ (PJ) of energy which cost around \$16 billion. About 28% (144 PJ) of energy came from renewable sources, but oil supplied nearly half of the total energy used. Figures 1 to 4 detail energy use by sector and fuel.

Figure 1: NZ Energy Use (510 PJ) by Sector, March Year 2008

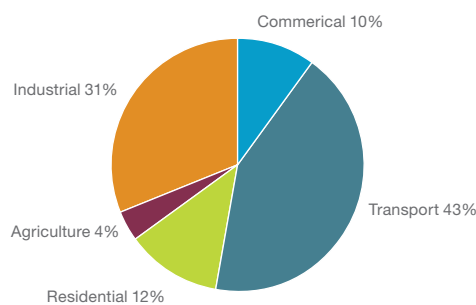


Figure 2: NZ Energy Use Spend (\$16.24 Billion) by Sector, March Year 2008

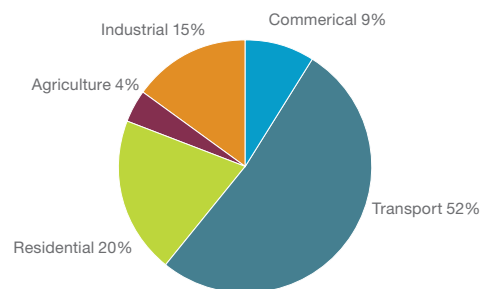


Figure 3: NZ Energy Use (510 PJ) by Fuel, March Year 2008

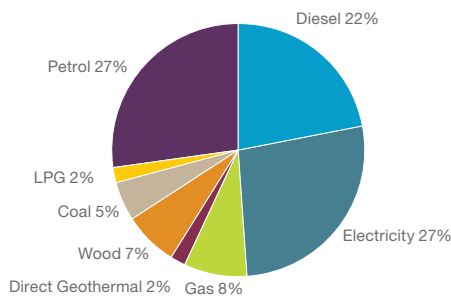
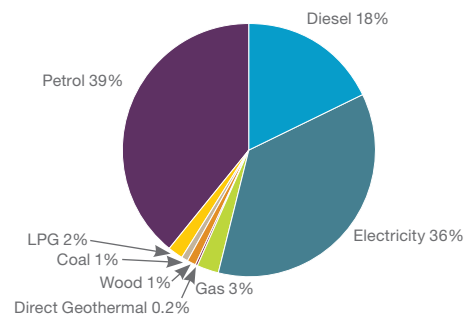


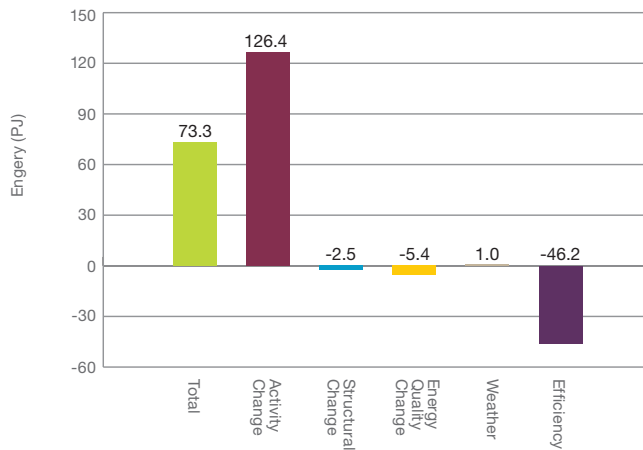
Figure 4: NZ Energy Use Spend (\$16.24 Billion) by Fuel, March Year 2008



New Zealand's energy use has grown by 73 PJ (an average increase of 2.2% per annum) between 2001 and 2008. Our research, summarised in Figure 5, shows that over this time efficiency improvements have offset 46 PJ, amounting to an 8.7% saving in the energy that would have been used without these improvements. Growth in GDP and population over this period increased energy use by 126 PJ, mainly from increased industrial activity (70 PJ) and transport (34 PJ).

¹ A petajoule is 10¹⁵ (or 1,000,000,000,000,000) joules, equivalent to 277.78 million kWh of electricity or about the amount of electricity used by 36,000 households (the number of houses in Southland or Lower Hutt City) or petrol consumed by about 20,000 private cars each year.

Figure 5: NZ Factors Influencing Economy-Wide Energy Use Growth, 2001 to 2008



Source: EECA, Energy Efficiency and Renewable Energy in New Zealand: March 2001 to 2008 Years (Year Seven Report), November 2009, p 11.

New Zealand could save around 15% per year, or 75 PJ in the next 10 years, by adopting currently available energy saving technologies and through better energy management. Energy efficiency activities such as home insulation can also provide other significant benefits such as employment in the short term, and demonstrable health benefits in the medium to long term.

In 2008, 65% of electricity (99 PJ) came from renewable resources. Research indicates that this could rise to 90% of electricity coming from cost-effective renewable resources by 2025. Reaching this level will require adequate investment and support for renewable electricity generation.

EECA's role

The Energy Efficiency and Conservation Authority (EECA) is a Crown entity and is the Government's primary service delivery agency for energy efficiency programmes. EECA's activities address market barriers to energy efficiency and renewable energy such as lack of reliable information, the upfront costs of investing in better energy use and split incentives where the bearer of the cost does not gain the energy benefit. EECA develops and delivers programmes using tools such as grants, third-party services and information that assist and incentivise energy users to make informed decisions about energy efficiency and conservation improvements and about their use of renewable energy.

EECA performs a range of functions under statute working closely with other public sector and private organisations, communities and individuals to achieve tangible results in energy savings, emissions reductions, renewable energy generation and other co-benefits such as health and employment.

Strategic direction

EECA's programmes contribute to economic growth, better health and other improved social outcomes through supporting cost-effective measures to see greater energy efficiency and more renewable energy used in the residential, business and government sectors.

The following table demonstrates how EECA outcomes contribute to the Government's broader goals for 2010/11 – 2012/13, with further information provided in the programme summaries that follow.

Government Goal	Grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders
Government Outcome	Efficient, reliable and responsive infrastructure services
Impacts	<p>Improved security of energy supply, productivity and health outcomes through energy efficiency, energy conservation and the use of renewable energy resources</p> <p>EECA outcomes contribute to:</p> <ul style="list-style-type: none"> • reduced energy use and consequent reduction in the need for supply-side investments • enhanced business growth and competitiveness from energy productivity investment • an efficient, renewable electricity system supporting New Zealand's global competitiveness • a more efficient transport system, with a greater diversity of fuels and renewable energy technologies.
EECA Outcomes	<p>Homes</p> <ul style="list-style-type: none"> • Warm, dry and energy efficient homes with improved air quality to reduce ill-health and lost productivity • More employment in the residential retrofitting sector • Increased public understanding about the benefits associated with energy efficiency leading to action and energy cost savings in households <p>Business</p> <ul style="list-style-type: none"> • Improved energy efficiency in business • Increased direct use of renewable energy <p>Products</p> <ul style="list-style-type: none"> • Reduced energy use and costs through business and consumer uptake of energy efficient products • Consumers are better informed about products and vehicles that use less energy and use this information to make purchasing decisions <p>Energy Supply and Renewable Energy</p> <ul style="list-style-type: none"> • Increased uptake of renewable energy within the business, residential and electricity sectors • Increased uptake of renewable energy within the transport sector reduces emissions and contributes to a secure energy system • Increased investment in new and emerging renewable energy resources <p>Government and Strategic Partnerships</p> <ul style="list-style-type: none"> • Greater value for money from the public sector through increased energy efficiency • Increased energy efficiency and use of renewable energy in households, businesses and communities through partnerships with local government, iwi groups and other social organisations • Better decisions from an increased understanding of New Zealand's opportunities and progress in energy efficiency, energy conservation and renewable energy

