



Annual Report

2015-2016

Electricity Retailers' Association of New Zealand

Contents

Directory	2
Introducing ERANZ	3
Where ERANZ fits in the New Zealand Electricity Industry structure	4
Year in review - Report from the Chair & Chief Executive	7
Corporate Governance	11
Our Board	11
Our Management Team	16
Extended Network	17
Operations Review	19
Financial Statements	21





DIRECTORY

PRINCIPAL BUSINESS

Industry body representing New Zealand electricity retailers

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WELLINGTON 6011

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WELLINGTON 6143

BANKERS

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WELLINGTON 6011

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INTRODUCING ERANZ

In August 2015, after a couple of years in the planning, a group of retailers formed the Electricity Retailers' Association of New Zealand (ERANZ) to promote and enhance a competitive and sustainable electricity retail market for the benefit of consumers. They had identified there was a need for a collective voice for retailers in order to advocate for and promote their participation in the electricity sector. ERANZ's objective puts consumers at the heart of what it does, and recognises that ERANZ members' interests are strongly aligned with those of consumers.

ERANZ membership represents 98.5% of the retail market by ICP¹ count and includes Genesis Energy, Contact Energy, Mercury, Meridian, Trustpower, Nova Energy, Pulse Energy, Prime Energy, Powershop, Energy Online, Bosco, Glo-bug, Grey Power Electricity, Just Energy, Blackbox Power, King Country Electricity, and Tiny Mighty Power.



¹ Installation Control Point (ICP)

WHERE ERANZ FITS IN THE NEW ZEALAND ELECTRICITY INDUSTRY STRUCTURE

From the first hydro-electric power plant at Bullendale, Otago in 1885, New Zealand's electricity system has continuously served the interests of households and businesses.

Now one of the highest renewable systems in the world, with over 85% renewable generation, our electricity sector is the envy of many.

Previously the sole preserve of the government under the Public Works Department, today the electricity sector in New Zealand is intensely competitive, including at the retail level with no fewer than 31 different retail brands across the country. This means that all customers in New Zealand now have real choice.



New Zealand consumers have more choice than ever before

Availability of retail brands in New Zealand (2014)

Source: Electricity Authority

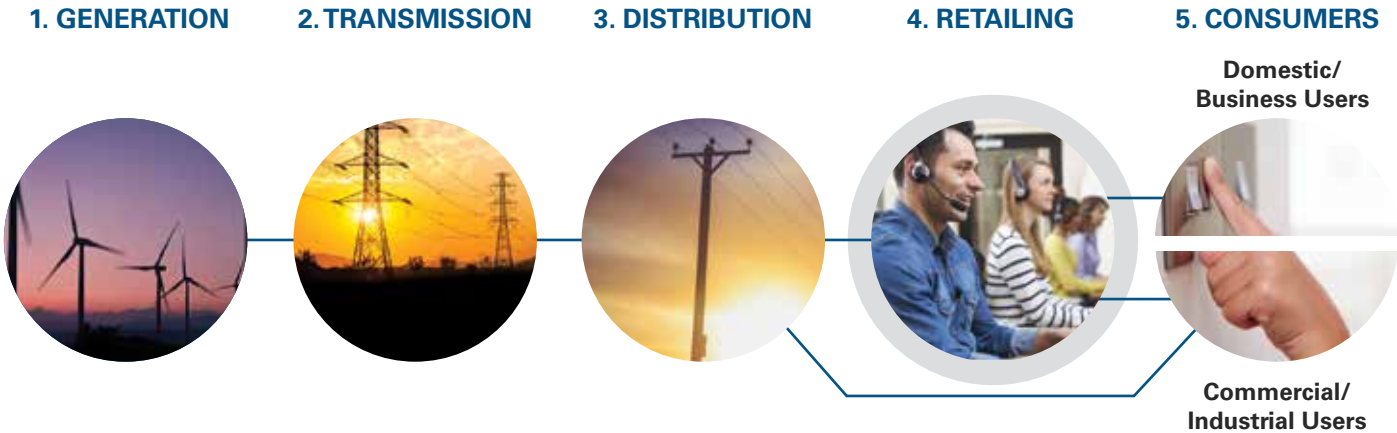
Though accountable to their shareholders, retailers exist to serve their customers – whether residential, commercial or industrial. Attracting and keeping customers is the core business of our members and is the difference between them growing as businesses or failing.

Importantly, retailers control only part of the cost of electricity. Transmission and distribution costs, metering costs, government levies and the costs of generation also figure significantly in the bills that customers see - but retailers do manage the relationship with customers and have a detailed understanding of their wants and needs. Retailers are, in general, the first point of contact for customers, employing a diverse workforce in call centres throughout the regions. Retailers simplify the customer experience and remove the extreme complexity of the system for them.

