

# ENERGY EFFICIENCY AND CONSERVATION AUTHORITY

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2011-2012

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## ANNUAL REPORT

# HIGHLIGHTS

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2011/12 – A year of results

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The 12th EECA Awards received nearly 90 entries across the nine categories and the total value of the energy either saved or generated across all the award entries was \$600 million.



RightLight advertising material was accepted into every supermarket in the country.



The Energy Spot™ remains influential in changing people's habits and attitudes to energy use.



We reached a total of 1.3 million visits to the three EECA websites – which also got a new look; with new front pages on the EECA, EECA BUSINESS and ENERGYWISE™ sites.



63,000 homes insulated, taking the total insulation retrofits under the programme to 164,000 homes. Programme savings will allow a total of 230,000 homes to be insulated. Over \$20 million in third party funding was received to make insulation more accessible to those most in need.



ENERGY STAR® was launched for ducted heat pumps, and the ENERGY STAR specification for TVs was upgraded.



EECA BUSINESS™ brand awareness has increased from 11% to 26%. 305 energy managers from businesses were assisted with audits, implementation grants/funding and one-on-one assistance from EECA account managers during the year. A further 600 stakeholders received training.



EECA hosted the APEC Electric Vehicle Connectivity Workshop in Wellington, alongside Wellington City Council's inaugural Electric Vehicle Day.



The launch of the Vehicle Fuel Efficiency comparison tool on the ENERGYWISE website makes it easier than ever for car buyers to compare fuel economy.



The 'Energy First' commercial building design programme has been launched in Canterbury and is partly funded by EECA. The broader programme for commercial building efficiency is being launched nationwide in August 2012.



New product standards for televisions and compact fluorescent lamps were approved for adoption in New Zealand, with an estimated \$195 million in savings achieved under the programme in 2011/12, on top of total savings of \$730 million from previous years.

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## PART A

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## FROM THE CHAIR

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Everywhere in the world, including here in New Zealand, we see the impact of challenging economic times. At Energy Efficiency and Conservation Authority (EECA), we are examining our programmes to improve efficiency and effectiveness, making sure that we deliver great value from the public money that is being spent.

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Our home insulation and heating programme, Warm Up New Zealand: Heat Smart, has delivered more than 164,000 insulation retrofits over the last three years, ahead of target and under the planned budget.

Government has elected to reinvest the savings we have made into more retrofits with a new target of 230,000 insulation retrofits, 40,000 more than planned from the original four-year budget.

Our aim is to embed the value of a warm, dry, energy efficient home in the psyche of New Zealanders. Insulation is the foundation of this kind of home. Achieving this change means believing that it is not acceptable for our children to grow up, or our parents to grow old, in a cold, damp home.

A well-insulated house should be the norm – not the exception. Market research suggests that insulation and energy efficiency are becoming top of mind for many buyers. EECA's advertising and promotion campaigns have helped New Zealanders to understand the health and wellbeing benefits of a warm, dry home. Now we need to make it easy for home buyers to find out how energy efficient a house is, and to help home owners prioritise the most effective measures for a warm, dry home, when they are undertaking renovations.

Our next big challenge is to achieve a similar mind-shift in many businesses to make energy efficiency and its multiple benefits more central to business strategy and development.

We want to help businesses recognise strong links from energy management and efficiency as being good business and management practice that enable business performance and profits. Better energy management and efficiency also brings other benefits: improved management systems and processes; low-carbon branding for exports; improved reputation and customer relations; demonstrated leadership; and staff motivation – as well as cost savings. These combined benefits are greater and more strategic than simply reducing the input costs of energy.

Better energy efficiency, especially in transport, can also deliver significant reductions in carbon emissions. EECA will be focusing on carbon-intensive aspects of business – especially transport and process heat – to secure the greatest carbon reductions as well as the cost savings and other benefits of energy efficiency.

EECA staff and programmes have delivered great benefits and value for money through Warm Up New Zealand: Heat Smart. We look forward to continuing that in working more with businesses.



**Dr Andy Pearce**  
CHAIR

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**A WELL-INSULATED HOUSE SHOULD BE THE NORM – NOT THE EXCEPTION. MARKET RESEARCH SUGGESTS THAT INSULATION AND ENERGY EFFICIENCY ARE BECOMING TOP OF MIND FOR MANY BUYERS.**

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# THE BOARD

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**Dr Andy Pearce**  
CHAIR  
Appointed Chair  
August 2011



**Marion Cowden**  
DEPUTY CHAIR  
Appointed Deputy Chair  
August 2011



**Mervyn English**  
Appointed  
December 2010



**Terrence Currie**  
Appointed  
December 2010



**Mark Oldfield**  
Appointed  
December 2010

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**WE ARE EXAMINING OUR PROGRAMMES TO IMPROVE EFFICIENCY  
AND EFFECTIVENESS, MAKING SURE THAT WE DELIVER GREAT  
VALUE FROM THE PUBLIC MONEY THAT IS BEING SPENT.**

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**Liz Tanielu**  
Appointed  
August 2011



**Janet Carson**  
Appointed  
August 2011

# ROLE AND GOVERNANCE

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EECA encourages, supports and promotes energy efficiency, energy conservation and the use of renewable sources of energy at home, at work and on the road.

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EECA is a Crown entity, established under the Energy Efficiency and Conservation Act 2000 and is subject to the Crown Entities Act 2004. It is governed by a Board of seven members with experience in energy, commerce, local government, the public sector and science and technology. The Board reports to the Minister of Energy and Resources.

## STRATEGY

The revised New Zealand Energy Strategy (NZES) and the New Zealand Energy Efficiency and Conservation Strategy (NZECS) were published in August 2011.

NZECS reinforces the Government's commitment to the efficient use of energy, energy conservation and to developing renewable energy resources. The strategies focus on making the most of our energy potential to support economic growth and underpin EECA objectives to improve security of supply, productivity and health outcomes for New Zealand.

## GOVERNANCE

The members of the Authority (the Board) are appointed by the Minister of Energy and Resources. Members hold office for a term of three years and may be reappointed.

In August 2011 Dr Andy Pearce was appointed Chair to replace Roger Sutton, and Marion Cowden was appointed Deputy Chair. In the same month Janet Carson and Liz Tanielu were also appointed to the Board.

The Board normally meets on a monthly basis, and on other occasions when necessary. It has established two committees, Risk and Audit, and Remuneration. Further details on committees, fees and other relevant information is contained in Part B of this report.

The Board is guided by a Charter in which the Board has committed itself to governing with an emphasis on:

- » outward vision
- » pro-activity
- » future as well as present focus
- » strategic leadership.

The Board encourages a diversity of opinions and views and seeks to instil a sense of group participation and collective responsibility. It pays close attention to achieving a high level of governance excellence.

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**THE STRATEGIES FOCUS ON MAKING THE MOST OF OUR ENERGY POTENTIAL TO SUPPORT ECONOMIC GROWTH AND UNDERPIN EECA OBJECTIVES TO IMPROVE SECURITY OF SUPPLY, PRODUCTIVITY AND HEALTH OUTCOMES FOR NEW ZEALAND.**

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# NEW ZEALAND'S ENERGY EFFICIENCY JOURNEY

Are we getting more efficient in our use of energy? EECA's research indicates that we are. Measures tracking energy intensity (the amount of energy used for each unit of GDP) over a 20-year period show most sectors are producing more for the same energy input.

## BUSINESS

Energy intensity fell in all business sectors compared to 1990 except for the wood and wood products sector and mining. The greatest reduction was in the manufacture of minerals such as cement, lime and ceramics, which fell by a third.

This trend indicates a general improvement in energy use in this diverse sector. Overall, its rate of intensity improvement since 1990 is close to the total national consumer energy of intensity change  $-1.3\% \text{ pa}^1$ .

## RESIDENTIAL

Residential consumers are using less energy per household square metre, thanks to a combination of factors: higher awareness of household energy use, using electricity instead of wood or coal, improved appliance and heating technologies and increasing energy prices.

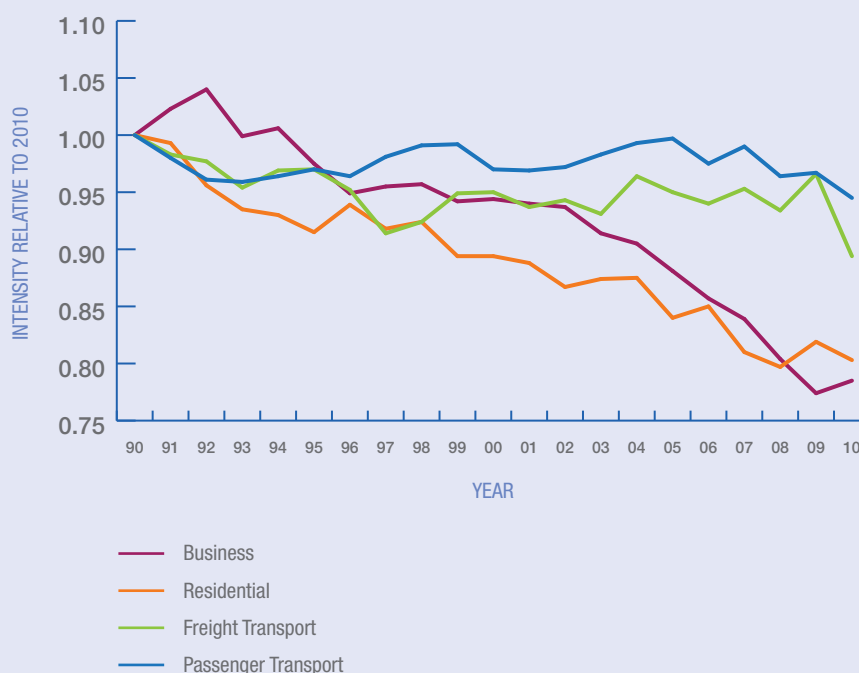
## TRANSPORT

The energy intensity of freight transport has fallen since 1990 primarily due to better technology and operational efficiencies in road freight, the dominant form of freight transport. Rail freight experienced a proportionately greater reduction in intensity but its contribution to energy savings was limited by its small share of the freight market.

Virtually all the reduction in energy intensity of passenger transport was due to improvements in load factors and operational and technical efficiencies in air transport.

### ENERGY INTENSITIES

FIGURE 1. ENERGY INTENSITIES HAVE FALLEN IN ALL PRINCIPAL ENERGY SECTORS SINCE 1990. THIS HAS BEEN MOST PRONOUNCED IN THE BUSINESS SECTOR, WHERE ASSOCIATED ENERGY SAVINGS WERE GREATEST IN COMMERCIAL AND AGRICULTURE, AND IN THE RESIDENTIAL SECTOR. RESIDENTIAL ENERGY INTENSITIES HAVE FALLEN DUE TO HIGHER CONSUMER AWARENESS AND IMPROVING HOUSING STOCK AND APPLIANCES. IMPROVING TRANSPORT ENERGY INTENSITIES WERE LED BY AIR IN PASSENGER TRANSPORT AND ROAD IN FREIGHT TRANSPORT.



<sup>1</sup> As noted in NZEECS.

## FROM THE CHIEF EXECUTIVE

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EECA prides itself on being an agency that delivers; our work on energy efficiency, energy conservation and renewable energy contributes directly to improving the lives of New Zealanders, our economy and our environment.

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While we are confident in the impact we are making, we know that in tight economic times we must not only spend taxpayer dollars prudently but also clearly demonstrate that we are doing so, by showing the benefits that will flow from the programmes we pursue.

This year, the results speak for themselves.