Priorities for 2010/11

ALLOCATION OF GRANTS FOR HOME INSULATION AND CLEAN HEAT DEVICES

From 2008/09 to 2010/11 the number of homes retrofitted with insulation is targeted to increase by nearly 300% from 20,000 to 61,000. In the light of these increases EECA has implemented processes and procedures to ensure service providers maintain quality standards across the retrofit industry. Independent audits of up to 10% of retrofitted homes will continue and emphasis will be placed on ensuring service providers meet quality and cost standards.

SUPPORT FOR BUSINESSES TO IMPROVE ENERGY EFFICIENCY

EECA's business sector clients have reported cumulative energy savings over the three years to 2008/09 of more than 3 PJ a year. There is scope to increase this level of savings across the business sector by influencing a larger number of firms and focusing on specific end uses of energy. EECA will also ensure there is a smooth transfer of the Electricity Commission's electricity efficiency programme to EECA during 2010/11. The transfer provides an opportunity to improve stakeholder management in the sector and further exploit synergies between the complementary programmes of each agency.

PRODUCT LABELLING AND STANDARDS

Across EECA's activities the products programme provides the largest and most cost-effective energy savings. Continuation of the joint programme with Australia will ensure these savings are maintained in the longer term as product standards and labelling are reviewed and coverage is expanded. The programme will utilise standards and the development of further ENERGY STAR® specifications suitable for the New Zealand market. Another focus of the programme is to set in place methods to measure and improve the effectiveness of vehicle fuel economy labelling.

REALISING FURTHER ENERGY EFFICIENCY OPPORTUNITIES

EECA is monitoring and evaluating its existing programmes and working to further assess the economic and realisable potential for energy efficiency and energy conservation throughout the economy. Work to date has identified that the largest opportunities are in the business and transport sectors. Better information on the performance of existing programmes and what can be achieved in other areas will assist in targeting activities offering the best value for money.

Part 2: Outcomes

2010/11 – 2012/13



Homes

In 2008, households consumed 61 PJ of energy, or 12% of New Zealand's total energy consumption, yet a large proportion of New Zealand's homes remain cold, damp and relatively costly to heat. Over half of the housing stock is insufficiently insulated² including 741,000 pre-2000 houses. International and New Zealand research consistently concludes this is detrimental to people's health and can lead to lower productivity as people stay home from work and school due to illness. Home insulation retrofit programmes have been introduced in many countries for gains in energy efficiency, health benefits and job creation.

EECA provides information to householders and grants for energy efficiency initiatives in New Zealand homes. The delivery of initiatives including retrofitting of 63,000 houses since 2007 has stimulated the building sector and helped to mitigate the negative impacts of the economic recession.

New Zealand research³ has estimated the health and energy saving benefits for a sample of houses retrofitted with insulation in areas of high socioeconomic deprivation to be a benefit of \$2 for every \$1 spent on retrofitting. With grants now available to a wider range of income groups under the Warm Up New Zealand: Heat Smart programme, it is likely that health and energy efficiency impacts will differ from those previously measured and evaluation of outcomes is currently underway for the expanded programme.

EECA Outcomes	Outcome Measures and Impacts	Output Delivery		
		Previous Year	Current Year	Coming Years
		2009/10	2010/11	2011/12 – 2012/13
Warm, dry and energy efficient homes with improved air quality to reduce ill-health and lost productivity More employment in the residential retrofitting sector	Three-year benefits 18% of the insufficiently insulated housing stock in New Zealand receives an insulation retrofit An estimated 1,200 full-time jobs are created in the insulation retrofitting industry and up to 2,000 full-time jobs in the wider economy Estimated \$100 million warm home health and \$150 million air pollution health benefits and 0.2 PJee ⁴ benefits Estimated lifetime benefits 16 PJee Forecast lifetime benefit cost ratio 4:1	An efficient and effective grant allocation process, coupled with rigorous quality assurance of service providers and installations		
	Improvement in air quality measured by PM10 concentrations in critical air sheds Estimated three-year energy benefit of 0.1 PJre and \$16 million health benefits Estimated lifetime benefits 1 PJre Forecast lifetime health benefit \$16 million Forecast lifetime benefit cost 14:1	At least 27,000 grants for insulation retrofits and 6,000 grants for clean heat for houses owned or occupied by community service card (CSC) holders At least 22,500 grants for insulation retrofits and 11,000 grants for clean heat for all other New Zealand households	At least 21,000 grants for insulation retrofits and 7,000 grants for clean heat for houses owned or occupied by CSC holders At least 40,000 grants for insulation retrofits and 20,000 grants for clean heat for all other New Zealand households	At least 22,000 grants for insulation retrofits and 7,400 grants for clean heat for houses owned or occupied by CSC holders At least 58,500 grants for insulation retrofits and 29,250 grants for clean heat for all other New Zealand households
Increased public understanding about the benefits associated with energy efficiency leading to action and energy cost savings in households	10% increase per year in awareness of the ENERGYWISE™ brand and key campaign messages, and claimed energy efficiency actions (the average over the course of the year compared to the December 2009 benchmark)	Deliver the ENERGYWISE™ information campaign including ENERGYSPOt	Deliver the ENERGYWISE™ information campaign including ENERGYSPOt	Deliver the ENERGYWISE™ information campaign

² Griffin, J, *Insulation in Existing Housing*, BRANZ E466. Client report for Department of Building and Housing.

³ Chapman, Howden-Chapman and O'Dea, 2005, *A Cost Benefit Evaluation of Housing Insulation: Results from the New Zealand 'Housing, Insulation and Health' Study*.

⁴ We have used the notation PJee and PJre to denote the difference between energy reduction (PJee) and energy generated from a renewable source (PJre).



Business

Businesses use around 69% of New Zealand's total energy. About one-third is used in the transport sector, which accounts for about half of New Zealand's total transport energy usage. Attitudes research indicates, with the exception of those already committed to energy management, energy efficiency is not perceived as a strategic issue. A lack of information, competing demands on management time and the perceived high cost of energy efficiency technologies represent barriers to investment, sometimes resulting in low-cost opportunities not being implemented, even when they have a payback of two years and less.

EECA works with businesses and industry associations to support better energy management and enhance business growth and competitiveness. This is achieved through the provision of information, demonstrations of successful energy management initiatives and the provision of financial assistance. Financial assistance is targeted at businesses adopting new or under-utilised energy-saving or renewable energy technologies.

EECA has identified five sectors that use 85% of total business energy – heavy industry, food production, business transport, commercial buildings and tourism. During 2010/11 the programme will have a greater focus on supporting implementation of energy efficiency savings in these sectors. EECA is working towards ensuring a smooth transfer of the Electricity Commission's electricity efficiency programmes and is concentrating mainly on non-electricity efficiencies until the transfer which is expected to occur in October 2010.