“75% of New Zealanders cared about who their electricity retailer was, and 72% said they were very or somewhat satisfied with their retailer”

Source: Electricity Authority 2016

Other participants in the electricity industry include generators (a number of retailers own generation plants and are known as generator-retailers or gentailers), the owner and operator of the national transmission network of lines (Transpower), and the 29 local distribution lines networks. Below is a traditional view of the electricity system, which demonstrates the retail part of the system:



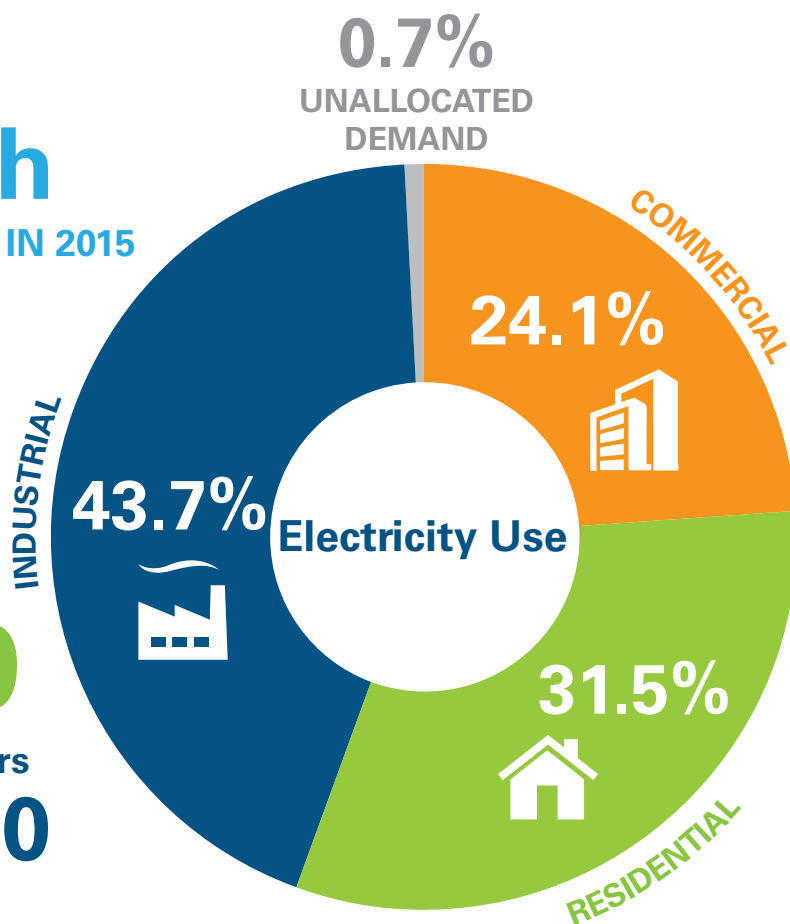
Although there are only 118,000 industrial consumers, they accounted for 43.7% of demand in 2015. There are 1.72 million properties that are classified as residential and they accounted for 31.5% of demand in 2015. 169,000 commercial consumers (shops, businesses, office buildings, etc.) accounted for 24.1% of demand in 2015.

**A TOTAL OF
39,768 GWh**
OF ELECTRICITY WAS CONSUMED IN 2015

Commercial consumers
169,000

Residential consumers
1,720,000

Industrial consumers
118,000



Source: Ministry of Business, Innovation and Employment, Energy in New Zealand 2016

YEAR IN REVIEW – REPORT FROM THE CHAIR & CHIEF EXECUTIVE

Establishing ERANZ

This is the first report of the operations of the ERANZ.² ERANZ was incorporated on 21 August 2015 and the Chief Executive appointed in February 2016. The Board held its first meeting in September 2015. The establishment of ERANZ represented a significant achievement for many behind the scenes who had been advocating for such an industry body for some time. The

Establishment Committee did a lot of the initial groundwork for the Association, setting the platform, direction and framework for the Association. The appointment of many members from this group to the present Board, as members or alternate members, has enabled a smooth transition, and ensures ERANZ continues to benefit from the experience and expertise of these members.

Initial Priorities

People & culture

In its first year of operation for ERANZ, one of the core areas of work has been building the organisation – the people and branding.

The Board appointed Jenny Cameron inaugural Chief Executive. Ms Cameron started on 23 February 2016 and was previously Director of External Relations and Interim CEO for the Brewers' Association of Australia and New Zealand. Prior to that role Ms Cameron was a diplomat with the New Zealand Ministry of Foreign Affairs and Trade for a decade, and before that a practising lawyer.

Jennie Langley was appointed Independent Chair by the Board and started on 1 May 2016 for a three-year term. Ms Langley has extensive experience on boards and working with industry groups across a range of sectors, such as infrastructure, primary sector, education, and tourism. Her current and recent governance roles include appointments to the Tourism Growth Partnership Independent Panel of Experts, New Zealand Council of Legal Education, Te Araroa Trust, Tourism New Zealand, and Biosecurity Ministerial Advisory Committee.

In appointing Ms Cameron and Ms Langley, the Board made the deliberate decision to appoint people from outside of the electricity sector in order to provide a different set of experiences and perspectives to the work of ERANZ.

With the appointment of Bev Martin as Executive Assistant in June 2016, the ERANZ team was complete. ERANZ has been utilising the expertise of the member companies through various standing or ad hoc working groups, and uses expert consultants when necessary.