In the residential sector, more than 63,000 New Zealand homes have been insulated. An independent report on the Warm Up New Zealand: Heat Smart programme has found that for every \$1 invested, more than \$5 of benefits will result. These benefits include reduced medical costs and longer life expectancy as well as lower heating costs.

In the products sector, EECA has focused on growing the number of the products and appliances included in our programme, and improving our processes to manage this growth. Overall, standards and labelling since 2002 have saved consumers more than an estimated 15 PJ, or \$900 million.

In the business sector, EECA's programmes are helping businesses to become more energy efficient and to save money. However, the benefits are greater than that; a closer look at energy management often goes hand-in-hand with wider business transformation. Air New Zealand – the Supreme winner at the EECA Awards this year – is a great example of an airline that is renowned for its innovation, inclusive staffing practices and ability to turn a profit in a highly competitive sector; excellence in energy management is part and parcel of that approach. In the coming year EECA will work harder at capturing the attention of key influencers – CEOs, CFOs and other senior managers – to ensure that the value of energy efficiency is recognised at the 'top table' of New Zealand business.

EECA's work is influencing decisions made across the economy, from buying, building or renovating a house, investing in new appliances, buying a car, driving a car or operating a business.

Our work focuses on both encouraging and capitalising on technology changes, as well as inspiring a long term change in attitudes and habits among energy users. It is the combination of the two that will deliver the biggest gains for New Zealand.

EECA spent \$120 million this year on achieving these objectives. In addition, we made use of more than \$20 million of third party funding to help our Warm Up New Zealand: Heat Smart programme, a further \$1.8 million in marketing and promotions from insulation and heating partners, \$1 million by ENERGY STAR partners and an estimated \$195 million worth of benefit from being involved in the Trans Tasman E3 programme. We will always achieve far greater results when we take a collective approach to encouraging energy efficiency – not only because it ensures government money goes further, but also because our collective expertise ensures we reap the biggest rewards for our efforts.

EECA continues to pay attention to the situation in Canterbury. We are making sure our programmes are contributing to the rebuild, and we are ready to grasp opportunities to make a difference to the regeneration of the city and surrounding region.

Finally, I would like to thank all EECA staff for their passion and dedication to helping New Zealand become more energy efficient. Many of them went well beyond the call of normal duty in the past year, and I want to acknowledge their efforts.



**Mike Underhill**  
CHIEF EXECUTIVE

# THE MANAGEMENT TEAM

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**Mike Underhill**  
CHIEF EXECUTIVE



**Ian Horne**  
GENERAL MANAGER  
CORPORATE SERVICES  
GROUP



**Murray Bell**  
MANAGER GOVERNMENT  
RELATIONS & STRATEGY



**Robert Linterman**  
GENERAL MANAGER  
RESIDENTIAL



**Terry Collins**  
GENERAL MANAGER  
PRODUCTS



**Pat Murray**  
GENERAL MANAGER  
MARKETING &  
COMMUNICATIONS

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I WOULD LIKE TO THANK ALL EECA STAFF FOR THEIR  
PASSION AND DEDICATION TO HELPING NEW ZEALAND  
BECOME MORE ENERGY EFFICIENT. MIKE UNDERHILL

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**Ian Niven**  
GENERAL MANAGER  
BUSINESS



**Fiona Weightman**  
MANAGER  
CAPABILITY &  
PERFORMANCE

# RESIDENTIAL

The activities undertaken in residential contribute to the following outcomes:

- » Warm, dry energy efficient homes with improved air quality to reduce ill health and lost productivity.
- » Better consumer information to inform energy choices – awareness leads to action, greater understanding and better choices by consumers.

## WARM UP NEW ZEALAND: HEAT SMART

More than 164,000 New Zealand homes are now warmer and drier thanks to the Government’s insulation and clean heating programme, Warm Up New Zealand: Heat Smart.

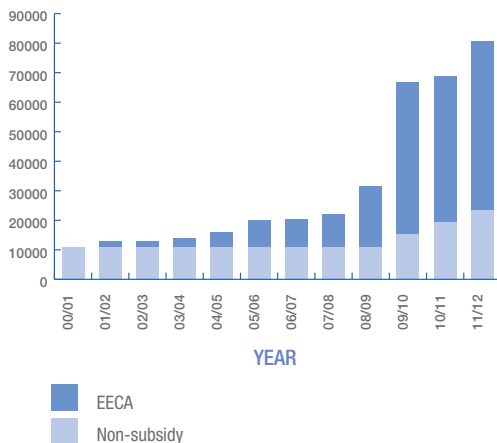
Demand for the programme has remained high and we have funded more retrofits than forecast this year, at a lower cost than budgeted for. As a result, the Government has been able to reinvest the savings to extend the programme to insulate 41,000 more homes.

Safety and quality are the cornerstones of our programme and have remained a priority for us again this year. We work closely with our service providers to ensure that all insulation and heaters are installed according to standard. Our comprehensive quality control regime ensures that home owners are getting a good job and the most value for their investment.

### Building on our success

### EECA IMPROVEMENTS TO THE HOUSING STOCK

FIGURE 2. MORE NEW ZEALAND HOMES ARE BEING RETROFITTED WITH INSULATION THAN EVER BEFORE, AS A RESULT OF WARM UP NEW ZEALAND: HEAT SMART, WHICH STARTED IN 2009.



## MAKING A DIFFERENCE: VALUE FOR MONEY

The effectiveness of the programme has been quantified in a series of reports commissioned by the Ministry of Economic Development, (now the Ministry of Business, Innovation and Employment). These concluded that the national benefits of the insulation component of the programme outweigh the costs by a ratio of 5 to 1. The benefits include improved health resulting in reduced medical costs, and reduced time off work and school, increasing productivity. The reports indicated that the greater benefits came from installing insulation, and especially in low-income homes.

**\$1 = \$5 BENEFITS**

**Creating willingness to insulate.** EECA’s information campaigns work to demonstrate the value of insulation to New Zealanders so they will choose to invest in it. Research shows we succeeded in creating a ‘pipeline’ of more than four people who were willing to install insulation and were aware of funding available, for every one general income grant available.



# WARM UP NEW ZEALAND: HEAT SMART THIRD PARTY FUNDERS 2011/12

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EECA wants to thank its partners for their contribution to Warm Up New Zealand: Heat Smart.

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The effectiveness of the programme is boosted by funding from third parties, such as trusts, charities and district health boards. These groups make a huge difference by investing additional funding to help low income households, especially those with particular needs such as asthma, enjoy the benefits of a warmer, drier home at little or no extra cost. More than \$20 million of third party funding is in place to support insulation provision to needy households.

ASB Community Trust	Meridian Energy
Auckland Council	New Plymouth District Council
Auckland District Health Board	Northland District Health Board
Aurora Energy Limited	Northpower
Autex Industries Limited	OMV New Zealand Limited
Bunnings Limited	Orion New Zealand Limited
Canterbury Community Trust	Otago Regional Council
Canterbury District Health Board	Papakura District Council
Capital & Coast District Health Board	Partnership Health Canterbury
Central Energy Trust	Peak Health Taranaki
Central Lakes Trust	PowerNet Limited
Community Trust of Southland	Procure Limited
Counties Manukau District Health Board	Right House Limited
Cozy Kiwi Charitable Trust	Rotorua Energy Charitable Trust
Dunedin City Council	South Auckland Health Foundation
Eastern and Central Community Trust	South Canterbury District Health Board
Eastern Bay Energy Trust	Southern Primary Health Organisation
Eastland Community Trust	Southland District Health Board
Electricity Invercargill Limited	Southland Electric Power Board
Environment Southland	Sustainability Trust
Gore District Council	Tainui Holdings
Hawke's Bay District Health Board	Taranaki District Health Board
Hawke's Bay Power Consumer Trust	Taranaki Electricity Trust
Hokianga Health	Tauranga Energy Consumer Trust
Hutt Mana Charitable Trust	Te Tai Tokerau Primary Health Organisation
Hutt Valley District Health Board	The Eco Charitable Trust
ILT Foundation	Top Energy
Invercargill City Council	Tuwharetoa Settlement Trust
JR MacKenzie Trust	WEL Networks
Kaipara Care	Wellington City Council
Knauf Insulation Limited	Whanganui Regional Primary Health Organisation
Lines Trust South Canterbury	Whangaroa Primary Health Organisation
MainPower New Zealand Limited	
Manaia Health Primary Health Organisation	
Manukau City Council	
Masterton District Council	

## EFFICIENT LIGHTING

Lighting makes up 8% of household energy use and as they are mostly used in winter and in the evening, switching to more efficient bulbs offers an easy way to reduce New Zealand's peak electricity use and save on individual power bills.

The RightLight programme, funded through the electricity levy, helps consumers choose efficient alternatives such as compact fluorescent lamps (CFLs), light emitting diodes (LEDs) and efficient halogens, to replace frequently used incandescent bulbs. As most consumers make their final decision at the point of sale, a key part of this marketing campaign focuses on advertising and staff education in supermarkets and DIY stores.

By introducing minimum energy performance standards for CFLs, EECA is helping to address concerns around the quality and performance of some bulbs. The new standard aims to give consumers more confidence in CFLs by setting requirements for energy performance, light quality and lamp durability, maximum mercury levels and required packaging information, among other things.

LEDs are the next frontier of energy efficient lighting. Recognising this, EECA has introduced ENERGY STAR for LEDs, setting the standard so consumers can identify the bulbs that will perform best. Currently only one brand of LED is ENERGY STAR-qualified, but this is likely to grow as the market matures.

## EFFICIENT WATER HEATING

More than 2,300 New Zealand homes received efficient water heating incentives this year. However, as part of a reprioritisation of funding that took place in Budget 2012, EECA will no longer provide grants for solar and heat pump water heating. New Zealand is able to generate the majority of its electricity from renewable resources, making it less crucial for the Government to financially support renewable energy at a household level. EECA will focus instead on providing information to help home owners choose the best efficient water heating system for their needs.

EECA has worked with the solar water heating industry for a number of years, and has used grants to leverage improvements in product and installation quality.

Water heating makes up a significant portion of household energy use, and offers a variety of options for savings, from very simple and cost-effective behaviour changes (fixing dripping taps, cold water clothes washes, shorter showers), to more expensive renewable energy options. We will continue to work with all market participants – including the heat pump water heating and gas industries – to encourage the uptake of cost-effective and good quality environmentally-friendly technologies.

INSULATING OUR  
HOMES MEANS  
BELIEVING THAT IT IS  
NOT ACCEPTABLE FOR  
OUR CHILDREN TO GROW  
UP, OR OUR PARENTS TO  
GROW OLD IN A COLD,  
DAMP HOME.



## EFFICIENT DRIVING AND RENEWABLE FUELS

Transport is New Zealand's single biggest source of energy-related greenhouse gas emissions and paying the monthly fuel bill can represent a significant cost for many households. EECA focuses on encouraging people to buy the most efficient car that fits their needs, and on driving in a way that saves fuel.

### Vehicle fuel economy labelling

The fuel consumption of vehicles can vary greatly, even between cars of a similar size. In New Zealand, the average age of a car is now nearly 13 years<sup>2</sup> so when it comes time to buy a new one, it is critical to influence the purchase decision and lock in fuel savings for years to come.

The vehicle fuel economy label displayed on cars for sale gives vehicle buyers the chance to compare the ongoing running costs of vehicles. Making sure it is displayed is one of EECA's tasks – we have reached 97% compliance rates for franchise dealerships and 79% compliance rates at used car dealers.

Visitors to EECA's ENERGYWISE website can now also take advantage of an interactive tool that allows them to check out the relative fuel efficiency of cars they are interested in. The tool has proved hugely popular with nearly 25,000 visits in the first three months.