Businesses working with EECA have reported energy savings of over 3 PJ per year from a 2005/06 baseline as a result of the Business programme.

EECA Outcomes	Outcome Measures and Impacts	Output Delivery			
		Previous Year	Current Year	Coming Years	
		2009/10	2010/11	2011/12 – 2012/13	
Improved energy efficiency in business	Three-year benefits Energy management plans and new technologies or processes in place 4.5 PJee reduction in energy demand Estimated lifetime benefits 60 PJee over a 10- to 15-year life span	Advice and support targeted at top 500 energy users and key sectors Financial assistance to identify and implement energy efficiency opportunities			
		At least 100 large energy using businesses receive advice At least \$4 million of potential energy savings identified from grants for energy audits A nationwide Small to Medium Enterprise programme established resulting from uptake of \$2 million of grants Reported implementation of savings identified from audit of 0.6 PJ	Advice given to over 100 of the top 500 energy consumers Grants to selected sectors for energy efficiency assistance of up to \$2 million for audits, workshops and demonstration projects	Best practice in energy management is promoted in heavy industry, food production, tourism, commercial buildings and transport sectors Energy efficiency opportunities in business are supported by grants of up to \$2 million per year	
Increased direct use of renewable energy	Three-year benefits Wood energy equipment installed 1.2 PJre increase in use of wood energy Estimated lifetime benefits 9 PJre over 10 to 15 years	At least three feasibility studies, eight wood energy projects and one research project underway to increase awareness and encourage the use of wood for energy as a result of allocating \$1.6 million in grant funding	At least 30 businesses receive advice on potential opportunities for the supply or use of wood energy Deliver information programme to potential wood energy users	No programme funding	



Better Products

Minimum Energy Performance Standards (MEPS) and Mandatory Energy Performance Labelling (MEPL) are acknowledged the world over as one of the most cost-effective mechanisms for lifting the energy performance of household appliances and other equipment.

This programme helps to avoid locking consumers into years of extra costs resulting from substandard efficiency by preventing poorly performing whiteware and home electronic products from entering the market. One example that EECA has documented is the typical energy consumption of domestic refrigerators. Average consumption reduced from 640 kWh/year in 2000 to 450 kWh/year over 2006 to 2009 following the introduction of MEPS in 2002 and increased stringency in 2005.

Household appliances covered by EECA's products programme use more than 60% of a typical home's electricity. MEPS encourage manufacturers to continuously improve their products and labels enable buyers to objectively assess energy efficiency features when purchasing appliances. The use of energy rating labels and the ENERGY STAR® mark increases consumer and industry awareness of the benefits associated with energy efficiency resulting in a more effective market for energy efficient products.

Sales data from suppliers of products subject to MEPS in New Zealand is collected and analysed annually, and EECA manages a compliance programme to ensure the standards are adhered to.

EECA also manages the Vehicles Fuel Economy Labelling (VFEL) programme, so that New Zealanders can choose cars that use less fuel, emit less carbon dioxide and are cheaper to run.

EECA Outcomes	Outcome Measures and Impacts	Output Delivery		
		Previous Year	Current Year	Coming Years
		2009/10	2010/11	2011/12 – 2012/13
<p>Reduced energy use and costs through business and consumer uptake of energy efficient products</p> <p>Consumers are better informed about products and vehicles that use less energy and use this information to make purchasing decisions</p>	<p>Three-year benefits</p> <p>Products purchased are more energy efficient</p> <p>4.5 PJee reduced energy demand</p> <p>Estimated lifetime benefits</p> <p>of 150 PJee</p> <p>Lifetime benefit cost ratio greater than 100:1</p> <p>Maintain 15 products subject to MEPS and/or MEPL</p> <p>Awareness of ENERGY STAR® maintained at not less than 75%</p>	<p>Participation in the development of joint Trans-Tasman Standards, including development (and updates) of standards for new and existing product classes</p> <p>Monitoring retail outlets for compliance with mandatory labelling requirements</p> <p>Initiating public consultation for proposals to address product classes as required</p>		
		<p>Five ENERGY STAR® product specifications upgraded or launched</p> <p>Two additional retail partners in the ENERGY STAR programme</p>	<p>Four ENERGY STAR® product specifications upgraded or launched</p>	<p>Continued promotion of a total of 15 ENERGY STAR® product specifications</p>
	<p>50% of vehicle purchases are influenced by VFEL</p> <p>Energy efficiency is maintained as purchasers' third priority</p>	<p>Maintaining vehicle fuel economy labelling, information and education programmes for light vehicles.</p> <p>Compliance monitoring at vehicle retailers.</p>		



Energy Supply and Renewable Energy

New Zealand has a diverse range of renewable energy resources that can be used to help meet future energy requirements. Development of renewable energy resources can contribute to security of supply and a reduction in greenhouse gas emissions. Barriers affecting increasing renewable energy supply range from high capital costs through to lack of impartial information. New renewable generation technologies often face additional barriers to implementation as a result of the resource consent process and from a lack of development capital to prove the commercial viability of a technology. The uptake of household scale solar hot water systems and efficient water heating technologies such as heat pump water heaters has faced information and performance issues as well as cost barriers.

Information barriers are addressed by working with industry to develop improved information. EECA provides grants supporting large- and small-scale renewable energy projects and renewable energy opportunities in business and government. EECA also administers the Biodiesel Grant Scheme and the Marine Energy Deployment Fund under contract to the Ministry of Economic Development.

Since 2004 EECA has provided both consent submissions and planning information for renewable energy projects totaling 68 PJ per year. Over the last three years EECA has also worked with the solar industry to develop credible information and ensure systems are more efficient. More recently, EECA has begun a pilot programme installing and evaluating the performance of air sourced heat pump water heaters.

EECA Outcomes	Outcome Measures and Impacts	Output Delivery		
		Previous Year	Current Year	Coming Years
		2009/10	2010/11	2011/12 – 2012/13
Increased uptake of renewable energy within the business, residential and electricity sectors	Submissions in support of 6 PJ of generation	Support 2 PJ of renewable energy programmes in the planning process within the statutory guidelines	Support three renewable energy projects in the planning or consenting process within statutory timelines equivalent to 2 PJ	Make supporting submissions on renewable energy projects that are in the planning process and provide renewable energy information on Resource Management Act policy statements and plans
Administer efficient hot water grant scheme	Efficient water heaters installed	Grants for at least 1,000 water heaters or equivalents committed	Grants for at least 2,300 water heaters	Grants for at least 5,900 water heaters
Increased uptake of renewable energy within the transport sector	Up to 60 million litres of New Zealand produced biodiesel available for use as vehicle fuel in New Zealand Ongoing biodiesel production capacity of at least 30 million litres per year	Biodiesel grants trending towards 20 million litres resulting in up to \$9 million of grant funding distributed	Biodiesel grants for up to 27 million litres from up to \$12 million grant funding	Biodiesel grants for up to 35 million litres from up to \$15 million grant funding in 2011/12 – the final year of the programme
Increased investment in new and emerging renewable energy resources	Demonstration of marine energy generation technology	Administering the NZ Marine Energy Deployment Fund and offering funding up to \$2 million for 2010/11	Administering the NZ Marine Energy Deployment Fund and offering funding up to \$1.85 million for 2010/11	No programme funding



Central Government and Strategic Partnerships

Good energy management and energy efficiency practices can reduce the amount of energy used in government, providing better value for money in the state sector. EECA works with central and local government entities to identify and implement cost-effective initiatives that will save energy and reduce costs and greenhouse gas emissions. For instance, through the Crown Energy Efficiency Loans Scheme, EECA administers funding for investment in energy efficiency and renewable energy in the public sector.