Following the appointment of the Chair and Chief Executive, as well as establishment of the Board a revised strategic plan was developed after a planning workshop in early June 2016. The Board also developed their Code of Conduct and operating principles for ERANZ. The strategic plan is set for the period until October 2018.

²The first reporting period (to 30 June 2016) for ERANZ has in fact only been a part year given that ERANZ was incorporated on 21 August 2015 and the Chief Executive was appointed in February 2016.

Engagement

A core focus for ERANZ in the establishment phase was engaging with key stakeholders across the policy, political, consumer group, and interested commentator spectrum. ERANZ undertook two high profile sponsorships in order to advance the profile of the organisation, whilst also highlighting successes and opportunities for the retail sector and their customers. ERANZ sponsored the Consumer Retailer of the Year Award at the 2016 Deloitte Energy Excellence Awards, and is a foundation sponsor of the Energy Trader Forum which promotes an active and liquid wholesale market.



ERANZ will also be looking to work in partnership with other agencies in order to expand the education and opportunities for retail members. Ultimately, ERANZ would like to represent all retailers, but the focus to date has been on showing value to the members it does have. Notwithstanding that, ERANZ has engaged with non-members where there is value from a sector perspective.

A key aspect of ERANZ's role is to promote and enhance a better level of understanding of the electricity industry within government and the public more generally, and that is something we will continue to focus on in the future.

Advocacy

The final key focus area for ERANZ has been to support sound electricity industry regulation and reform via targeted, evidence-based and high-quality public policy advocacy which consistently strives to demonstrate value for customers. It has been an extremely busy time on the regulatory and policy front with submissions from ERANZ to:

- the Commerce Commission for their review of input methodologies, particularly those for emerging technologies
- the Electricity Authority work on implications of evolving technology for pricing of distribution services and a default distribution agreement

- the Electricity and Gas Complaints Commission on their proposed restructure, and
- the Ministry of Business, Innovation and Employment for their consultation on the strategic review of the Energy Efficiency and Conservation Authority (EECA) and the electricity levy, as well as some other matters.

"Not only does New Zealand have the highest switching rate in the world, the time it takes to make a switch is also world-leading. On average it takes just 3-4 business days to change retailer"

Source: Electricity Authority

As mentioned above, electricity retailing in New Zealand is highly competitive both in terms of the brands now available to customers³, and in terms of the large numbers of customers switching to take up offers from other retailers. Retailers work hard to attract and keep their customers. In June 2016, the Ministry of Business, Innovation and Employment reported that the average cost of electricity paid by residential customers had come down for the first time in 15 years, and competition in the retail market was largely credited for that result. Retailers are striving to deliver more value to customers through increasingly widespread use of a range of innovations including mobile apps and website tools to allow customers to better monitor and manage their electricity usage, a variety of new pricing structures, including an increase in the availability of time-of-use pricing plans, rates targeted at electric vehicles, bundling price plans with broadband and telephone options, billing management systems to make it easier for customers to pay their bills, payment options which assist with paying down debt or smoothing out payments (such as Smoothpay), options to off-set carbon emissions by buying carbon credits, and join-up incentives. Encouraging and promoting such innovations will continue to be a key focus for ERANZ as it develops.

70%
of all New Zealand residential connections had a smart meter in late 2015, of which the majority have been put in by retailers

³31 brands by 20 parent companies

“The New Zealand electricity wholesale market administrator is responsible for overseeing transactions worth \$7 billion per year”

Source: Electricity Authority

The uptake of new technologies is something that is challenging many in the market in New Zealand. It tests not only the business but the regulatory models. ERANZ has been engaged in this discussion from the perspective of ensuring New Zealand has the right regulatory structure to ensure customers obtain the maximum benefit from evolving technologies. More than ever there

is a need for transparency and a level playing field so that new businesses and innovations can enter and compete, and the market works efficiently to bring customers what they want.

Setting priorities is as much about what you do not do, as it is what you do undertake. For example, the Board made a deliberate decision that ERANZ should not take a position on the Electricity Authority's work on Transmission Pricing Methodology (TPM) as there was no unified position amongst the members and it would therefore be difficult for ERANZ to add much value to the process.

Where are we going to?

ERANZ will continue to focus on providing an active and informed contribution to ensure an open and competitive market exists so that customers are able to gain the full benefits of intense competition between industry participants and the regulatory settings are fit for that purpose. As such, ERANZ will continue to engage in the work around how evolving technology sits within the regulatory framework, distribution pricing and other fundamental settings.

The reason why this is important to electricity retailers is their customers have become increasingly interested in exploring new technologies such as smart meters, smart appliances, home energy management systems, solar panels and storage batteries. These all have the potential to change the way electricity is used, delivered and provide customers with more choice, control and value.

Technology is also playing an important part in reducing carbon emissions, especially in the transport and industrial heat sectors. The government-backed increased uptake of electric vehicles is an area where the benefits are clear: they are cheaper to run than petrol or diesel vehicles and, because they are powered by our abundant renewable electricity supply, they reduce the amount of emissions that come from the country's vehicle fleet. The competitive market means that some retailers may see value in supporting this change including providing information and specific pricing plans for electric vehicle customers.