IN DECEMBER 2011, EECA'S ENERGYWISE CREW, ALONG WITH THE ENERGY SPOT'S JARED TURNER, TEAMED UP WITH Z ENERGY TO ENCOURAGE AUCKLAND MOTORISTS TO KEEP THEIR TYRES PUMPED UP TO SAVE FUEL AND BE SAFE ON THE ROADS. JUST UNDER 100 CARS WERE CHECKED AND HALF OF THOSE NEEDED TO HAVE THEIR TYRES INFLATED TO THE CORRECT PRESSURE. EECA ESTIMATES THAT DRIVERS CAN SAVE AS MUCH AS 16 CENTS PER LITRE OF PETROL BY MAKING SURE TYRES ARE CORRECTLY INFLATED.



## MAKING A DIFFERENCE: INSPIRING ACTION

Customer surveys show 50% of purchase decisions are influenced by the vehicle fuel economy label.



Simple measures such as pumping up tyres and driving smoothly can save on fuel. EECA promotes these actions to drivers through our website and information campaigns such as The Energy Spot.

<sup>2</sup> Source: Ministry of Transport, The New Zealand Vehicle Fleet Annual Fleet Statistics 2011.

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### Electric vehicles

New Zealand's highly renewable electricity supply, typical two-car family ownership and relatively short daily commuting distances mean that electric vehicles – even with current range limitations – could provide a suitable, low-carbon option for transport around town.

The main barrier to their uptake remains the high capital cost. Until this comes down, electric vehicles are unlikely to become a common sight on New Zealand roads. Meanwhile, EECA is tackling other barriers to uptake. We have provided guidance to manufacturers and importers on how to standardise wiring and plugs, and worked with the industry to develop a vehicle fuel economy label for electric vehicles. EECA has also supported an electric vehicle trial in Wellington, and is leading a research project into electric vehicle connectivity, and the standards and regulations that affect them.

The project, carried out on behalf of APEC, meant that EECA hosted APEC representatives from nine economies in Wellington in June for the 38th meeting of the Expert Group on New and Renewable Energy Technology. A workshop held alongside the meeting attracted nearly 100 people.



MINISTER OF ENERGY  
AND RESOURCES  
PHIL HEATLEY INSPECTS  
AN ELECTRIC VEHICLE ON  
DISPLAY AT TE PAPA.

### INFORMATION

Good, reliable, independent information is a key part of encouraging New Zealanders to engage in energy efficiency, and people are increasingly heading in our direction to find this. A key part of our job is to raise awareness of the benefits of energy efficiency and the programmes we offer to help people make changes.

The Energy Spot information campaign, which offers tips and advice on energy saving to households and businesses, is the high-profile platform EECA uses to raise awareness and interest in energy efficiency. This is supported by other information channels, notably our three websites. This year, we exceeded one million visits to our three websites – EECA, ENERGYWISE and EECA BUSINESS.

EECA is also reaching out to social media as a cost-effective and appealing way of engaging with audiences. The ENERGYWISE Facebook site and business-focused Twitter account are gaining in popularity.

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### MAKING A DIFFERENCE: SPREADING THE WORD

The Energy Spot. After nearly three years on air, 64% of adult New Zealanders have seen The Energy Spot, and 42% of them have taken action. This equates to 26% of all New Zealanders.

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**26%**  
OF NZERS  
HAVE TAKEN  
ACTION

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# BUSINESS

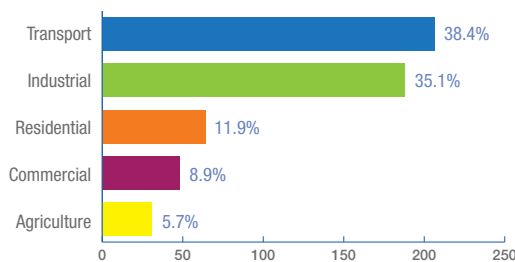
The activities undertaken in business contribute to the following outcomes:

- » Enhanced business growth and competitiveness from energy productivity investment.
- » Greater value for money from the public sector through increased energy efficiency.
- » A more energy efficient transport system with a greater diversity of fuels and renewable energy technologies.
- » An efficient, renewable electricity system supporting New Zealand's global competitiveness.

Our work in the business sector focuses on helping New Zealand's companies identify the many energy efficiency opportunities that exist for them – whether it is greater use of renewable energy, changing technologies, changing behaviours or improving their transport fleet.

EECA is increasing its focus on the opportunities for saving energy that are available in the non-residential sector. This is because the industrial and commercial energy sectors together use a very significant portion of New Zealand's energy, while transport is the single biggest sector, as shown in Figure 3.

**TOTAL CONSUMER ENERGY BY SECTOR FOR 2011 (GROSS PJ)**



**FIGURE 3. THE TRANSPORT AND INDUSTRIAL SECTORS ARE THE BIGGEST ENERGY USERS.**

Securing savings in these sectors means we can help New Zealand businesses reduce costs, but it can do more than that. Better energy management also contributes to lower carbon emissions, better brand, reputation and customer relations, and can act as a catalyst for widespread and fundamental improvement of the way a business operates.

EECA BUSINESS offers information and advice for all businesses and has specific programmes focused in the areas of commercial buildings, industrial energy use and heavy transport.

## BUSINESS TRANSPORT

Every year, around 36% of the oil the country uses goes on heavy road transport, equal to around \$2.6 billion, yet there is ample opportunity to make savings – with very little investment cost.

The new EECA BUSINESS programme for efficient business transport targets heavy fleets which are the biggest users of fuel on the road.

Research indicates that fuel savings of 10% or more are achievable through improved fleet management systems, driver training, vehicle maintenance and other well-established practices. However, most fleets do not have the skills or knowledge required to realise these savings, resulting in a low level of uptake.

Part of the appeal for the road freight industry – and for government agencies such as ACC – is that a focus on fuel efficiency improves road safety as well.

The heavy vehicle fleet programme, which has been developed this year, was launched in July 2012.



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## COMMERCIAL BUILDINGS

Commercial buildings offer an excellent opportunity to lock in energy savings for an extended time period. Over \$2 billion is spent on energy in this sector each year. EECA BUSINESS programmes for commercial buildings allows for interventions at several stages through the process – design, building, commissioning and operational use – in order to capture the maximum amount of savings.

With the Christchurch rebuild about to get underway it is an excellent time to encourage architects, engineers and developers to build and retrofit structures that will have a lighter energy and environmental impact for years to come.

The first stage of the programme has been launched in Canterbury as ‘Energy First’, a partly EECA-funded version of the concept stage design programme. The programme is being launched nationwide in August 2012.

The next step is to be able to rate and benchmark the actual energy use of a commercial building. This year, EECA’s Board agreed to introduce the Australian commercial building energy rating system NABERS to New Zealand. EECA is working with a number of partners to see this adapted to New Zealand requirements before being rolled out.

This year we also launched funding for energy management plans. This programme aims to ensure that savings identified as part of an audit are actually captured.

Energy management plans – which are available for both commercial and industrial businesses – put in place a comprehensive process, where an accredited service provider stays with the business through the process from audit to developing a signed-off business case for implementation.

This approach will mean that recommendations are carried out, not just identified and then left to sit on the shelf.

Also of relevance to the Canterbury rebuild is Build Back Smarter – a Public Private Partnership pilot which is developing a process map of how to include energy efficiency and sustainability improvements in the Christchurch rebuild.

## LIGHTING

Lighting makes up a significant portion of electricity used in commercial buildings. Lighting controls – ranging from simple timers to sophisticated software – can lock in easy savings. For example, the use of ‘on/off’ controls triggered by motion, or dimming controls triggered by natural light, can reduce electricity consumption by between 20% and 50%.

This year EECA BUSINESS launched a subsidy programme for lighting controls – coupled with training seminars – which is encouraging businesses to invest in the technology that will save them money long term.



*Automatic lighting sensors and controls were part of the energy-saving measures that helped PAK'nSAVE Whanganui save around 40% on its energy bill, and win the award for SMEs at the EECA Awards 2012.*

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## MAKING A DIFFERENCE: GETTING PROJECTS OFF THE GROUND

This year 88 efficiency or audit projects for commercial buildings were initiated with the potential to deliver 262 gigawatt hours in savings over 10 years.

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**88** COMMERCIAL  
BUILDING  
EFFICIENCY  
PROJECTS  
UNDERWAY

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## INDUSTRIAL SECTOR

Energy can be a significant business cost for companies running industrial processes. EECA BUSINESS has programmes to support energy saving in motors, motorised systems and process heat, where the largest energy-saving potential is typically found.

EECA's aim is to upskill the energy management industry in order to drive the uptake of services that reduce energy use.

EECA BUSINESS has also approached the market through established industry networks. This approach has enabled us to identify common energy-saving opportunities across specific sectors and offer solutions that result in the biggest gains. For example, a programme aimed at the dairy industry recognised the opportunity to utilise heat recovery systems to take heat from cooling milk and use it to contribute to hot water needed for cleaning dairy sheds. This use of energy saving technology could be applicable to the majority of the 11,500 dairy sheds in New Zealand.

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## MAKING A DIFFERENCE: CAPABILITY BUILDING

More than 200 service providers, maintenance staff and managers have been trained this year, to better deliver energy savings in motor systems and process heat. In addition EECA BUSINESS funded 95 projects involving process heat or motorised systems.

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## RENEWABLE ENERGY

Biomass is the main focus of EECA's renewable energy programme for business. Switching from fossil fuels like coal or diesel to a renewable fuel like wood reduces carbon dioxide (CO<sub>2</sub>) emissions, can save money and can even boost the local economy.

For example, installing a wood boiler at its new aquatic centre is set to save the Timaru District Council \$90,000 and avoid 205 tonnes of CO<sub>2</sub> a year. Wood chips are locally sourced and supplied.

On a larger scale, district renewable energy schemes can provide heat and/or electricity for a wider business or residential community. The rebuild of Christchurch's central city offers an opportunity for such a scheme to be put in place, to provide renewable energy from biomass.

In 2011/12, EECA part-funded a major study which identified that a District Energy Scheme using renewable fuel could deliver clean, low-cost and efficient energy to the CBD rebuild.

## INFORMATION AND PUBLICITY – EECA AWARDS

EECA BUSINESS aims to lift energy management up the list of priorities for business leaders, and demonstrate the value that comes from a focus on better energy use.

What better way to do that than to celebrate business success in energy management?

This year the EECA Awards, held in Auckland, attracted nearly 90 entries, came up with 26 finalists and awarded 10 businesses and organisations – including the supreme winner, Air New Zealand.

The finalists and winners were a diverse mix of businesses, highlighting that energy management opportunities exist no matter what the sector or company size.

Finalists included a scheme to insulate the entire township of Foxton; a bank that reduced electricity use by 23% and greenhouse gas emissions by 30%; a motel with an innovative solution to tap into geothermal heat; the largest coal to wood pellet conversion in the Southern Hemisphere; a truck running on landfill biogas; and a family-run hydro electricity scheme built on an old Otago gold mine cut.

Businesses love to learn from other businesses, so by sharing their stories of success with the world we will inspire other businesses to follow suit.

Publicity generated by the Awards made it into multiple publications across the country, and provides ongoing opportunities to promote good practice.

Across all entrants in the 2012 EECA Awards, the value of energy saved or generated over the life of the projects is \$600 million, and the total CO<sub>2</sub> emissions reduced or avoided is 1.7 million tonnes.



TE RADAR PRESENTS THE  
2012 EECA AWARDS.