EECA also supports and encourages local government agencies and other stakeholders to take a leadership role and to coordinate activities within their areas of influence. This includes developing energy strategies for their regions, the use of local government funding and rating mechanisms to facilitate the development of household energy efficiency initiatives, and funding partnerships with iwi organisations. The leadership role of local government is a critical contributor to the successful delivery of EECA's Homes and Energy Supply and Renewable Energy programmes, and local government authorities are in a unique position to take advantage of the opportunities available from enhanced public transport systems and improved land use planning.

EECA's research, monitoring and policy development activities ensure that EECA can provide advice to government on targeting programmes at the areas of biggest energy savings potential and social gains offering the greatest value for money. At an operations level, monitoring and research inform EECA's programme evaluation and improvement, and reporting on progress to EECA's Minister and monitoring agency.

EECA Outcomes	Outcome Measures and Impacts	Output Delivery		
		Previous Year	Current Year	Coming Years
		2009/10	2010/11	2011/12 – 2012/13
Greater value for money from the public sector through increased energy efficiency	By 2015 10% reduction in energy use per full-time staff equivalent compared with a 2008/09 baseline	Providing advice and utilising Crown loans to increase government sector investment in energy efficiency and renewable energy projects Crown Loans totalling \$2 million per year allocated for energy efficiency programmes with a seven year payback or less		
Increase energy efficiency and renewable energy in households, businesses and communities through partnerships with local government, iwi groups and other social organisations	Increased policies and practices in place in territorial and local authorities to encourage the uptake of energy efficiency, energy conservation and renewable energy in regions Increased involvement with iwi authorities and other private sector organisations in the funding of energy efficiency initiatives	At least four regional authorities assisted to develop regional energy strategies and implement action plans	15 local authorities and iwi develop and maintain energy strategies and funding mechanisms for energy efficiency projects including transport initiatives	Work with Local Government New Zealand, local authorities and iwi to develop energy strategies and funding mechanisms for energy efficiency projects
Better decisions from increased understanding of New Zealand's opportunities and progress in energy efficiency, energy conservation and renewable energy	As a result of better information, policy decisions are enabled that direct resources at the most cost-effective options to make gains in energy efficiency, energy conservation and renewable energy	Contract potentials model Optimisation End Use Model of New Zealand (OPENZ), work with Statistics NZ on the Energy Domain Plan, update the energy end use database	Deliver and verify the potentials model (OPENZ) Update the energy end use database (EEUdb)	Resource Statistics NZ's energy use sector surveys and other Energy Domain Plan priorities Refine and maintain the Energy EEUdb and OPENZ models

Part 3: Forecast Service Performance 2010/11

Introduction

The following Forecast Service Performance links the programme outcomes in Part 2 to EECA's outputs and associated performance measures.

The outputs that EECA provide are delivered in accordance with internal quality criteria (see Part 4). Where external service providers are used to deliver programmes a set of strict performance guidelines are enforced as a part of the contractual agreement. Evidence of adherence to New Zealand Standards, local and regional body requirements and accepted best practice is required in many cases before grant payments are made, and supplier systems are audited on a regular basis.

Output Expenses

Details of EECA's funding sources are given below, broken out by appropriation or source and programme area.

PROGRAMME	APPROPRIATION (\$000) (Vote: Energy)					APPROPRIATION (\$000) (Vote: Environment)	Other Funding (\$000)	Funded from Retained Earnings (\$000)	Total Expenses (excluding Capital Expenses) (\$000)	
	Non-departmental Output Expenses	Non-departmental Other Expenses			Non-departmental Capital Expenses					Non-departmental Other Expenses
	Energy Efficiency and Conservation	Annual and Permanent Appropriations		Multi Year Appropriations		Crown Energy Efficiency (Capital)	Annual and Permanent Appropriations	Warm Homes Grants and Assistance		
		Energy Efficiency and Renewable Energy Grants	Biodiesel Grants	Marine Fund	Warm Up New Zealand					
HOMES	11,834				100,650		1,100		505	114,089
BETTER PRODUCTS	5,050									5,050
ENERGY SUPPLY AND RENEWABLE ENERGY	1,555	1,430	12,000	5,535				415	70	21,005
BUSINESS	5,587	680						2,518	255	9,040
CENTRAL AND LOCAL GOVERNMENT	1,776					2,000				1,776
TOTAL	26,802	2,110	12,000	5,535	100,650	2,000	1,100	2,933	830	150,960

HOMES

Output	Expected Results	Performance Measures
Grants for retrofitting insulation and installation of clean heaters	Improved energy efficiency of pre-2000 houses and improved health of occupants through installation of insulation or clean and efficient heat devices	<p>Delivery of a grants programme meeting the following criteria:</p> <p>At least 21,000 grants allocated to households owned or occupied by CSC holders and at least 40,000 grants allocated to other households for the installation of energy efficiency measures totalling up to \$101.24 million</p> <p>At least 27,000 grants allocated for clean and efficient heaters totalling up to \$8.32 million</p> <p>All installations completed by 30 June 2011</p> <p>Up to 10% of all retrofitted houses independently audited, 90% passing on significant installation issues. All identified faults rectified</p>
Grants for clean heaters in areas of poor air quality	Improved air quality and health benefits through the installation of clean and efficient heaters in eligible, pre-2000 houses	<p>Delivery of a grants programme meeting the following criteria:</p> <p>At least 650 grants allocated to households owned or occupied by CSC holders in critical air sheds for installing clean and efficient heaters, totalling up to \$1.1 million by 30 June 2011</p>
ENERGYWISE™ information campaign for consumers	Increased public awareness of energy efficiency benefits through the ENERGYWISE™ campaign key messages	<p>Deliver an integrated multimedia campaign including:</p> <p>Energy Spot TV advertisements</p> <p>Website with information and advice</p> <p>Other media campaigns (conferences, print articles, events)</p> <p>Programmes designed to achieve:</p> <p>A 10% increase in awareness of the ENERGYWISE™ brand and key campaign messages (the average over the course of the year compared to the December 2009 benchmark)</p> <p>A 10% increase in actions taken as a result of the campaign</p>