ERANZ will also be working to raise the understanding of the value of the retail sector, particularly in advance of next year's General Election and we will continue to work with a range of partners in this regard. Sharing the innovations and developments in the sector will continue to be a key focus. New Zealand has a lot to be proud of with our innovative and advanced electricity system which continues to lead the world in many ways – renewability, security, reliability, efficiency and adaptability.

Support of Members and Board

Throughout its inaugural year, ERANZ has benefited greatly from the patience and expertise of its members and other stakeholders who have been generous with their time and knowledge.

ERANZ is grateful for the extensive role played by many individual members during ERANZ's establishment phase. ERANZ would like to take this opportunity to thank the Establishment Committee: Jeremy Stevenson-Wright (Genesis Energy), Terry Barstead (Nova Energy), Andrew Kerr (Meridian Energy), Andrew Peckham (Mercury (formally Mighty River Power)), Louise Griffin (Contact Energy), James Tipping (Trustpower), Neil Williams (Pulse Energy). Christine Southey (Minter Ellison Rudd Watts) acted as legal consultant and has given us invaluable advice.

Alternative Board member Catherine Thompson (Contact Energy) had a significant role in getting support for ERANZ and was an initial Chair during its establishment months. Alan McCauley (Executive Director September 2015 – March 2016) was also an establishment Chair and put in many hours of work on behalf of ERANZ, not

least providing the resource of his Executive Assistant Stacey Day who was also a significant help. Many thanks too to James Munro (Executive Director September 2015 – February 2016) for his role on the recruitment panel for the Chief Executive, and David Goadby (Executive Director September 2015 – August 2016) for his role on the recruitment panel for the Independent Chair. Special mention also to Jeremy Stevenson-Wright (Policy Committee member until July 2016) for his role on the Establishment Committee and Policy Committee.



Jennie Langley
Independent Chair

"My first few months as Chair have been focused on building Board relationships and setting the strategic priorities for ERANZ. ERANZ is already showing itself to be a versatile and effective organisation. I look forward to continuing to work with a wide range of people to help develop this further and to allow it to deliver on its potential."

Jennie Langley, Independent Chair

Concluding Remarks

It has been a big first part-year of operation for ERANZ. The vision for this organisation by its founding members has become a reality and all are committed to helping ERANZ reach its potential. The pressure has been on from the start for ERANZ to make an active and informed contribution in the regulatory, policy, political and media space. There have been a number of complex and challenging issues to grapple with, but the contribution by ERANZ, even at this early stage, has been valued by stakeholders. The efforts of this first part-year are starting to show results and it looks set to be another exciting, challenging, busy year ahead for ERANZ and its members.



Jenny Cameron
Chief Executive

"These first months at ERANZ have been some of the most challenging, stimulating, rewarding (and exhausting) times. But that is part and parcel of building an organisation from scratch. After this establishment period focused on building the business, the focus will now be on progressing strategic priority programmes, engaging in the discussions that are of most importance to our members, and a continuation of the efficient operation of the Association."

Jenny Cameron, Chief Executive



CORPORATE GOVERNANCE

ERANZ BOARD as at October 2016

Independent Chair

Jennie Langley

Appointed Independent Chair: 1 May 2016

Jennie Langley took up the role of Independent Chair on 1 May 2016 for a three-year term. A professional board director, Jennie has extensive experience across the infrastructure, primary sector, education, and tourism sectors. Her current and recent governance roles include appointments to the Tourism Growth Partnership Independent Panel of Experts, New Zealand Council of Legal Education, Te Araroa Trust, Tourism New Zealand, and Biosecurity Ministerial Advisory Committee.





Genesis Energy

Dean Schmidt

Executive General Manager, Corporate Affairs and Transformation

Appointed Executive Director: 9 August 2016
(Dean Schmidt replaced former sitting member David Goadby)

As Executive General Manager, Corporate Affairs and Transformation, Dean Schmidt leads Genesis Energy's strategic transformation activities and corporate functions including legal and Company Secretary, corporate communications, policy and regulatory affairs, public relations and community investment programmes. Having joined Genesis Energy in August 2012, he brings political, private sector and SOE experience to the table.

Dean served as Head of Corporate Affairs at Television New Zealand, Group Corporate Affairs Manager for New Zealand Post Group and Head of Government and Community Relations at Telecom New Zealand Ltd.

Dean holds a triple Major BA Hons from Victoria University Wellington and completed a post graduate study at Stanford University.



Contact Energy

Venasio-Lorenzo (Vena) Crawley

Chief Customer Officer

Appointed Executive Director: 23 September 2015 (Vena Crawley replaced Catherine Thompson)
Board Subcommittee membership: ERANZ Communications Advisory Working Group

Vena Crawley joined Contact Energy in October 2014, as Chief Customer Officer, overseeing the customer experience through the company's retail and commercial and industrial channels.