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**\$600**  
**MILLION WORTH**  
**OF ENERGY SAVED BY**  
**EECA AWARD ENTRANTS**

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THIS YEAR SAW WET-NZ'S  
WAVE DEVICE, FUNDED  
THROUGH AN EARLIER  
ROUND OF THE MARINE  
DEPLOYMENT FUND,  
MAKE IT INTO THE WATER  
AT MOA POINT.

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## INFORMATION

We have worked on improving the EECA BUSINESS website this year, to provide a useful channel for businesses seeking ways to improve their energy use.

We also produced a number of business-related publications, including a guide for schools on replacing boilers.

## BIODIESEL GRANTS SCHEME

A three-year grants scheme that aimed to kickstart the biodiesel industry in New Zealand came to an end this year. Although production volumes of biodiesel grew over the period, and a number of businesses started using the fuel, it did not manage to firmly establish first generation biodiesel blends as a common alternative.

The Government recognises the shortcomings of first generation biofuels and intends to focus more on research into second generation, or advanced biofuels.

## MARINE ENERGY DEPLOYMENT FUND

The fourth and final round of this fund was awarded this year to a number of projects including Wave Energy Technology New Zealand Ltd (WET-NZ) for the installation of a cable at WET-NZ's Moa Point Test Site on Wellington's south coast.



# PRODUCTS

The activities undertaken in products contribute to the following outcome:

- » Reduced energy use and costs through business and consumer uptake of energy efficient products.

EECA does this by both providing information to encourage the uptake of more efficient products and appliances, and using standards to lift the performance of products available to consumers. We work with Australia to harmonise standards where possible, for the most effective result.

## MINIMUM ENERGY PERFORMANCE STANDARDS AND LABELLING

The products programme uses a combination minimum energy performance standards (MEPs) and labelling. MEPs ensures that the worst-performing appliances don't make it to New Zealand stores, and labelling (mandatory

energy performance labelling) gives consumers the information they need to choose a more energy efficient product.

MEPs and labelling standards are now in place for more than 18 product classes and work continues to introduce standards for new products, and upgrade existing standards.

Two new measures introduced this year that promise to save New Zealanders significant energy over time are standards for televisions and compact fluorescent lamps (CFLs) (see Residential section for more information on CFLs).

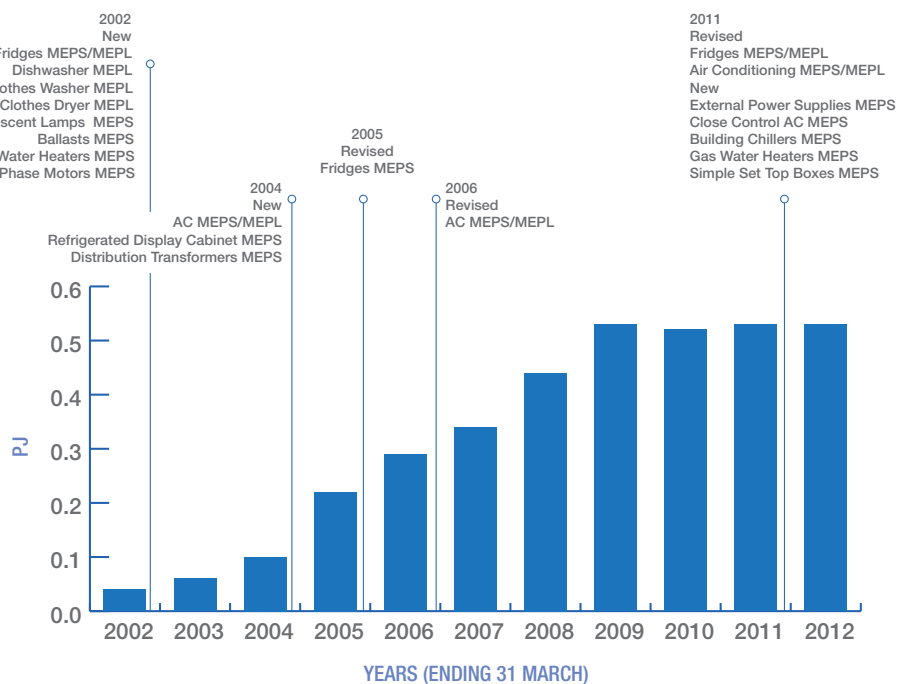
With the typical New Zealand household now buying more and bigger televisions, this product is using a larger share of the household

electricity bill. More than half a million televisions were sold in New Zealand last year. With the switch to digital television taking place in New Zealand this year, along with the Olympic Games, these came at a time where New Zealanders are likely to be buying new televisions. This compliments standards introduced for full set top boxes last year.



### COST-EFFECTIVE SAVINGS THAT BUILD

FIGURE 4. THE TABLE SHOWS SAVINGS MADE FROM SALES OF PRODUCTS IN THAT YEAR WHICH WERE INFLUENCED BY THE EECA PRODUCTS PROGRAMME. TO DATE, CONSUMERS HAVE SAVED MORE THAN 15 PJ AS A RESULT OF THE PROGRAMME – WORTH OVER \$900 MILLION TO THE ECONOMY.



Total PJ saved for units sold in year

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## ENERGY STAR

ENERGY STAR is New Zealand's mark of energy efficiency. Typically awarded to the top 25% most energy efficient appliances and products in a range of categories, it allows consumers to easily identify the products with the lowest running costs.

This year ENERGY STAR was introduced for ducted heat pumps and LED lamps, and the specification for televisions was upgraded.

EECA works to maintain and build consumer awareness of the ENERGY STAR brand.

We do this by encouraging retail partners to display the brand and use it in advertising.

This year we improved our website with more interactive information to help people see the range of ENERGY STAR products available, and also signed an agreement to include ENERGY STAR and energy rating labels on PriceMe website, a consumer site where many people go to compare prices.

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## MAKING A DIFFERENCE: DRIVING AWARENESS TO ENCOURAGE ACTION

EECA's research shows that brand awareness continues to be high, at 78%. Our challenge is to build understanding of the brand, as research indicates more people would take action if they had a better understanding.

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**78%**  
AWARENESS OF  
ENERGY  
STAR

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## **PART B**

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# STATEMENT OF RESPONSIBILITY

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In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the Energy Efficiency and Conservation Authority's financial statements and the statement of service performance and for the judgements made in them.

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The Board of the Energy Efficiency and Conservation Authority has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion these financial statements and statement of service performance fairly reflect the financial position and operations of the Energy Efficiency and Conservation Authority for the year ended 30 June 2012.

Signed on behalf of the Board:



Dr Andy Pearce  
**Chair**



Marion Cowden  
**Chair of Risk and Audit Committee**

## Independent Auditor's Report

### To the readers of Energy Efficiency and Conservation Authority's financial statements and statement of service performance for the year ended 30 June 2012

The Auditor-General is the auditor of the Energy Efficiency and Conservation Authority (EECA). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of EECA on her behalf.

We have audited:

- the financial statements of EECA on pages 38 to 62, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of EECA on pages 26 to 36.

### Opinion

In our opinion:

- the financial statements of EECA on pages 38 to 62:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect EECA's:
    - financial position as at 30 June 2012; and
    - financial performance and cash flows for the year ended on that date.
- the statement of service performance of EECA on pages 26 to 36:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects, for each class of outputs for the year ended 30 June 2012, EECA's:
    - service performance compared with the forecasts in the statement of forecast service performance for the financial year; and

- actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 10 September 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

## **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of EECA's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of EECA's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of the Board

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect EECA's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Energy Efficiency and Conservation Act 2000.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in EECA.



C S Ramoo  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of the Energy Efficiency and Conservation Authority (EECA) for the year ended 30 June 2012 included on EECA's website. EECA's Board is responsible for the maintenance and integrity of EECA's website. We have not been engaged to report on the integrity of EECA's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 10 September 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# STATEMENT OF SERVICE PERFORMANCE

## RESIDENTIAL

### Outcomes

Warm, dry and energy efficient homes with improved air quality to reduce ill-health and lost productivity.

Better consumer information to inform energy choices – awareness leads to action, greater understanding and better choices by consumers.

### Outputs include:

- » Grants for retrofitting insulation and installation of efficient heating devices
- » Grants for decommissioning non-compliant heaters in areas of poor air quality<sup>3</sup>
- » Grants for Ratana community housing repairs for overall safety and energy efficiency
- » ENERGYWISE information campaign for consumers

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<p><b>Grants for retrofitting insulation and installation of clean heaters</b></p> <p>Delivery of a grants programme achieving the following:</p> <ul style="list-style-type: none"> <li>• At least 20,000 grants allocated to houses owned or occupied by community service card (CSC) holders and at least 37,000 grants allocated to other households for the installation of energy efficiency measures totalling up to \$64.4 million.</li> </ul>	<p>A total of 63,300 houses were retrofitted with insulation this year bringing total insulation retrofits under this programme to 164,000 houses.</p>	
<ul style="list-style-type: none"> <li>• Up to 10,000 grants allocated for clean and efficient heaters totalling up to \$7.5 million – 5,000 each for CSC and general-income houses.</li> </ul>	<p>Insulation grants were allocated to: 24,500 low-income homes and 38,800 general-income homes.</p> <p>Insulation grant costs were \$77.5 million due to the delivery of more low-income houses. The multi-year appropriation allows funding to be brought forward from next year.</p>	Achieved
<ul style="list-style-type: none"> <li>• Deliver an audit regime to provide confidence that installations are fit for purpose<sup>4</sup> and represent value for money.</li> </ul>	<p>Grants were allocated for the installation of 11,300 heaters for a cost of \$8 million. 5,000 of these were grants to low income occupiers.</p> <p>Auditing is on track to deliver better than 90% pass rate on houses, averaging 93% across the 2011/12 year. 2,675 homes were audited, which is 4% of the homes retrofitted in 2011/12 (this represents 4.6% against the original retrofit target).<sup>5</sup></p>	Achieved
<p><b>Grants for clean heaters in areas of poor air quality</b></p> <p>Delivery of a grants programme achieving the following:</p> <ul style="list-style-type: none"> <li>• Allocate at least 510 grants 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 2012.</li> <li>• Grant payout conditional on relevant standards being met as required (electrical certification, gas certification or building consent).</li> </ul>	<p>This programme was replaced early in 2011/12 with the Air Quality Grants and Assistance programme, targeting 1,800 grants for decommissioning non-compliant heaters in areas of poor air quality. Results are reported below.</p>	Initiative replaced (see Air quality grants and assistance below)

<sup>3</sup> The original SOI Output 'Grants for clean heaters in areas of poor air quality' was replaced by the 'Air Quality Grants and Assistance Programme'.

<sup>4</sup> Fit for purpose means safe and effective installations as measured for compliance against EECA's contractual requirements.

<sup>5</sup> The audit rate is less than the targeted 5% as the result of a last minute increase in delivery volumes. The audited pass rate on houses suggests our quality sampling programme is intensive enough.