BUSINESS

Output	Expected Results	Performance Measures
Supporting energy management programmes	Better informed companies improving the management of their energy use	<p>Deliver an information and advocacy campaign including support for large energy consumers:</p> <p>Provide energy management advice or workshops for more than 100 of the top 500 energy users in addition to companies from selected sectors</p> <p>Companies report energy savings of at least 0.5 PJ per annum</p> <p>Measure the change in business attitudes to energy efficiency:</p> <p>Increase propensity of the business community to prioritise energy efficiency, measured by a 5% increase in business attitudes over 2009 benchmark by 30 June 2011</p>
Enabling market delivery of energy efficiency measures to target sectors	Companies invest in the identification and implementation of energy efficiency opportunities	<p>Deliver a financial assistance programme to support businesses, especially in heavy industry, food production and tourism sectors through direct grants and via third-party providers:</p> <p>Energy audits identify at least 0.25 PJ of potential savings</p> <p>Funding to support replicable projects able to demonstrate 0.1 PJ of energy efficient and renewable energy initiatives</p> <p>Third-party providers to implement replicable projects to demonstrate at least 0.05 PJ of energy efficient and renewable energy initiatives</p> <p>Grants up to the value of \$2 million paid to businesses in the target sectors to support the above initiatives by 30 June 2011</p>
Wood energy in business	Maintain or increase awareness, use of and investment in wood energy resources	<p>Deliver an information campaign to potential wood energy users:</p> <p>At least 30 businesses receive advice or attend workshops</p> <p>Produce guidance for local authorities on PM₁₀ regulations to support the use of wood as an energy source by 30 June 2011</p>

BETTER PRODUCTS

Output	Expected Results	Performance Measures
Minimum energy performance standards and labelling standards	Consumers can purchase more energy efficient products	Deliver the joint MEPS/MEPL programme with Australia by 30 June 2011 resulting in: Policy and consultation process completed for the introduction of three new product classes and one revised product class Call into regulations two new product classes and revisions of standards for one other
Labelling compliance	Consumers can identify more energy efficient products	Deliver labelling compliance audit programme: Retailers meet compliance requirements for at least 95% of appliances in 2010/11
Vehicle fuel economy labelling compliance	Increased trader and consumer awareness of VFEL through public promotion and training activities	Monitor and report on industry compliance: Visits to at least 150 motor vehicle dealers undertaken in 2010/11 Target of 40% of vehicles at franchised motor vehicle agencies and 30% at used vehicle dealers complying with labelling requirements when first observed ⁵
Vehicle fuel economy labelling information campaign	Consumers can purchase vehicles that use less energy and reduce costs	Deliver consumer campaign to inform potential purchasers: 50% of purchase decisions are influenced by VFEL according to customer survey by 30 June 2011
ENERGY STAR® endorsement labelling	Consumers can identify best performing products through the ENERGY STAR® brand	Deliver the ENERGY STAR® programme: Four ENERGY STAR® product endorsement specifications upgraded or launched At least 75% consumer recognition of ENERGY STAR® brand maintained Achieve a partner marketing spend ratio of 2.5:1

ENERGY SUPPLY AND RENEWABLE ENERGY

Output	Expected Results	Performance Measures
Renewable energy information and support	Increased investment in renewable energy resources through support for projects, information to councils and the public, and support the use of renewable energy for industry	Provide information to planning processes: Supporting at least three renewable energy projects or plans within statutory timeframes equivalent to 2 PJ of energy generation
Administer efficient hot water grant scheme	Greater uptake of efficient hot water heating systems in households	Administer grants scheme: Allocate grants for at least 2,300 water heaters
Administer biodiesel grants	The availability of New Zealand biodiesel in the New Zealand fuel stock increases.	Administer grant scheme: Allocate grants for up to 27 million litres of biodiesel in 2010/11
Marine Energy Fund grants	Increased investment in new and emerging renewable energy resources within the electricity sector through the marine energy funding round	Administer funding round: Marine energy deployment project funding round completed and applications assessed by a panel of experts Recommended development contract(s) for the deployment of suitable renewable energy project(s) up to \$1.85 million presented for approval by 30 June 2011

⁵ The previously used target of 90% applied only to franchised motor vehicle dealers and was a post-visit compliance requirement. The scheme is maturing and a first-visit compliance target is now considered suitable.

CENTRAL GOVERNMENT AND STRATEGIC PARTNERSHIPS

Output	Expected Results	Performance Measures
Administer Crown Loans	More government agencies implementing energy efficiency measures	Administer the Crown Loans programme: Allocate up to \$2 million of loan funding to eligible participants and qualifying projects by 30 June 2011
Develop strategic partnerships	Strategic partners support energy efficiency including renewable energy initiatives	Regional councils deliver energy strategies and action plans: At least seven regional authorities complete strategies and maintain active action plans Deliver third-party strategic funding partnerships: At least 10 councils implement targeted rates programmes to fund household energy efficiency initiatives At least five iwi-based residential, renewable or business projects co-funded by iwi by 30 June 2011
Support policy, research and monitoring	Published and updated data sets and tools	Develop and deliver quality advice, tools and support: The energy end use database (EEUDb ⁶) The Optimisation End Use Model of New Zealand (OPENZ ⁷) Users of the information tools are surveyed, results evaluated and improvements are identified by 30 June 2011

INFORMATION, MARKETING AND COMMUNICATION

Providing information and communicating effectively with a range of stakeholders across New Zealand is a key part of EECA's role. Under the Energy Efficiency and Conservation Act 2000 EECA is required to:

- *promote awareness of the importance of energy efficiency and conservation, and the use of renewable sources of energy*
- *promote practices and technologies to further energy efficiency, energy conservation and the use of renewable sources of energy.*

EECA's priorities for this initiative include:

- *providing the necessary information for New Zealanders to make informed choices*
- *raising awareness of the issues of energy efficiency and conservation, and the use of renewable sources of energy*
- *highlighting the benefits of taking action*
- *inspiring and motivating New Zealanders to take that action and change their behaviour*
- *highlighting the mechanisms and tools that are available to make action easy.*

EECA employs an integrated approach to its marketing and communication activities achieving significant leverage for all programmes and adding value to programme-specific activities. The overarching ENERGYWISE™ campaign, for example, supports Homes, Products including vehicle labelling and ENERGY STAR®, Energy Supply and Renewable Energy's hot water and Electricity Commission lighting programmes. The Energy Spot television campaign similarly supports these programmes, as well as the Business programme. The Energy Spot also takes on wider topics which align to EECA's mandate. The integrated and interactive websites support all programmes and grants as well as provide useful, practical information to all of EECA's target markets.

To measure performance in this area, EECA will undertake regular research, including research into public attitudes and behaviour in relation to energy efficiency, and stakeholder research. Research undertaken in 2008 and 2009 will provide a useful benchmark for comparison with future results in this area.

Outcome and output measures for Information, Marketing and Communication are included in the output and outcome measures in the individual programme areas.