Vena joined Contact from IAG UK where he held the role of Group Director of Strategy, Marketing and Distribution. Prior to this, he was Executive General Manager, Marketing and Reputation at IAG NZ, which followed 10 years with ASB Group / Sovereign as Head of Marketing, Strategy & Product Management ASB Group / Sovereign.

Vena holds an MBA and BA from Steinbeis University – The Berlin School of Creative Leadership.



Trustpower

Craig Neustroski

General Manager, Trading

Appointed Executive Director: 23 September 2015

Craig Neustroski oversees energy purchasing, hedge management and reconciliation at Trustpower. He joined the company in 1998 as Commercial Sales Manager and became National Sales Manager.

Previously, he was at Southpower and the Electricity Corporation of New Zealand. At Trustpower, Craig has developed a strong working understanding of price volatility drivers, and constraints on the periphery of the grid, where Trustpower has a significant customer base.

Craig has a Degree in Electrical Engineering from Canterbury and a Diploma in Business.



Prime Energy

Michael Skates

Managing Director

Appointed Executive Director: 27 January 2016

Born and educated in Christchurch, Michael's professional career has encompassed a wide variety of major asset management roles, sales focussed solutions and technical field expertise.

As Head of Retail Operations for Orix NZ Ltd (a wholly owned subsidiary of Orix Corporation Japan), Michael was responsible for managing a large team of sales professionals and staff which attributed to him gaining wide and varied experience working in a major multinational corporation. After 15 years with Orix NZ Ltd, Michael made the second industry change of his career, moving to one of New Zealand's leading property development companies. Encompassed within the larger group was a business specialising in the supply of electricity and billing solutions to multi-tenanted buildings and developments. Appointed to run this Company in 2006, Michael quickly built a knowledge, passion and drive for the electricity industry, culminating in his acquisition, rebranding and establishment of Prime Energy in 2010 as an independent Electricity and Gas Retailer servicing customers nationwide.

As Prime Energy's Managing Director, Michael operates as a hands-on leader, interacting daily with his team, customers, network companies, Generators and a multitude of other industry participants and influencers. Michael's ethos for life has translated seamlessly into a company culture of energy, dynamism and agility. Prime is focussed on providing the market with a retailer prepared to understand and respond to its consumer's needs in an evolving and exciting energy environment.



Nova Energy

Terry Barstead

General Manager, Sales and Marketing

Appointed Executive Director: 29 September 2015

Board Subcommittee membership: ERANZ Finance Committee

Terry Barstead has held the position of General Manager, Sales and Marketing at Nova Energy since 2012, where he is responsible for trading electricity, natural gas, LPG and solar.

With 25 years' in the energy industry, Terry has extensive experience of both upstream and downstream parts of the sector.

Terry began his career at Todd Energy in 1997 as its Gas & LPG Manager. He was responsible for identifying profitable business development opportunities for Todd's natural gas and LPG entitlements. Subsequent to Todd's acquisition of Nova Gas the natural gas portion of Terry's business development portfolio was assigned to Nova.

From 1999 to 2011, Terry was involved with the establishment and growth of Todd's domestic LPG business. As part of his LPG responsibilities, Terry became a director of Liquigas on 1 December 2001 and twice been its Chairman.



Pulse Energy

Neil Williams

General Manager, Energy Supply and Operations

Appointed Executive Director: 23 September 2015

Appointed Deputy Chair, ERANZ Board: 22 September 2016

ERANZ committee membership: ERANZ Policy Committee

Neil Williams began working in the electricity sector in the early 1990s, where he participated in the development of the deregulated electricity market and retail competition. Since then, he has worked in electricity markets around the globe including the USA, Chile, and Thailand.

He is currently GM Energy Supply and Operations for Pulse Energy. Neil previously worked at Mercury for over 10 years in roles covering strategy, regulation, trading, development and corporate transactions.

Neil has an economics degree from Auckland University and has completed post graduate study at the Harvard Business School.





Meridian Energy

Neal Barclay

General Manager, Retail

Appointed Executive Director: 12 April 2016 (Neal Barclay replaced Alan McCauley)
Board Subcommittee membership: ERANZ Finance Committee

Neal Barclay has held a number of executive leadership roles with Meridian Energy since he joined the Company as Chief Financial Officer in 2008. As General Manager for Meridian's retail business, Neal is responsible for leading the marketing, sales, service and operational support functions.

Neal's previous roles include General Manager Markets and Production, responsible for Meridian's generation assets and wholesale business. In this role, Neal participated in the Electricity Authority's (EA) Wholesale Advisory Group ("WAG") from 2010 to 2016.

Prior to joining Meridian, Neal held a number of senior finance and leadership roles in a 13-year career with Telecom NZ Ltd.



Mercury

Andrew Peckham

Head of Operations

Appointed Executive Director: 25 January 2016 (Andrew Peckham replaced James Munro)
Board Subcommittee membership: ERANZ Finance Committee

Andrew Peckham is responsible for the delivery of the core operating functions for Mercury. This includes distribution relationships, credit management, customer transactions, energy reconciliation, pricing, compliance and regulatory affairs.