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<p><b>Air quality grants and assistance</b></p> <ul style="list-style-type: none"> <li>Grants allocated for the decommissioning of 1,800 non-compliant heaters in areas of poor air quality.</li> </ul>	<p>Grants were allocated to decommission 1,040 non-compliant heaters this year. An additional 400 claims have been accepted for delivery in the 2012/13 year. The programme started in early November 2011, a time of least demand, and delivery rates have been slow to grow.</p>	<p>Partially achieved (58% of target)</p>
<p><b>Grants for Ratana community repairs for energy efficiency</b></p> <p>Deliver the following as part of the Ratana housing repair programme:</p> <ul style="list-style-type: none"> <li>Assess up to 100 houses, to identify all health and safety issues and energy efficiency requirements.</li> <li>Administer grants for repairs.</li> <li>Repairs to be fit for purpose to ensure safe and effective installation of energy efficiency measures.</li> </ul>	<p>A total of 113 houses have been assessed for requirements. Electrical work and emergency repairs have been completed. Approximately 20% of the houses assessed have had insulation and 60% have had heating installed, leaving the programme on plan to be completed next year.</p> <p>The quality of work is ensured by using a registered electrician, registered plumbing contractors and a Warm Up New Zealand: Heat Smart service provider to complete the insulation and heating portion.</p>	<p>Achieved</p>
<p><b>ENERGYWISE information campaign for consumers</b></p> <ul style="list-style-type: none"> <li>Maintain a market of willing and able participants for the Warm Up New Zealand: Heat Smart programme that is three times the number of target houses to be insulated in that year as measured by market research.</li> <li>Deliver effective energy efficiency messages through Energy Spot so that, by June 2012, the number of people saying they have taken action as a result of The Energy Spot is maintained at 1 in 3.</li> <li>Achieve 65% prompted consumer awareness of ENERGYWISE brand.</li> </ul>	<p>There were four and a half householders aware of funding and willing to insulate for every general-income grant available over the 2011/12 financial year.</p> <p>Our market research shows that two out of five people who have seen Energy Spot have taken action as a response.</p> <p>66% of people are aware of the ENERGYWISE brand (rolling annual average at June 2012).</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p>

## RESIDENTIAL PROGRAMME – FUNDING AND COSTS

	BUDGET 2012 \$000	ACTUAL 2012 \$000	ACTUAL 2011 \$000
<b>Revenue</b>			
As per SOI	115,768		
Net additional funding/allocation changes	46,601		
<b>Total revenue</b>	<b>162,369</b>	<b>99,445</b>	<b>90,092</b>
<b>Expenditure</b>			
As per SOI	116,657		
Net additional funding/allocation changes	46,601		
<b>Total expenses</b>	<b>163,258</b>	<b>99,142</b>	<b>89,027</b>
<b>Net surplus/(deficit)</b>	<b>(889)</b>	<b>303</b>	<b>1,065</b>
Surplus/(Deficit) related to Grants	-	377	(202)
Surplus/(Deficit) excluding Grants	(889)	(74)	1,267
	<b>(889)</b>	<b>303</b>	<b>1,065</b>

The comparatives have been restated to reflect the incorporation of the Central Government and Strategic Partnerships, and the Energy Supply and Renewable Energy programmes into the three remaining programmes.

The \$46.6 million net additional funding represents the carry forward from previous years of the Warm Up New Zealand: Heat Smart multi-year appropriation. The \$0.30 million surplus predominantly relates to (i) grant funding committed to decommissioning work associated with the Clean Air Grants programme and (ii) recovery of claims paid out on behalf of the Earthquake Commission under the Christchurch Chimney Replacement programme in 2010/11.

## BUSINESS PROGRAMME

### Outcomes

Enhanced business growth and competitiveness from energy productivity investment.

Greater value for money from the public sector through increased energy efficiency.

A more energy efficient transport system with a greater diversity of fuels and renewable energy technologies.

An efficient, renewable electricity system supporting New Zealand's global competitiveness.

### Outputs include:

- » More efficient commercial buildings
- » More efficient motorised systems and the use of process heat in industry
- » Efficient business transport
- » Biodiesel Grant programme
- » Marine Energy Fund grants
- » Increase business awareness

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<b>More efficient commercial buildings</b>		
0.4 PJ energy savings in 2011/12 by:	0.2 PJ – programme changes have deferred savings to later years.	Partially achieved (50% of target)
<b>Increasing capability</b>		
<ul style="list-style-type: none"> <li>• Energy management's training and accreditation programmes established and delivered to a minimum of 500 stakeholders in the commercial buildings sector. Participant satisfaction levels average 70% or greater.</li> </ul>	<p>Training courses were delivered to 402 attendees.</p> <p>Participant satisfaction 83%.</p>	Partially achieved (80% of target)
<b>Providing information</b>		
<ul style="list-style-type: none"> <li>• New building energy rating scheme developed with support from commercial building stakeholders.</li> </ul>	EECA is supporting the delivery of an industry-led web-based building energy rating system. The National Australia Built Environment Rating Scheme (NABERS) has been approved for use in New Zealand and the New Zealand Green Building Council has been appointed as the lead delivery agent. NABERS for commercial buildings is planned to be introduced in the 2012/13 year.	Achieved with introduction planned in 2012/13
<b>Financial assistance<sup>6</sup></b>		
<ul style="list-style-type: none"> <li>• Part funding or Crown Loans provided to enable the completion of 75 new efficiency or audit projects in commercial buildings.</li> </ul>	<p>Part funding or Crown Loans have been provided to enable the completion of 117 efficiency or audit projects by the end of June.</p> <p>Crown Loans \$1.92 million allocated.</p>	Achieved

<sup>6</sup> All electricity efficiency projects to deliver savings at less than the long-run marginal cost of new generation and other energy efficiency projects to have a benefit to cost ratio greater than 3.

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<b>More efficient motorised systems and the use of process heat in industry</b>		
0.4 PJ energy savings in 2011/12 by:	0.4 PJ	Achieved
<b>Increasing capability</b>		
<ul style="list-style-type: none"> <li>Training and accreditation programmes established and delivered to service providers, maintenance staff and managers in motor systems and process heat. Participant satisfaction levels average 70% or greater.</li> </ul>	<p>Programmes were established and delivered to over 200 service providers, maintenance staff and managers.</p> <p>Participant satisfaction 85%.</p>	Achieved
<ul style="list-style-type: none"> <li>Energy management support provided to 120 energy managers from the largest 300 energy users on a priority basis with a customer satisfaction rating of at least 70%.</li> </ul>	<p>Support provided to 305 energy managers including more than 120 from the largest 300 energy users.</p> <p>Customer satisfaction 87%.</p>	Achieved
<ul style="list-style-type: none"> <li>Expand the coverage of the current motor rewind quality scheme – from 60% to at least 70% of motor rewinds undertaken by certified workshop.</li> </ul>	<p>Coverage expanded to an estimated 70% of rewinds with inclusion of two large rewind workshops during the year.</p>	Achieved
<b>Providing information</b>		
<ul style="list-style-type: none"> <li>Provide information on motor systems and process heat to 35% of the top 500 users.</li> </ul>	<p>All of the top 500 users were provided regular information on motorised systems and process heat efficiency opportunities and EECA services.</p>	Achieved
<b>Financial assistance</b>		
<ul style="list-style-type: none"> <li>Part funding provided to enable the completion of at least 75 new efficiency audits or projects in motor systems and process heat applications.</li> </ul>	<p>Part funding provided to 95 efficiency implementation projects or audits for motorised systems and process heat systems in industry.</p>	Achieved
<ul style="list-style-type: none"> <li>Audits to cover at least \$50 million of annual energy expenditure and audits funded in 2010/11 to identify energy savings of 0.25 PJ.</li> </ul>	<p>Industrial energy audits covered \$88 million of energy spend and identified 0.31 PJ pa of energy savings.</p>	Achieved
<b>Efficient business transport</b>		
0.14 PJ energy savings in 2011/12 by:	Nil – programme start deferred till August 2012.	Not achieved
<b>Increasing capability</b>		
<ul style="list-style-type: none"> <li>Develop a fleet audit standard and model audit that has industry acceptance.</li> </ul>	<p>A fleet audit standard has been accepted by industry.</p>	Achieved
<b>Providing information</b>		
<ul style="list-style-type: none"> <li>Develop and promote the benefits of fleet auditing using the audit standard to managers of vehicle fleets.</li> </ul>	<p>EECA has developed an alternative to audits as a delivery mechanism to achieve the energy savings targets. This programme was piloted in June and will commence in July.</p>	Transferred to alternative programme
<b>Providing financial assistance</b>		
<ul style="list-style-type: none"> <li>Part funding provided to enable the auditing of 20 vehicle fleets with a total annual energy spend of \$5 million.</li> </ul>	<p>The audits-only programme was not progressed. A new programme for implementation of fuel efficiency in fleets has been developed and approved and will launch in July 2012.</p>	Not achieved

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<b>Biodiesel Grant programme</b>		
Administer biodiesel grants scheme to encourage the development of New Zealand-based biodiesel production capacity.	Financial assistance was provided for 1.8 million litres of biodiesel meeting fuel quality specifications. This level of production was comparable with that in 2010/11 (1.9 million litres).	Not achieved
<b>Providing financial assistance</b> <ul style="list-style-type: none"> <li>Up to 21 million litres of biodiesel manufactured from \$9 million of grant funding.</li> <li>Biodiesel to meet New Zealand domestic fuel quality standards.</li> </ul>	<p>Feedstock and oil price uncertainty continued to hinder private sector investment in the infrastructure required to produce 21 million litres per annum. From the outset EECA has acknowledged that market changes have been a fundamental barrier to this scheme performing to its full potential.</p> <p>Grant payment was dependent on the fuel meeting prescribed quality standards.</p>	
<b>Marine Energy Fund grants</b>		
Manage Marine Energy Deployment Fund (MEDF) contracts consistent with the terms and conditions of the respective contracts.	EECA has administered the MEDF in accordance with the respective contracts. The projects, however, have all experienced difficulties during the year consistent with developmental projects resulting in a total of \$0.3 million paid out.	Partially achieved (compliance monitoring)
<b>Providing financial assistance</b> <ul style="list-style-type: none"> <li>Monitor compliance with contractual terms.</li> <li>Disburse payments in accordance with contractual provisions (estimated payments due during the period total \$1.5 million).</li> </ul>		
<b>Increasing business awareness</b>		
EECA actively engages the business sector through promotion of the benefits of energy efficiency and renewable energy.	Programme of active engagement with business took place through presentations, media and general communications.	Achieved
<b>Providing information</b> <p>Establish baseline awareness and commitment levels to energy efficiency aligned to the business strategy and increase by 15% by the end of the year.</p>	<p>EECA Business awareness baseline established at 11%. EECA Business awareness measured in June 2012 was 26%.</p> <p>Business commitment to energy efficiency (committed and open segments) baseline established at 27%.</p>	

## BUSINESS PROGRAMME – FUNDING AND COSTS

	BUDGET 2012 \$000	ACTUAL 2012 \$000	ACTUAL 2011 \$000
<b>Revenue</b>			
As per SOI	33,665		
Net additional funding/allocation changes	(8,385)		
<b>Total revenue</b>	<b>25,280</b>	<b>23,116</b>	<b>20,917</b>
<b>Expenditure</b>			
As per SOI	33,813		
Net additional funding/allocation changes	(8,385)		
<b>Total expenses</b>	<b>25,428</b>	<b>18,888</b>	<b>19,479</b>
<b>Net surplus/(deficit)</b>	<b>(148)</b>	<b>4,228</b>	<b>1,438</b>
Surplus/(Deficit) related to Grants	(148)	2,702	835
Surplus/(Deficit) excluding Grants	-	1,526	603
	<b>(148)</b>	<b>4,228</b>	<b>1,438</b>

The comparatives have been restated to reflect the incorporation of the Central Government and Strategic Partnerships, and the Energy Supply and Renewable Energy programmes into the three remaining programmes.

The \$8.4 million net reduction in funding represents an \$8.2 million return of under-expenditure in the Biodiesel Grants programme and changes to the funding profile of the Marine Fund multi-year appropriation.

During the year a number of new business programmes have been developed or introduced and older programmes phased out. Some momentum was lost during the transition process which has led to the under-spend in operational costs. Against this background, it is encouraging that the volume of business audits and projects supported by EECA exceeded our annual target.