6 EEUDb is an interactive database available on the EECA website.

7 OPENZ is currently under development.

Part 4: EECA Profile

Legal Purpose and Functions

EECA is a Crown entity established under the Energy Efficiency and Conservation Act 2000. The Act requires EECA to:

... encourage, promote, and support energy efficiency, energy conservation, and the use of renewable sources of energy by –

- (a) advising the Minister on any matter relating to or affecting –
 - (i) energy efficiency and conservation, and the use of renewable sources of energy in New Zealand; or*
 - (ii) the functions of the Authority:**
- (b) assisting the Minister to prepare and administer a strategy:*
- (c) promoting public awareness in New Zealand of the importance of energy efficiency and conservation, and the use of renewable sources of energy:*
- (d) promoting practices and technologies to further energy efficiency, energy conservation, and the use of renewable sources of energy:*
- (e) arranging for the conduct of research, assessments, demonstrations, and studies:*
- (f) monitoring and reviewing the state of energy efficiency, energy conservation, and the use of renewable sources of energy in New Zealand:*
- (g) publishing relevant information, research, and other material:*
- (h) carrying out such other functions and duties as are conferred or imposed on it by any enactment.⁸*

Ministerial Consultation and Reporting

There are no specific matters on which EECA is required to consult or notify the Minister before making a decision under section 141(1)(g) of the Crown Entities Act 2004. The Board Chair meets with the Minister on a regular basis and provides the Minister with briefings and advice, as requested or of his own volition.

EECA provides the Minister with a quarterly report that includes an update on progress against outputs as set out in the Output Agreement. Performance information is also provided to Parliament through the Statement of Intent, the Annual Report and the Estimates of Appropriations.

⁸ Section 21(1) Energy Efficiency and Conservation Act 2000.

EECA Partnerships

EECA works with a range of stakeholders to deliver programmes and, more broadly, the Government's high-level outcomes and priorities.

CENTRAL GOVERNMENT

Other agencies contribute to EECA initiatives from their appropriations, including the Ministry for the Environment (MfE) (funding for clean heat grants) and the Ministry of Agriculture and Forestry (MAF) for the Wood Energy Initiative. EECA also works closely with the Ministry of Health (MoH) (funding for residential programmes recognises the significant health benefits that insulation and clean heat can bring), the Ministry of Transport (MOT) on transport-related programmes and the Ministry of Economic Development (MED) on broader energy efficiency policy initiatives that require implementation.

CROWN ENTITIES, LOCAL GOVERNMENT AND OTHER STRATEGIC PARTNERS

EECA works with a number of government agencies to deliver energy efficiency and conservation initiatives including the Electricity Commission (EC), local government and Housing New Zealand Corporation (HNZC) which is improving the energy efficiency of non-state homes through the rural housing programme.

BUSINESS, INDUSTRY AND TRADE ASSOCIATIONS

EECA is part of the Equipment Energy Efficiency Committee that is responsible for the implementation of the joint Australia/New Zealand three-year programme. The programme identifies domestic and commercial products for possible MEPS and labelling requirements. EECA also works closely with Standards New Zealand, which is responsible for the development and documentation of standards, including MEPS and labelling standards.

The MEPS, labelling and ENERGY STAR® initiatives are heavily dependent on the suppliers and manufacturers of energy-dependent products supporting the introduction and sales of products using the latest energy efficiency technologies. The focus of 2010/11 will be to continue to work with industries for which the introduction of MEPS would considerably improve energy efficiency, at lowest cost to the industry and consumers.

EECA draws on the expertise of housing research agencies such as the Building Research Association (BRANZ) and the Centre for Building Performance Research (CBPR) to better understand energy use and generation in New Zealand buildings.

EECA is continuing to work with key industry groups outside government on the VFEL programme including the Motor Trade Association and the Automobile Association, as well as individual vehicle manufacturers and traders.

Energy supply and renewable energy initiatives are dependent on the support of a diverse range of stakeholders including industry associations, both large and small electricity generators, lines companies, oil companies and biofuel producers.

THE COMMUNITY SECTOR

EECA's residential programmes are delivered by a number of partners including energy trusts, non-government organisations, iwi groups and commercial providers. Third-party funding agencies including energy trusts, energy companies, community trusts and district health boards provide financial support to residential programmes. A number of installation providers are also contributing to the Government's energy efficiency priorities by installing insulation under such schemes as the Contact/Asthma Founding Healthy Homes initiative and through privately funded installations.

Building EECA's Capability

EECA is required to operate effectively and efficiently and this has involved considerable investment in staff skills, processes, infrastructure and systems. Improvements in the quality and breadth of stakeholder engagement have also been achieved.

EECA continues to place a strong emphasis on delivery within the energy efficiency and renewable energy sectors and continues to build on the trusted leadership role that it has achieved and maintained. EECA will continue to grow and enhance its capability with a focus on strengthening the following components:

- *managing, developing and leading staff*
- *capturing and sharing knowledge*
- *engaging with stakeholders*
- *integrating operational activities and programme delivery functions within sectors to maximise outcomes and efficiently use resources*
- *monitoring progress*
- *managing risks and responding to change*
- *ensuring that infrastructure and resourcing support business priorities.*

OUR PEOPLE

The ability to attract and retain skilled staff is critical to EECA's success. EECA's staff development strategy will focus on the following three key areas:

- **Workforce planning** – *ensuring we have access to the right people, in the right place, at the right time.*
- **Leadership development** – *ensuring our managers have the necessary skills to get results through effective leadership, management and motivation of staff.*
- **Performance and development** – *ensuring that our performance management processes and staff training and development activities are aligned with strategic outcomes and building the required capabilities.*

OUR KNOWLEDGE

The development and maintenance of technical expertise and an understanding of the market for energy efficiency and conservation services is an essential part of EECA's role. EECA is expected to deliver programmes that meet the highest standards and to establish a credible reputation with stakeholders within the energy efficiency and conservation sectors. EECA has implemented and will continue to develop effective knowledge management systems and good internal communication processes to ensure that knowledge is accessible, shared within the organisation and utilised to support learning and capability development.

OUR PLANNING

In order to ensure that EECA is doing the right things at the right time to deliver government outcomes, appropriate planning processes have been implemented. EECA's planning process incorporates the use of a range of tools to identify the most appropriate interventions to deliver government goals.

EECA's planning process ensures it is clear about the impact of specific programmes. Programme teams are required to monitor and evaluate initiatives to ensure they are achieving the targeted results and meeting their intended objectives.

EECA's approach to planning is underpinned by:

- *a robust planning process based on a five-year strategic plan, supported by detailed programme plans that feed into EECA's annual business plan*
- *strong reporting processes including quarterly reporting of progress against outcomes and business priorities to the Board and the Minister. EECA also produces an annual report reviewing progress against the outputs in the previous year's Statement of Intent*
- *ongoing monitoring and evaluation of the operational initiatives to ensure that they are effective in meeting their intended outcomes*
- *research that enables EECA to identify energy efficiency and renewable energy opportunities and to target initiatives effectively.*

OUR APPROACH TO MANAGING RISK

Risk management is a key part of robust planning. EECA faces a range of strategic, organisational and operational risks with the potential to affect our ability to deliver on the outcomes outlined in this Statement of Intent. EECA mitigates these risks by having risk management practices in place to identify, assess and treat risk at various stages of planning, delivery and evaluation. This is reinforced by a sound governance structure, with the Risk and Audit Committee having an overview of EECA's risk profile.

EECA's Internal Quality Criteria

EECA understands the importance of applying a consistently high-quality standard to the delivery of all programmes and projects. Quality assurance processes are an integral part of EECA's operations and are considered to be a particularly important activity in terms of influencing stakeholder perceptions. The following is a list of criteria against which EECA assesses the quality of its work.