A chartered accountant, Andrew joined Mercury in 2010 as Financial Controller for consumer brands and metering. Prior to that Andrew was Finance and Operations Director for Namco Bandai Networks, a mobile game publisher based in London and has previously held management roles at Air New Zealand and KPMG in New Zealand and the UK.

ERANZ BOARD MEETINGS

The ERANZ Board meets bi-monthly and has held five ordinary meetings in the year ended 30 June 2016. The inaugural Board meeting was held on 24 September 2015.

OUR MANAGEMENT TEAM

Chief Executive

Jenny Cameron

Jenny Cameron joined ERANZ as its inaugural Chief Executive on 23 February 2016.

Jenny joined ERANZ from the Brewers' Association of Australia and New Zealand where she held the role of Director of External Relations. Prior to this, Jenny served as a diplomat with the NZ Ministry of Foreign Affairs and Trade including a posting in Tokyo, and an assignment in Manila. She provided policy and legal advice in areas of trade policy, bilateral relations, international agreements, and environmental law. Before joining MFAT, Jenny practiced law at Jacobs Florentine in Palmerston North.

Jenny holds a BA (Psych) and LLB from Victoria University.

Executive Assistant

Bev Martin

Bev Martin is the Executive Assistant (EA) to the ERANZ Chief Executive as well as provides secretariat support to the ERANZ Board and Committees. She also manages the office functions, as well as ERANZ's stakeholder events and is the central point of contact for our members.

Bev's career background includes a number of years working in London in the investment banking and public relations sectors, whilst taking time out to travel around Europe, Asia, Africa and the Middle East.

Since arriving in New Zealand 10 years ago, Bev has held Senior EA positions in the energy sector and more recently in health, before joining ERANZ in June 2016.



EXTENDED NETWORK

ERANZ is fortunate to be able to draw on considerable expertise within the membership, and there are a number of formal and informal groups that assist the Association on specific industry issues.⁴

ERANZ Policy Committee

The Policy Committee identifies and discusses positions on key regulatory and policy issues that affect the electricity retail market and customers. The Committee is Chaired by the ERANZ Chief Executive and operates under a Charter.

Dave Gendall (Contact Energy), Rebekah Cain (Genesis Energy), Nick Wilson (Mercury), Jason Woolley (Meridian Energy), Paul Baker (Nova Energy), Neil Brumfit (Prime Energy), Neil Williams (Pulse Energy), James Tipping (Trustpower), Stefan Kirkwood (Powershop). Stefan attends the ERANZ Policy Committee meetings as the representative for the Retailers' Technical forum.

ERANZ Communications Advisory Group

The ERANZ Communications Advisory Group comprises of senior communications professionals within the membership to provide practical guidance and promote consistent practice and a presumption of openness, based on experience and industry knowledge.

Vena Crawley (Contact Energy), Richard Gordon (Genesis Energy), Claire Shaw (Meridian Energy)

⁴All working groups operate strictly in accordance with the requirements of the Commerce Act 1986, prohibiting anti-competitive conduct. Members are reminded to not enter into any discussions relating to commercially sensitive areas of competitive activity, including (but not limited to) prices, discounts, rebates, capacity, costs, customers, future strategy or competitive intentions.

Retailers' Technical Forum

The Retailers' Technical Forum provides a mechanism for retailers to meet and discuss issues of importance and contribute effectively to improving the design and operation of the NZ electricity and gas markets, and to promote open access and establish best practices among Retailer's and other participants. The Chair of the Forum rotates amongst members and the Forum operates under an Agreed Protocol.

Stefan Kirkwood and Kim Winstone (Powershop), Byron Weaver, Craig Young and Andrew Maseyk (Genesis Energy), Danny McManamon and Debby Abrahams (Contact Energy), Bernie Cross (Nova Energy), Helen Peacock (King Country Energy), Amy Cooper, Penny Land and Brendon Feary (Meridian Energy), Ranjesh Kumar and Monica Choy (Mercury), Stephen Kemp (Simply Energy), Mat Jonsson (Flick Electric Co.), Andrew McKenzie (Electric Kiwi), Yogesh Chand (Pulse Energy), Pamela Caird and Andrew Walker (Gas Industry), Steve Woods (Veritek), Grant Benvenuti and Ron Beatty (Electricity Authority), Howard Wood and Simon Darmody (Trustpower), Jenny Cameron (ERANZ).

Retailer Working Group on Vulnerable and Medically Dependent Customers Steering Group

The Retailer Working Group on Vulnerable and Medically Dependent Customers comprises of representatives from companies in the electricity industry that meets semi-regularly to discuss improvements to industry guidelines in relation to the services and credit arrangements to vulnerable and medically dependent customers. The Group operates under an Agreed Protocol.

James Tipping and Fiona Smith (Trustpower), Jeremy Stevenson-Wright and Victoria Parker (Genesis Energy), Jason Woolley and Alannah MacShane (Meridian Energy), Andrew Peckham (Mercury), Louise Griffin (Contact Energy), Jenny Cameron (ERANZ).

Retailer Revenue Assurance Advisory Forum

The Retailer Revenue Assurance Advisory Forum is a voluntary industry body formed to share best practice and sector developments involving management of retailer credit processes. The Chair of the Forum rotates amongst members.