## PRODUCTS PROGRAMME

### Outcomes

Reduced energy use and costs through business and consumer uptake of energy efficient products.

### Outputs include:

- » Minimum energy performance standards and labelling standards
- » ENERGY STAR endorsement labelling
- » Vehicle fuel economy labelling (VFEL)
- » Efficient lighting

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<b>Minimum energy performance standards and labelling standards</b>		
<ul style="list-style-type: none"> <li>• Complete policy and consultation process for the introduction of five new or revised product classes.</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation has occurred on a proposal for computers and monitors, and product profiles for gas ducted heaters, and gas space and decorative heaters. Consultation has recently concluded on a proposal for heat pumps (air conditioners) and a product profile for industrial fans.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• Call into regulations three new product classes and revisions of standards for one other.</li> </ul>	<ul style="list-style-type: none"> <li>• Amendments to regulation are being drafted to incorporate new measures for televisions and CFLs. Regulatory proposals for distribution transformers and computers and monitors have been deferred due to delays resulting from product testing and additional cost benefit analysis in Australia.</li> </ul>	Partially achieved 2 in progress, 2 delayed
<b>ENERGY STAR endorsement labelling</b>		
<ul style="list-style-type: none"> <li>• Continue to deliver the ENERGY STAR programme, including updating the programme with new products and revised standards and promoting the brand to consumers</li> </ul>	<ul style="list-style-type: none"> <li>• New specifications were developed and launched for ducted heat pumps and the television specification was upgraded.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• Maintain the 12-month rolling consumer brand awareness of the ENERGY STAR brand at 75% or more.</li> </ul>	<ul style="list-style-type: none"> <li>• 78% of consumers are aware of the ENERGY STAR brand (rolling annual average).</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>• Maintain a ratio of \$2.50 worth of media spend (that includes the ENERGY STAR logo), for every \$1 spent by EECA on marketing ENERGY STAR.</li> </ul>	<ul style="list-style-type: none"> <li>• Partners spent \$3.51 for every \$1 spent by EECA on marketing ENERGY STAR.</li> </ul>	Achieved (140% of target)

PERFORMANCE MEASURE	RESULTS AS AT JUNE 2012	STATUS
<b>Vehicle fuel economy labelling</b>		
<ul style="list-style-type: none"> <li>Deliver information campaign on the benefits of fuel economy to dealers and prospective vehicle buyers resulting in 50% of purchaser decisions influenced by VFEL according to customer survey.</li> </ul>	<ul style="list-style-type: none"> <li>Customer surveys show 50% of purchase decisions are influenced by VFEL.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Monitor VFEL compliance rate.</li> </ul>	<ul style="list-style-type: none"> <li>Surveys of at least 200 vehicle dealerships have been carried out. 97% of vehicles displayed at franchise dealerships and 79% of vehicles displayed by used car dealers comply with the regulations.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Extend to vehicles manufactured since 2000 and available for sale in New Zealand (as long as data is available).</li> </ul>	<ul style="list-style-type: none"> <li>Labels are now available for 87% of the post 2000 vehicle fleet – up from 74% last year.</li> </ul>	Achieved
<b>Efficient lighting</b>		
0.3 PJ savings in 2011/12 from:	<ul style="list-style-type: none"> <li>A combined total of 0.57 PJ has been saved across subsidy and RightLight programmes. Savings from all programmes were achieved at less than 2c/kWh.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Developing and delivering a financial assistance programme to increase the uptake of efficient lighting – at a programme cost of less than 2c/kWh.</li> </ul>	<ul style="list-style-type: none"> <li>Financial assistance programmes have delivered 10 GWh (0.04 PJ) of annual energy savings.</li> </ul>	Achieved
<ul style="list-style-type: none"> <li>Continuation of the RightLight information and training programme – delivering at least 0.14 PJ in 2011/12.</li> </ul>	<ul style="list-style-type: none"> <li>The RightLight campaign has delivered 0.53 PJ in savings and was relaunched in April with updated advertising and training.</li> <li>The market share of efficient bulbs in supermarkets has increased by 33% during the 2012 RightLight campaign, from 14.9% (March 2012) to 19.7% (June 2012).</li> <li>Sales of efficient bulbs in 2011/12 were 19% higher than 2010/11.</li> </ul>	Achieved

## PRODUCTS PROGRAMME – FUNDING AND COSTS

	BUDGET 2012 \$000	ACTUAL 2012 \$000	ACTUAL 2011 \$000
<b>Revenue</b>			
As per SOI	5,167		
Net additional funding/allocation changes	-		
<b>Total revenue</b>	<b>5,167</b>	<b>5,365</b>	<b>4,615</b>
<b>Expenditure</b>			
As per SOI	5,291		
Net additional funding/allocation changes	-		
<b>Total expenses</b>	<b>5,291</b>	<b>4,986</b>	<b>4,563</b>
Net surplus/(deficit)	<b>(124)</b>	<b>379</b>	<b>52</b>
Surplus/(Deficit) related to Grants	-	-	-
Surplus/(Deficit) excluding Grants	(124)	379	52
	<b>(124)</b>	<b>379</b>	<b>52</b>

The comparatives have been restated to reflect the incorporation of the Central Government and Strategic Partnerships, and the Energy Supply and Renewable Energy programmes into the three remaining programmes.

The expenditure variance is principally a result of the joint Australian/New Zealand E3 products programme requiring a much lower contribution this year than is normally the case, combined with favourable foreign exchange rates.

## THE ELECTRICITY EFFICIENCY OUTPUT CLASS

Elements of EECA's programmes are funded from the Electricity Efficiency Output Class, which is refunded to the Crown through the Electricity Levy.

While all of EECA's programme deliverables are listed in preceding sections, this section summarises the spending of the Electricity Efficiency appropriation EECA has paid or committed towards electricity efficiency programmes.

In the 2011/12 year EECA expended \$12.7 million of the \$13 million appropriated resulting in a \$0.3 million under-spend.

DELIVERY AREA	EXPENDITURE		
	Indicative allocation	Work completed	Work committed
Efficient lighting	\$4.5 million	\$2.6 million	
Commercial buildings	\$3.8 million	\$3.4 million	\$2.9 million
Industrial motors and motorised systems	\$3.0 million	\$1.1 million	\$0.5 million
Investigation, research and management	\$1.7 million	\$2.1 million	
	<b>\$13.0 million</b>	<b>\$9.3 million</b>	<b>\$3.4 million</b>

Work committed represents contracted grant expenditure for eligible electricity efficiency programmes, where completion and payment milestones fall after 30 June 2012.

The reallocation of expenditure between programmes vs planned allocation results from: variations in programme commencement dates, changes in the expected pattern of grant applications and programme uptake rates and, within efficient lighting, a later than planned introduction of a new lighting control programme.

Outcomes for these programmes (since inception) have resulted in, as at 30 June 2012:

- » Cumulative annual savings of 957 GWh against a target of 750 GWh (an increase of 257 GWh from 1 July 2011)
- » 364 MW reduction in peak demand against a target of 315 MW
- » \$520 million worth of savings (at present value)
- » Achieved at a levy cost of less than 2c/kWh

PROGRAMME	DESCRIPTION
Efficient lighting	Reducing barriers to installation of efficient lighting through a combination of: <ul style="list-style-type: none"> <li>• Training programmes for lighting engineers, electricians and retail staff</li> <li>• Providing information and education (RightLight) and financial incentives to businesses and householders.</li> </ul>
Commercial buildings <i>(heating, ventilation, air conditioning and refrigeration systems)</i>	Reducing barriers to efficiency improvements in commercial buildings and businesses by: <ul style="list-style-type: none"> <li>• Building the capability of energy specialists, facilities managers, real estate agents and valuers to recognise, advise on and implement improvements</li> <li>• Providing information and financial incentives to the commercial building sector to uptake economic opportunities.</li> </ul>
Industrial motors and motorised systems <i>(compressed air, pump, fan and drive systems)</i>	Reducing barriers to efficiency improvements in industry by: <ul style="list-style-type: none"> <li>• Building the capability of the motor repair and specialist technical service provider industries to identify and implement efficiency improvements</li> <li>• Providing businesses with information and training to pursue motor stock policy management policy and motor systems improvements</li> <li>• Introducing minimum energy performance standards for certain pumps and fans and selectively providing financial incentives.</li> </ul>

## **PART C**

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# FINANCIAL STATEMENTS

## Statement of comprehensive income for the year ended 30 June 2012

	NOTES	ACTUAL 2012 \$000	BUDGET 2012 \$000	ACTUAL 2011 \$000
<b>Revenue</b>				
Crown revenue				
Operational revenue		30,133	28,289	30,177
Operational grants		8,281	10,432	7,198
Crown grants		87,199	115,024	71,171
Other revenue	2	1,370	455	5,991
Interest received		943	400	1,087
<b>Total revenue</b>		<b>127,926</b>	<b>154,600</b>	<b>115,624</b>
<b>Expenditure</b>				
Personnel		11,114	11,048	11,330
Operational grants		5,199	10,431	7,424
Crown grants		87,311	115,024	70,312
Other operating expenses	3	18,699	18,570	23,477
Depreciation	4	252	271	244
Amortisation	5	441	417	60
Capital charge	6	-	-	222
<b>Total expenditure</b>		<b>123,016</b>	<b>155,761</b>	<b>113,069</b>
<b>Net surplus/(deficit)</b>		<b>4,910</b>	<b>(1,161)</b>	<b>2,555</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income*</b>		<b>4,910</b>	<b>(1,161)</b>	<b>2,555</b>

\* All attributable to the owners of EECA

EECA is required to report on the budget as disclosed in the 2011/2014 Statement of Intent (SOI).

See note 26 – Explanation of significant variances against budget.

The accompanying notes form part of these financial statements.

**Statement of changes in equity  
for the year ended 30 June 2012**

	NOTES	ACTUAL 2012 \$000	BUDGET 2012 \$000	ACTUAL 2011 \$000
<b>Opening equity</b>		5,868	4,852	3,313
<b>Net surplus/(deficit)</b>		<b>4,910</b>	<b>(1,161)</b>	<b>2,555</b>
Total comprehensive income for the period		4,910	(1,161)	2,555
<b>Closing equity</b>	7	<b>10,778</b>	<b>3,691</b>	<b>5,868</b>

The accompanying notes form part of these financial statements.

**Statement of financial position  
as at 30 June 2012**

	NOTES	ACTUAL 2012 \$000	BUDGET 2012 \$000	ACTUAL 2011 \$000
<b>Equity</b>	7	<b>10,778</b>	<b>3,691</b>	<b>5,868</b>
Represented by:				
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	12,306	7,122	8,144
Other financial assets	8	5,000	3,000	-
Trade and other receivables	9	1,017	200	6,421
Debtors – Crown		9,242	-	1,542
Prepayments		103	108	152
Crown Loan debtors	10	1,807	1,574	1,779
<b>Total current assets</b>		<b>29,475</b>	<b>12,004</b>	<b>18,038</b>
<b>Non-current assets</b>				
Crown Loan debtors	10	3,277	3,298	3,175
Property, plant and equipment	4	463	394	649
Intangibles	5	859	1,231	1,235
<b>Total non-current assets</b>		<b>4,599</b>	<b>4,923</b>	<b>5,059</b>
<b>Total assets</b>		<b>34,074</b>	<b>16,927</b>	<b>23,097</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	12	16,571	7,530	10,282
Creditors – Crown		-	-	98
Income in advance		351	-	807
Employee entitlements	13	977	557	830
Crown Loan creditors	11	1,807	1,574	1,779
<b>Total current liabilities</b>		<b>19,706</b>	<b>9,661</b>	<b>13,796</b>
<b>Non-current liabilities</b>				
Crown Loan creditors	11	3,277	3,298	3,175
Employee entitlements	13	113	92	123
Other provisions	14	200	185	135
<b>Total non-current liabilities</b>		<b>3,590</b>	<b>3,575</b>	<b>3,433</b>
<b>Total liabilities</b>		<b>23,296</b>	<b>13,236</b>	<b>17,229</b>
<b>Net assets</b>		<b>10,778</b>	<b>3,691</b>	<b>5,868</b>

The accompanying notes form part of these financial statements.