RESEARCH – TEAM EECA STAGEGATE™

Internal and externally sourced research will undergo a rigorous internal quality assurance process at proposal, execution and review stages. EECA has an internal cross-functional review process in place which utilises in-house expertise, and is able to refer to third-party experts when required.

PROGRAMME DEVELOPMENT

Internal programme development and refinement is supported by a programme design process that incorporates an internal process of review at proposal, pilot and review stages. The EECA cross-functional research team provides initial feedback to the internal programme design team to refine the proposal. External input is utilised as required as a part of the process.

INFORMATION AND ADVICE

Where information or advice are being released to the wider public EECA has an internal review process in place to ensure that the information and advice are suitable.

Reviews are undertaken to ensure:

- *the base assumptions behind calculations are correct*
- *technical information is factually correct and complies with current legal and legislative requirements*
- *the style of presentation is suitable for the intended audience*
- *the message is unambiguous.*

MARKETING AND EVENTS SUPPORT

EECA's internal quality criteria for marketing and events support, as referred to in the performance measures throughout the Statement of Intent, are that we will:

MARKETING:

- *use a clear and integrated conceptual framework*
- *complete market analysis*
- *consider risks*
- *consult where appropriate*
- *present advice clearly*
- *test marketing strategy/messages on a sample of the market*
- *carry out a market review following project completion.*

EVENTS:

- *use a clear project management framework*
- *ensure venues meet Health and Safety in Employment Act (1992) requirements*
- *consult where appropriate*
- *ensure material presented is appropriate to the target audience*
- *ensure subject matter experts are used to present material to audience*
- *carry out a post-event review.*

ADMINISTRATION OF FINANCIAL ASSISTANCE

EECA's internal quality criteria for administration of financial assistance, as referred to in the performance measures throughout the Statement of Intent, are that:

- *where applicable AS/NZ Standards will be applied*
- *Cabinet Office requirements when applicable will be met*
- *loans applications include a cost benefit analysis*
- *appropriate financial delegations are adhered to*
- *grant processes are undertaken in accordance with the relevant EECA process administration documents*
- *all current contracts and contract templates have been legally vetted for appropriateness, completeness and suitability for their intended function*
- *external audits are undertaken to ensure financial and technical requirements of contracts are met, and that any change required to achieve industry best practice is achieved.*

STAKEHOLDER FEEDBACK

Where appropriate and possible EECA will measure the quality of its work externally:

- *annually, the EECA Board is asked to indicate its satisfaction with the quality and timeliness of support and advice*
- *the Minister of Energy and Resources will be asked for feedback on EECA's performance*
- *key stakeholders will be asked to provide feedback on their contacts with EECA.*

Part 5: Financial Statements

STATEMENT OF PROSPECTIVE FINANCIAL PERFORMANCE

	BUDGET 2010/11 \$000	FORECAST 2011/12 \$000	FORECAST 2012/13 \$000
Revenue			
Crown Revenue			
Operational revenue	24,422	24,044	20,644
Operational grants	2,953	1,380	1,380
Crown grants	121,395	118,088	39,498
Other revenue	970	155	155
Interest received	390	160	160
Total revenue	150,130	143,827	61,837
Expenditure			
Personnel	9,962	9,934	9,334
Operating			
Operational grants	3,208	1,380	1,380
Crown grants	121,464	118,088	39,498
Other	15,402	14,307	12,807
Depreciation	282	265	195
Amortisation	280	333	333
Capital charge	362	299	241
Total expenditure	150,960	144,607	63,788
Net surplus/(deficit)	(830)	(780)	(1,951)

STATEMENT OF PROSPECTIVE FINANCIAL POSITION

	ESTIMATED ACTUAL POSITION AS AT 30/06/10 \$000	BUDGET FINANCIAL POSITION AS AT 30/06/11 \$000	FORECAST FINANCIAL POSITION AS AT 30/06/12 \$000	FORECAST FINANCIAL POSITION AS AT 30/06/13 \$000
Equity	4,821	3,991	3,211	1,260
Represented by:				
Assets				
Current assets				
Cash and cash equivalents	9,028	4,074	5,600	5,995
Other financial assets	5,000	5,000	5,000	5,000
Trade receivables	200	200	200	200
Prepayments	388	56	16	16
Loans	1,478	1,566	1,591	1,600
Total current assets	16,094	10,896	12,407	12,811
Non-current assets				
Loans	2,746	2,909	2,955	2,972
Property, plant and equipment	813	649	383	188
Intangibles	2	722	389	56
Total non-current assets	3,561	4,280	3,727	3,216
Total assets	19,655	15,176	16,134	16,027
Liabilities				
Current liabilities				
Trade and other payables	7,638	5,883	7,536	9,390
Crown Loan payables	1,478	1,566	1,591	1,600
Income in advance	1,573	-	-	-
Employee entitlements	599	620	600	600
Total current liabilities	11,288	8,069	9,727	11,590
Non-current liabilities				
Crown Loan payables	2,746	2,909	2,955	2,972
Employee entitlements	115	122	156	190
Other provisions	685	85	85	15
Total non-current liabilities	3,546	3,116	3,196	3,177
Total liabilities	14,834	11,185	12,923	14,767
Net assets	4,821	3,991	3,211	1,260

STATEMENT OF PROSPECTIVE MOVEMENTS IN TAXPAYERS' FUNDS

	BUDGET YEAR ENDED 30/06/2011 \$000	FORECAST YEAR ENDED 30/06/2012 \$000	FORECAST YEAR ENDED 30/06/2013 \$000
Opening equity	4,821	3,991	3,211
Net surplus/(deficit)	(830)	(780)	(1,951)
<i>Total recognised revenues and expenses for the period</i>	(830)	(780)	(1,951)
Closing equity	3,991	3,211	1,260

STATEMENT OF PROSPECTIVE CASH FLOWS

	BUDGET 30/06/2011 \$000	FORECAST 30/06/2012 \$000	FORECAST 30/06/2013 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Supply of outputs to the Crown - Opex	26,246	25,424	22,024
Supply of outputs to the Crown - Grants	120,951	118,088	39,498
Supply of outputs to external parties	970	155	155
Interest earned	390	160	160
	148,557	143,827	61,837
<i>Cash was applied to:</i>			
Payments to employees	(10,106)	(9,921)	(9,300)
Payments to suppliers	(141,925)	(132,081)	(51,901)
Capital charge	(362)	(299)	(241)
	(152,393)	(142,301)	(61,442)
Net cash flows from operating activities	(3,836)	1,526	395
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Receipts from other financial assets	50,000	50,000	30,000
	50,000	50,000	30,000
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	(118)	0	0
Purchase of intangible assets	(1,000)	0	0
Acquisition of other financial assets	(50,000)	(50,000)	(30,000)
	(51,118)	(50,000)	(30,000)
Net cash flows from investing activities	(1,118)	0	0
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Receipts from the Crown	2,000	2,000	2,000
Loan repayments received	1,690	1,637	2,133
	3,690	3,637	4,133
<i>Cash was applied to:</i>			
Loan repayments made	(1,690)	(1,637)	(2,133)
Loans provided	(2,000)	(2,000)	(2,000)
	(3,690)	(3,637)	(4,133)
Net cash flows from financing activities	0	0	0
Net increase/(decrease) in cash held	(4,954)	1,526	395
Opening cash balances	9,028	4,074	5,600
Closing cash balances	4,074	5,600	5,995
<i>Represented by:</i>			
Cash	2,574	2,600	2,995
Short-term bank deposits (TDs < 90 days)	1,500	3,000	3,000
Closing cash and cash equivalents	4,074	5,600	5,995

STATEMENT OF ACCOUNTING POLICIES

The Energy Efficiency and Conservation Authority (EECA) was established in 1992 and became a Crown entity under the Energy Efficiency and Conservation Act 2000. EECA operates in accordance with the Crown Entities Act 2004.