Marlaina Rees, Emma Prestage and Sarah Hutchison (Meridian Energy), Debbie Anderson and Sonya Sedcole (Trustpower), Hitesh Arora (Pulse Energy), Andrew McKenzie (Electric Kiwi), Natasha Dauphin and Quentin Caddis (Nova Energy), Janet Lambarth (Contact Energy), Nikos Fairburn, Rose Mein and David Matthews (Powershop), Deirdre Costello (Mercury), Suzanne Andrew, Catherine Mace (Genesis Energy), Yogesh Chand and Shailendra Raju (Pulse Energy), Jenny Cameron (ERANZ), Jerome Chapman (EGCC), Duncan Holland (Total Risk).



OPERATIONS REVIEW

Against this background, the key achievements and activities of ERANZ and its working groups in their first year of operation are summarised in this Operations Review. This first reporting period is only for a part-year period to June 2016 given that incorporation of the Association was in August 2015, the Board held its first meeting in September 2015 and the Chief Executive was appointed in February 2016.

Work programme

The Board approved a set of strategic priorities to guide its delivery of ERANZ's purpose and objectives. These are set out in ERANZ's first Strategic Plan, developed on 5 October 2015 for the period of 3 years. An initial work programme was developed around these goals, against the backdrop of the priority activities.

Upon appointment of the Independent Chair, the Chief Executive, and new Board members, the first Strategic Plan was reviewed. A revised Plan for the first 3 year strategic period and corresponding Work Programme have been developed. The work of the establishment committee has provided a valued and robust starting point for many of ERANZ's activities moving forward.

Central to the work programme is the delivery of ERANZ's strategic priorities of evaluating market performance, providing high quality input into the regulation of the electricity sector,

building effective relationships with key stakeholders, and building a sound organisation which is able to make an enduring and differentiating contribution to the retail electricity market. To assist in understanding how the ERANZ intends addressing these, they are set out in the table below, together with a commentary on each.

As a recently established entity, the ERANZ work programme also includes a number of activities aimed at developing its own capabilities and processes. Under the leadership of the Chief Executive, ERANZ has established a small and efficient team to manage its overall work programme and to liaise with working groups and specialist advisers. Operating processes and procedures are continuing to be refined, in particular, financial controls, communications activities and policy positions.

Promote a competitive retail market

- Represent collective member interests in media
- Maintain effective relationships with stakeholders
- Develop and manage retail sector statistics

ERANZ has had to quickly develop relationships with key media, official, political and consumer stakeholders. ERANZ has represented retail sector interests in the media on issues around switching, and has proactively issued a number of media releases with good uptake.

ERANZ undertook over 65 key stakeholder meetings during the period of this Annual Report. 4 newsletters and 5 media releases were issued, as well as 2 high-profile sponsorships highlighting retailer success and innovation.

Work on collection of retail sector statistics has already been started by the Retailer Working Group on vulnerable and medically dependent customers around credit disconnection practices and numbers.

Enhance the regulatory environment

- Inform and facilitate consensus member positions on regulatory issues
- Respond to new policy proposals with clear, effective and informed views that represent member consensus
- Review and identify improvements on unsuccessful (or unnecessary) existing regulations
- Lead industry-led proactive changes to regulation

Through the work of the ERANZ Policy Committee members have constructively engaged to find consensus member positions on regulatory issues. This has proved effective in providing high-quality input to the Electricity Authority, Commerce Commission, the EGCC, and MBIE, on issues such as distribution pricing, distribution agreements, and the regulatory framework for emerging technologies. ERANZ submitted 6 high-quality submissions during the period of this Annual Report.

The involvement in these issues is well underway and will continue into the next financial year.

Encourage sustainable retailer practices

- Educate members on new regulatory responsibilities
- Identify emerging consumer and retail market trends
- Facilitate retailer best practice and industry standards with members and stakeholders
- Develop common technical resources for all retailers

A role has been identified for ERANZ in helping to ensure that new retailers are aware of all the obligations and responsibilities on the sector to conform to best practice and the legal requirements. This is work that will be undertaken in the next financial year.

There are a number of working groups that retailers belong to that identify and facilitate improvements to industry standards. ERANZ will continue to seek to work with them to support the work they do, such as in the area of Medically Dependent Customers, or electric vehicles with EECA, or future pricing options with the ENA.

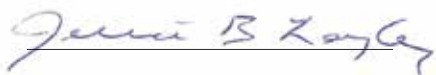


FINANCIAL STATEMENTS


Electricity Retailers' Association of New Zealand Incorporated For the year ended 30 June 2016

The Board is pleased to present the approved financial report of the Electricity Retailers' Association of New Zealand (ERANZ) for the year ended 30 June 2016.

On behalf of the Board these financial statements were approved for issue on 27 October 2016.