**Statement of cash flows  
for the year ended 30 June 2012**

	NOTES	ACTUAL 2012 \$000	BUDGET 2012 \$000	ACTUAL 2011 \$000
<b>Cash flows from operating activities</b>				
<b>Cash was provided from:</b>				
Supply of outputs to the Crown				
– operational expenses		30,133	28,289	30,177
Supply of outputs to the Crown – grants		87,226	125,456	81,436
Supply of outputs to external parties		4,705	(235)	2,766
Interest received		1,024	400	1,143
Net Goods and Services Tax		1,964	-	(818)
		<b>125,052</b>	<b>153,910</b>	<b>114,704</b>
<b>Cash was applied to:</b>				
Payments to employees		(10,977)	(11,113)	(11,365)
Payments to suppliers		(23,308)	(148,530)	(30,141)
Crown grants		(81,474)	-	(79,022)
Capital charge		-	-	(222)
		<b>(115,759)</b>	<b>(159,643)</b>	<b>(120,750)</b>
<b>Net cash flows from operating activities</b>	15	<b>9,293</b>	<b>(5,733)</b>	<b>(6,046)</b>
<b>Cash flows from investing activities</b>				
<b>Cash was provided from:</b>				
Receipt from other financial assets		46,000	50,000	75,000
		<b>46,000</b>	<b>50,000</b>	<b>75,000</b>
<b>Cash was applied to:</b>				
Purchase of property, plant and equipment		(66)	(70)	(74)
Purchase of intangible assets		(65)	-	(948)
Acquisition of other financial assets		(51,000)	(47,000)	(70,000)
		<b>(51,131)</b>	<b>(47,070)</b>	<b>(71,022)</b>
<b>Net cash flows from investing activities</b>		<b>(5,131)</b>	<b>2,930</b>	<b>3,978</b>

**Statement of cash flows  
for the year ended 30 June 2012 (continued)**

**Cash flows from financing activities**

Cash was provided from:

Receipts from the Crown	1,922	2,000	2,000
Loan repayments received	1,900	1,834	1,831
	<b>3,822</b>	<b>3,834</b>	<b>3,831</b>

**Cash was applied to:**

Loans provided	(1,922)	(1,834)	(2,000)
Payments to the Crown	(1,900)	(2,000)	(1,831)
	<b>(3,822)</b>	<b>(3,834)</b>	<b>(3,831)</b>

**Net cash flows from financing activities**

	-	-	-
Net increase/(decrease) in cash held	4,162	(2,803)	(2,068)
Opening cash balances	8,144	9,925	10,212
Closing cash balances	<b>12,306</b>	<b>7,122</b>	<b>8,144</b>

**Represented by:**

Cash and cash equivalents	5,306	5,122	3,144
Short-term bank deposits	7,000	2,000	5,000
<b>Closing cash and cash equivalents</b>	<b>12,306</b>	<b>7,122</b>	<b>8,144</b>

The net GST component of operating activities reflects the net GST paid and received from/to the Inland Revenue Department. The net GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

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## NOTES TO THE ACCOUNTS

### 1. Statement of accounting policies for the year ended 30 June 2012

#### REPORTING ENTITY

EECA is a Crown entity in terms of the Crown Entities Act 2004 and was established under the Energy Efficiency and Conservation Act 2000. 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').

These financial statements have been prepared in accordance with section 154 of the Crown Entities Act 2004.

The financial statements are for the year ended 30 June 2012 and were approved by the Board on 28 August 2012.

#### BASIS OF PREPARATION

##### Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP').

The financial statements comply with NZ IFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012.

##### Measurement base

The 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 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 comprehensive income and financial position, have been applied:

##### Budget figures

The budget figures are those detailed in the Statement of Intent 2011 – 2014. The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements at the time the budgets were approved.

#### 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 as at balance date.

##### Interest revenue

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

##### Crown and Operational Grants

Funding received directly from the Crown as a 'Non Departmental Other Expenses Appropriation' is classified as 'Crown grant revenue'. All other funding for grants, irrespective of the Crown department providing it, is classified as 'Operational grant revenue'.

## Expenditure

### Grants expenditure

EECA enters into long-term contracts to grant monies to various organisations to undertake energy efficiency or 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 financial statements are exclusive of GST, with the exception of trade debtors and trade creditors, which are stated with GST included.

Where GST is not recoverable 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 comprehensive income 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 basis.

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

<b>Computer equipment</b>	3 years	33.3%
<b>Plant &amp; equipment</b>	2.5-6 years	40%-16.67%
<b>Furniture &amp; fittings</b>	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:

<b>Computer software</b>	3-5 years	33.3%-20%
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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 comprehensive income.

## 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.

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

## **Provision for reinstatement**

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

## **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 either the proportion of direct costs or the proportion of full time equivalents as a cost driver, as appropriate.

### ***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***

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

## **Amendments to standards adopted early**

### ***Amendment to NZ IFRS 7 Financial Instruments***

The effect of adopting these amendments early is that the following information is no longer disclosed:

- the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated
- the maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.

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**Standards, amendments and interpretations issued that are not yet effective and have not been adopted early**

Standards, amendments and interpretations issued but not yet effective that have not been adopted early and which may be relevant to EECA are:

***NZ IFRS 9 Financial instruments***

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new Standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new Standard is required to be adopted for the year ending 30 June 2014. EECA has not yet assessed the effect of the new standard and expects it will not be adopted early.

**Critical judgements, estimates and assumptions**

In preparing these 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 life of property, plant and equipment at acquisition. It reviews the life and utility of this property, plant and equipment annually. In the event the life differs from that 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 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.

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## 2. Other revenue

	2012 \$000	2011 \$000
Revenue from services to other agencies	441	1,420
Discount on loan (note 10)	108	130
Other revenue	264	260
Claims from Christchurch Chimney Replacement programme funded by EQC	557	4,181
<b>Total other revenue</b>	<b>1,370</b>	<b>5,991</b>

## 3. Other operating expenses

	2012 \$000	2011 \$000
<b>Fees paid to external auditors:</b>		
Audit fees – audit of financial statements	53	51
Board members' fees	94	95
Rental and operating lease costs	872	990
Contract services	4,729	4,786
Marketing services	9,869	10,117
Discount on loan (note 11)	108	130
Operations	2,527	2,992
Claims paid under Christchurch Chimney Replacement programme	447	4,316
<b>Total other operating expenses</b>	<b>18,699</b>	<b>23,477</b>

#### 4. Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

	PLANT AND EQUIPMENT \$000	FURNITURE AND EQUIPMENT \$000	COMPUTER EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	COMMUNICATION EQUIPMENT \$000	TOTAL \$000
<b>Cost</b>						
Balance as at 1 July 2010	391	236	460	1,044	30	2,161
Additions	26	-	48	-	-	74
Disposals	(214)	(4)	(53)	-	(30)	(301)
<b>Balance at 30 June 2011</b>	<b>203</b>	<b>232</b>	<b>455</b>	<b>1,044</b>	<b>-</b>	<b>1,934</b>
Balance at 1 July 2011	203	232	455	1,044	-	1,934
Additions	26	-	40	-	-	66
Disposals	-	-	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>229</b>	<b>232</b>	<b>495</b>	<b>1,044</b>	<b>-</b>	<b>2,000</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2010	300	185	421	404	30	1,340
Depreciation expense	48	14	33	149	-	244
Disposals	(214)	(3)	(52)	-	(30)	(299)
<b>Balance at 30 June 2011</b>	<b>134</b>	<b>196</b>	<b>402</b>	<b>553</b>	<b>-</b>	<b>1,285</b>
Balance at 1 July 2011	134	196	402	553	-	1,285
Depreciation expense	54	13	35	150	-	252
Write back on disposal	-	-	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>188</b>	<b>209</b>	<b>437</b>	<b>703</b>	<b>-</b>	<b>1,537</b>
<b>Carrying amounts</b>						
At 30 June 2010	91	51	39	640	-	821
At 30 June 2011	69	36	53	491	-	649
At 30 June 2012	41	23	58	341	-	463

## 5. Intangible assets

Movements for each class of intangible assets are as follows:

	ACQUIRED SOFTWARE \$000	WIP \$000	TOTAL \$000
<b>Cost</b>			
Balance as at 1 July 2010	197	345	542
Additions	1,293	918	2,211
Disposals	-	(1,263)	(1,263)
<b>Balance at 30 June 2011</b>	<b>1,490</b>	<b>-</b>	<b>1,490</b>
Balance at 1 July 2011	1,490	-	1,490
Additions	65	-	65
Disposals			
<b>Balance at 30 June 2012</b>	<b>1,555</b>	<b>-</b>	<b>1,555</b>
<b>Accumulated amortisation</b>			
Balance at 1 July 2010	195	-	195
Amortisation expense	60	-	60
<b>Balance at 30 June 2011</b>	<b>255</b>	<b>-</b>	<b>255</b>
Balance at 1 July 2011	255	-	255
Amortisation expense	441	-	441
<b>Balance at 30 June 2012</b>	<b>696</b>	<b>-</b>	<b>696</b>
<b>Carrying amounts</b>			
At 30 June 2010	2	345	347
At 30 June 2011	1,235	-	1,235
At 30 June 2012	859	-	859

## 6. Capital charge

	2012 \$000	2011 \$000
As from 1 July 2011 EECA was no longer liable to pay a capital charge to the Crown on its net assets each year.	-	222
<b>Total capital charge</b>	<b>-</b>	<b>222</b>

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## 7. Equity

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	2012 \$000	2011 \$000
Opening Crown equity	545	545
Closing Crown equity	<u>545</u>	<u>545</u>
Opening retained earnings	5,323	2,768
Surplus/(deficit)	4,910	2,555
Closing retained earnings	<u>10,233</u>	<u>5,323</u>
<b>Total equity</b>	<u>10,778</u>	<u>5,868</u>
<b>Analysis of closing retained earnings</b>		
Operational grant commitments	4,100	1,019
Crown grant commitments	815	927
Retained earnings other	5,318	3,377
	<u>10,233</u>	<u>5,323</u>

A significant proportion of retained earnings is the result of revenue received that has been committed in the form of grant expenditure to be incurred in future years.

Refer to accounting policy, note 1.

### Rights attaching to equity

The Minister of Energy and Resources, being the responsible Minister, has the power to direct the Authority by virtue of section 20 of the Energy Efficiency and Conservation Act 2000 and section 7 of the Crown Entities Act 2004. This power includes the power to direct the Authority in matters of financial policy including distribution policy.