EECA works to implement New Zealand Government strategies for energy efficiency, conservation and renewable energy in both the private and public sectors.

EECA is a public benefit entity for financial reporting purposes of New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS').

The purpose of the prospective financial statements is to facilitate the Minister of Energy and Resource's consideration of the funding requirements of, and planned performance of EECA. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented here, and that the variations may be material.

The prospective financial statements have been prepared in accordance with section 154 of the Crown Entities Act 2004 and comply with NZ IFRS.

The forecast financial statements have been prepared on the basis of assumptions as to future events that EECA reasonably expects to occur, as at the date that this information was prepared.

It is not intended that this published material will be updated.

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

These prospective financial statements have been compiled on the basis of government policies and EECA's Output Plan as agreed with the Minister of Energy and Resources. The information contained in these statements is considered accurate as at 1 July 2010.

In addition, EECA has included the funding administered on behalf of the Crown or Crown Agencies in the prospective financial statements.

FINANCIAL STATEMENTS PREPARED UNDER NZ IFRS

These prospective financial statements were prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and they comply with NZ IFRS. They were authorised for issue on 29 April 2010.

The accounting policies set out below have been applied in preparing the prospective financial statements for the years ending 30 June 2011 to 2013 inclusive.

MEASUREMENT BASE

The prospective financial statements have been prepared on an historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

FUNCTIONAL AND PRESENTATION CURRENCY

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand dollars.

PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

REVENUE

RENDERING OF SERVICES

EECA derives revenue through the provision of outputs to the Crown, for services to third parties. Revenue from the Crown is the quantum appropriated by Parliament.

Revenue from other sources is recognised for services to third parties by reference to the stage of completion of the contract at balance sheet date.

INTEREST REVENUE

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

GRANTS EXPENDITURE

EECA enters into long-term contracts to grant monies to various organisations to undertake energy conservation initiatives. These contracts oblige EECA to pay the grant when prescribed activities are undertaken by the grantee. Grant expenditure is accrued on the basis of the amount of work completed by the grantee. The value of work yet to be completed under the contract is reported as commitments.

GOODS AND SERVICES TAX (GST)

All items in the prospective financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated with GST included.

Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

TAXATION

EECA is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from income tax.

INVESTMENTS

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, subject to impairment losses if any.

LOANS

Loans are initially recorded at fair value, being the notional value of the loans at date of acquisition or origination less the discount necessary to take account of the time value of money calculated at an interest rate applicable to the creditworthiness of the debtor. Thereafter, interest is recognised in accordance with the effective interest rate method such that the discount will be amortised at the interest rate applicable to the date of acquisition or origination.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

DEPRECIATION

Depreciation is charged on a straight-line basis, so as to write off the net cost of each asset over its expected useful life to its estimated residual value.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method.

The following estimated useful lives are used in the calculation of depreciation:

Computer equipment	3 years	33.3%
Plant & equipment	2.5 - 6 years	40% - 16.67%
Furniture & fittings	6 years	16.67%

INTANGIBLES

Intangible assets comprise software applications which have a finite useful life and are recorded at cost less accumulated amortisation and impairment. These are amortised on a straight line basis over their useful lives as follows:

Computer software	3 - 5 years	20% - 33.3%
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IMPAIRMENT

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance.

OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

EMPLOYEE ENTITLEMENTS

Provision is made in respect of EECA's liability for annual leave, long service leave and retirement leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by EECA in respect of services provided by employees up to reporting date.

Provision is made for sick leave at the estimated cost necessary to meet the Authority's obligations.

PROVISION FOR REINSTATEMENT

The provision for reinstatement represents the amount payable to restore leased premises to the conditions required under the lease agreements(s), discounted back to balance date. The discount rate is taken to be the Authority's incremental cost of borrowing, being the capital charge rate.

FINANCIAL INSTRUMENTS

EECA is party to financial instruments as part of its normal operations. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

FINANCIAL ASSETS

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are recorded at amortised cost less impairment.

FINANCIAL LIABILITIES

Payables

Trade payables and other payables are recognised when EECA becomes obliged to make future payments resulting from the purchase of goods and services.

COST OF SERVICE STATEMENTS

The cost of service statements, as reported in the Statement of Service Performance, report the net cost of services for the outputs of EECA and are represented by the costs of providing the output less all the revenue that can be allocated to those activities.

COST ALLOCATION

EECA has derived the net cost of service for each significant activity of EECA using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities on a proportional basis, using the proportion of direct costs as a cost driver.

Criteria for direct and indirect costs

'Direct costs' are those costs directly attributable to a significant activity. 'Indirect costs' are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Revenue allocation

Interest received is apportioned to each of the output areas on the same basis as the cost allocation policy.

NEW AND AMENDED STANDARDS

There are a number of new or amended standards which have been applied.

Amendment to NZ IAS 1 Presentation of Financial Statements: An amendment to this Standard requires disclosure of comprehensive income. This amendment has been applied in these prospective financial statements.

NZ IAS 23 Borrowing Costs: This Standard was amended to prevent expensing of costs related to capital assets. This amendment has been applied in these prospective financial statements with no impact on EECA.

CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements EECA has made estimates and assumptions concerning the future. These estimates and assumptions may differ from actual results. The significant estimates and assumptions are as follows:

Property, plant and equipment

EECA establishes the useful lives of property, plant and equipment at acquisition. It reviews the lives and utility of this property, plant and equipment annually. In the event the lives differ from those assigned or if the utility of the assets is less than assumed, the cost in the form of depreciation may be wrongly allocated to any one year.

Provisions

EECA has a number of provisions relating to its employment and leasing contracts. These provisions depend on a number of factors including:

- *the timing of amount payable*
- *the amount payable*
- *the discount rate used in discounting the sums payable.*

Should any of these assumptions vary from the actual timings or costs then the cost allocations may be wrong. Similarly, changes in discount rates will cause variations in the amount of cost recognised in any given period.

Loans

The carrying values of the loans assume that no debtor will default on any instalment due and that the discount rate used to determine the discount on origination of each loan is appropriate to the circumstances of each debtor. At the balance date the carrying value of the loans was face value less unamortised discount.

CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policy during the year.

BALANCING REVENUES AND COSTS

EECA will aim to operate a balanced budget so that Crown and externally sourced party revenues equal costs in the long run, but may be in deficit or surplus in any one year. Any surplus made will be used to fund future operating costs. A deficit will not be incurred unless the deficit is able to be funded from existing funds, including retained earnings.

NEW BORROWINGS AND OTHER LIABILITIES

EECA does not intend to incur any liabilities in the form of borrowings or financial leases in the 2010/11 year.

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