Jennie Langley
Chair



Neil Williams
Deputy Chair

Compilation Report and Disclaimer of Liability

Electricity Retailers' Association of New Zealand Incorporated

For the year ended 30 June 2016

Scope

On the basis of information you provided we have compiled, in accordance with Service Engagement Standard No 2: Compilation of Financial Information, the special purpose financial statements of Electricity Retailers' Association of New Zealand Incorporated for the year ended 30 June 2016. These have been prepared on the basis disclosed in note 1 to the financial statements.

Responsibilities

The Director is solely responsible for the information contained in the financial statements and has determined that the financial reporting framework used is appropriate to meet their needs and the purpose that the financial statements were prepared.

The financial statements were prepared exclusively for the Directors benefit. We do not accept responsibility to any other person for the contents of the financial statements.

No audit or review engagement undertaken

Our procedures use accounting expertise to undertake the compilation of the financial statements from information provided to us by the Director. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

Disclaimer of liability

We have compiled these financial statements based on information provided which has not been subject to an audit or review engagement. Accordingly, we do not accept any responsibility for the reliability, accuracy or completeness of the compiled financial information contained in the financial statements. Nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on these financial statements.



Director
BDO Wellington Limited
50 Customhouse Quay
Wellington

Dated: 25 October 2016

Profit and Loss

Electricity Retailers' Association of New Zealand Incorporated For the year ended 30 June 2016

	NOTES	2016
Trading Income		
Subscriptions		328,243
Total Trading Income		328,243
Gross Profit		328,243
Other Income		
Interest Income		981
Total Other Income		981
Expenses		
Accounting		16,226
Bank Fees		102
Chair/ Board Expenses		2,091
Conferences & Training		10,875
Consulting		91,628
Depreciation		1,454
Entertainment		4,540
Events and Sponsorship		18,216
General Expenses		573
Interest Expense		34
IT Services		772
Legal expenses		63,126
Media Consulting		3,300
Media Monitoring		14,305
Office Expenses		59
Printing & Stationery		4,041
Recruitment Fees		32,771
Rent		6,000
Salaries & Wages		101,693
Subscription & Membership Expenses		16,939
Travel and Accommodation		8,687
Telephone & Internet		398
Website & Design		3,236
Total Expenses		401,069
Net Profit (Loss) Before Taxation		(71,845)
Taxation and Adjustments		
Tax expense	5	274
Total Taxation and Adjustments		274
Net Profit (Loss) for the Year		(72,120)

Balance Sheet

Electricity Retailers' Association of New Zealand Incorporated

For the year ended 30 June 2016

	NOTES	30 JUN 2016
Assets		
Current assets		
Cash and short-term deposits		
Cheque Account	3	165,298
Total Cash and short-term deposits		165,298
Income tax receivable	5	49
Accounts Receivable		209,724
Total Current assets		375,071
Non current assets		
Property, plant and equipment	4	10,438
Total Non current assets		10,438
Total Assets		385,509
Liabilities		
Current liabilities		
Fees in Advance		328,243
GST payable		17,576
Accruals		11,015
Accounts payable		100,793
Total Current liabilities		457,628
Total Liabilities		457,628
Net Assets		(72,120)
Equity		
Surplus for the year		(72,120)
Total Equity		(72,120)

Notes to the Financial Statements

Electricity Retailers' Association of New Zealand Incorporated For the year ended 30 June 2016

1. Statement of Accounting Policies

Reporting entity

The financial statements presented here are for the entity Electricity Retailers' Association of New Zealand Incorporated.

Nature of business

The nature of the Incorporated Society's business has not changed during the year under review.

Basis of preparation

The Board has chosen to prepare special purpose financial reports which may not necessarily comply with generally accepted accounting practice.

Historical cost

These financial statements have been prepared on a historical cost basis.

Changes in accounting policies

There have been no changes in accounting policies.

Accounts receivable

Accounts Receivable are stated at expected realisable value, after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

Property, plant & equipment and depreciation

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Depreciation is provided at the maximum rates permitted by the Income Tax Act 2007.

The depreciation rates used are as follows:

Computer equipment 50% DV

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the asset.

Income tax

The Incorporated Society is a mutual association as determined by Inland Revenue and is not required to pay income tax.

Goods and services tax

The financial statements are stated exclusive of goods and services tax (GST) except for accounts receivable and accounts payable, which are stated inclusive of GST.

Comparative figures

No comparative figures are provided, as this is the first trading period for the Incorporated Society.

Notes to the Financial Statements

Electricity Retailers' Association of New Zealand Incorporated For the year ended 30 June 2016



	2016
2. Equity	
Retained earnings/(accumulated losses)	
Opening Balance	-
Current Year Earnings	(72,120)
Total Retained earnings/(accumulated losses)	(72,120)
Total Equity	(72,120)
	2016
3. Cash and short-term deposits	
Cash at bank and short-term deposits	
Cheque Account	165,298
Total Cash at bank and short-term deposits	165,298
	2016
4. Property, plant and equipment	
Office equipment	
Office equipment owned	11,892
Accumulated depreciation - office equipment owned	(1,454)
Total Office equipment	10,438
Total Property, plant and equipment	10,438
	2016
5. Taxation	
Taxable income	981
Taxation at 28%	275
Withholding tax paid	324
Income tax payable/(receivable)	(49)