## 8. Cash and cash equivalents and other financial assets

	2012 \$000	2011 \$000
<b>a. Cash and cash equivalents</b>		
Cash on hand	5,306	3,144
Short-term deposits < 90 days	7,000	5,000
<b>Total cash and cash equivalents</b>	<b>12,306</b>	<b>8,144</b>
<b>b. Other financial assets</b>		
Short-term deposits > 90 days	5,000	-
<b>Total other financial assets</b>	<b>5,000</b>	<b>-</b>
Weighted average effective interest rates:	4.08%	4.11%

## 9. Trade and other receivables

	2012 \$000	2011 \$000
Trade receivables	381	3,821
GST receivable	636	2,600
<b>Total trade and other receivables</b>	<b>1,017</b>	<b>6,421</b>
Trade receivables – due profile		
Not past due	161	1,123
Past due 1 – 30 days	158	2,683
Past due 31 – 60 days	46	-
Past due 61 – 90 days	16	15
<b>Total other operating expenses</b>	<b>381</b>	<b>3,821</b>

All these amounts are net of impairment which has been assessed as \$10,661 (2011: \$Nil).

All receivables greater than 30 days in age are considered to be past due.

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**10. Crown Loan debtors**

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	2012 \$000	2011 \$000
Face value of the loans	5,593	5,570
Discount to be amortised	(509)	(616)
<b>Carrying amount</b>	<b>5,084</b>	<b>4,954</b>
Short-term (< 12 months)	1,807	1,779
Long-term (> 12 months)	3,277	3,175
<b>Carrying amount</b>	<b>5,084</b>	<b>4,954</b>

**11. Crown Loan creditors**

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	2012 \$000	2011 \$000
Face value of the loans owed to the Crown	5,593	5,570
Discount to be amortised	(509)	(616)
<b>Carrying amount</b>	<b>5,084</b>	<b>4,954</b>
Short-term (< 12 months)	1,807	1,779
Long-term (> 12 months)	3,277	3,175
<b>Carrying amount</b>	<b>5,084</b>	<b>4,954</b>

EECA, on behalf of the Crown, approves and administers loans to third parties to undertake specific energy efficiency projects. The loans are interest free and repayable at periods ranging from three to five years.

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**12. Trade and other payables**

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	2012 \$000	2011 \$000
Trade creditors	94	82
Accrued expenses – grants	13,547	7,710
Accrued expenses – other	2,816	2,380
Other tax payable	114	110
<b>Total payables and accruals</b>	<b>16,571</b>	<b>10,282</b>

**13. Employee entitlements**

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	2012 \$000	2011 \$000
Annual leave	591	527
Performance-related pay	110	109
Accrued wages/fees	276	194
<b>Total current employee entitlements</b>	<b>977</b>	<b>830</b>
Long service leave	22	20
Retirement leave	91	103
<b>Total non-current employee entitlements</b>	<b>113</b>	<b>123</b>
<b>Total employee entitlements</b>	<b>1,090</b>	<b>953</b>

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## 14. Other provisions

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	ACTUAL \$000
<b>Reinstatement provision</b>	
Opening balance 1 July 2011	60
Charge for year	
– Auckland office	2
– Christchurch office (closed due to earthquakes)	-
– Wellington office	15
<b>Closing balance 30 June 2012</b>	<b>77</b>
Lease expiration	
– Auckland office (14 February 2015)	
– Wellington office (28 February 2014)	
The provision represents the estimated amount necessary to restore leased premises to meet the conditions required under the lease agreement(s).	
The reinstatement provision has been amortised over the period which equates to the full term of the lease.	
The likelihood of EECA needing to utilise this provision earlier than the full term is considered low.	
<b>Out-year monitoring of Marine Fund project</b>	
Opening balance 1 July 2011	75
Charge for year	-
<b>Closing balance 30 June 2012</b>	<b>75</b>
This provision represents the estimated amount necessary to monitor Marine Fund projects during 2011 to 2018.	
<b>Provision for Bad debt</b>	
Applied Research Services Ltd (Administration)	11
<b>Closing balance 30 June 2012</b>	<b>11</b>
<b>Provision for Solar Water Heating audits</b>	
Team Aqua Ltd to provide audits on installations for 2011/12	37
<b>Closing balance 30 June 2012</b>	<b>37</b>
<b>Total other provisions</b>	<b>200</b>

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**15. Reconciliation of the net surplus/(deficit) to net cash flows from operating activities**

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	2012 \$000	2011 \$000
<b>Net surplus/(deficit) from the Statement of comprehensive income</b>	4,910	2,555
<b>Add non-cash items:</b>		
Depreciation and amortisation	693	304
<b>Total non-cash items</b>	<b>693</b>	<b>304</b>
<b>Add/(deduct) movements in working capital items:</b>		
Decrease/(increase) in receivables and prepayments	(2,247)	(265)
(Decrease)/increase in payables and provisions	6,256	(7,777)
Increase/(decrease) of income in advance	(456)	(827)
(Decrease)/increase in employee entitlements	137	(36)
Net movement in working capital items	3,690	(8,905)
<b>Net cash flows from operating activities</b>	<b>9,293</b>	<b>(6,046)</b>

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**16. Lease commitments**

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	2012 \$000	2011 \$000
<b>Non-cancellable operating lease commitments, payable:</b>		
Not later than one year	642	713
Later than one year and not later than two years	447	676
Later than two years and not later than five years	38	495
Later than five years	-	-
<b>Total commitments</b>	<b>1,127</b>	<b>1,884</b>

EECA leases office premises in Wellington and Auckland. The leases expire on 28 February 2014, 14 February 2015 respectively.

The commitments shown in the table relate to the non-cancellable portion of the lease commitment.

## 17. Grant commitments

	2012 \$000	2011 \$000
<b>Total grant commitments:</b>		
Electricity Efficiency	3,414	1,961
Business	970	2,122
Solar Water Heating	25	322
Warm Up New Zealand: Heat Smart	56,924	71,917
Wood Energy	507	693
Marine Fund	2,891	2,621
<b>Total commitments</b>	<b>64,731</b>	<b>79,636</b>
<b>Payable:</b>		
Not later than one year	64,344	78,560
Later than one year and not later than two years	150	780
Later than two years and not later than five years	183	296
Later than five years	54	-
	<b>64,731</b>	<b>79,636</b>
<b>Grant commitments – future years funding</b>	<b>59,816</b>	<b>77,690</b>
<b>Grant commitments included in retained earnings</b>		
Business – Electricity Efficiency	3,414	-
Business	970	1,544
Solar Water Heating	25	-
Warm Up New Zealand: Heat Smart	243	-
Wood Energy	156	-
Marine Fund	107	402
	<b>4,915</b>	<b>1,946</b>
<b>Made up as follows:</b>		
OPEX grants	4,100	1,019
Crown grants	815	927
	<b>4,915</b>	<b>1,946</b>

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## 18. Related party disclosures

### a) Directors' disclosures

			TRANSACTION VALUE 2012 \$000	2011 \$000
<b>Marion Cowden</b> (appointed December 2010)	Beneficial interests	Contact Energy		1
	Partner is employed by ICS	ICS Multimedia Ltd	47	
	Beneficial interests	OPUS	768	832
<b>Mark Oldfield</b> (appointed December 2010)	Beneficial interests	Contact Energy	-	1

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Alastair Hines, a staff member, is a Trustee of Christchurch Agency for Energy (CAfE). EECA has paid CAfE a total sum of \$15,630 year to date with further payment of \$159,840 due for the year ended 30 June 2012.

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No other related party transactions took place during the period of review for Directors or any of the members of the Chief Executive's leadership team.

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### b) Significant transactions with government-related entities

All related party transactions have been entered into on an arm's length basis.

EECA is a wholly-owned entity of the Crown.

EECA has been provided with funding from the Crown of \$126.8 million (2011: \$110.7 million) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

#### *Collectively, but not individually, significant transactions with government-related entities*

In conducting its activities, EECA is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. EECA is exempt from paying income tax.

EECA also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled \$1.69 million (2011: \$3.36 million). These purchases included the purchase of air travel from Air New Zealand, grants to district councils and postal services from New Zealand Post.

### c) Insurance and indemnities

EECA provides Board member and officers' liability: statutory liability and professional indemnity insurance cover in respect of liability for losses or costs incurred by a member of the Board or an employee of EECA in the course of their duties to EECA. EECA indemnifies employees in respect of liability for loss or costs they incur in the course of their duties to EECA provided that they have acted in good faith and in accordance with internal processes and practices.

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## 19. The Authority members' fees

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	2012 \$000	2011 \$000
Board members' fees during the year were:		
<b>Member</b>		
A Pearce (Chair from August 2011)	23	18
M Cowden (Deputy Chair from August 2011)	17	8
T Currie (appointed December 2010)	14	8
M Oldfield (appointed December 2010)	14	8
M English (appointed December 2010)	-	-
J Carson (appointed August 2011)	13	-
E Tanielu (appointed August 2011)	13	-
R Sutton (Chair till August 2011)	-	17
A Patrick (Deputy Chair till December 2010)	-	7
G Sise (till December 2010)	-	7
T Owen (till December 2010)	-	6
J Cayford (till December 2010)	-	6
D Caygill (till December 2010)	-	5
P Hulse (till October 2010)	-	5
<b>Total fees paid</b>	<b>94</b>	<b>95</b>

## 20. Key management personnel compensation

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	2012 \$000	2011 \$000
Salaries and other short-term employee benefits	1,750	2,182
<b>Total key management personnel compensation</b>	<b>1,750</b>	<b>2,182</b>

Key management personnel includes the Board, Chief Executive and the other members of the Chief Executive's Leadership Team.

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## 21. Employees' remuneration

TOTAL REMUNERATION AND BENEFITS	NUMBER OF EMPLOYEES 2012	NUMBER OF EMPLOYEES 2011
100,000-109,999	8	11
110,000-119,999	8	3
120,000-129,999	2	2
130,000-139,999	2	2
140,000-149,999	-	2
150,000-159,999	3	1
160,000-169,999	2	2
170,000-179,999	1	1
180,000-189,999	-	1
190,000-199,999	1	1
200,000-209,999	1	-
210,000-219,999	1	-
220,000-239,999	-	1
240,000-259,999	-	-
260,000-269,999	-	1
270,000-279,999	1*	-

\*The Chief Executive's remuneration and benefits are in the \$270,000-\$279,999 band (2011: Chief Executive's remuneration and benefits were in the \$260,000-\$269,999 band). The movement up a band is entirely due to an increase in benefits of \$116.

As at balance date there were no unresolved employment-related matters that could lead to compensation payments.

## 22. Contingencies

There were no contingent liabilities nor contingent assets at balance date (2011: Nil).

## 23. Events after the balance date

There were no events after the balance date requiring comment.

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## 24. Financial instrument risks

Financial instruments which expose EECA to risk include:

- held-to-maturity investments
- loans and receivables
- payables

### Held-to-maturity investments

These comprise cash and cash equivalents, which include short-term deposits of less than 90 days and financial assets. As at balance date there was one term deposit of more than 90 days.

Credit risk arises in that the organisation or organisations with which surplus monies are invested may default on repayment. The maximum credit risk of held-to-maturity investments is \$17,306,246 (2011: \$8,144,000).

EECA is subject to interest rate risk in that cash and cash equivalents are invested in term deposits with maturity dates of less than one year. It is possible that current market interest rates will rise causing the fair value of the investments to fall.

In accordance with the investment policy determined by the Board, surplus monies are invested with the following objectives:

- to ensure that the statutory requirements for investment are met
- to ensure that credit risk is minimised so far as is possible
- to ensure that liquid funds are available as and when necessary.

It is a statutory requirement that surplus monies are held in certain prescribed institutions, being registered banks and other highly credit-rated organisations.

All held-to-maturity monies are held with Westpac Banking Corporation Limited (Westpac). Westpac has an AA credit rating.

As the primary objective of the investment programme is to ensure monies are available to meet operational needs, investments are made with terms of less than one year. Because interest rates are re-priced in the short term there is minimal loss of value when interest rates change (see note 8).

The fair value of short-term deposits, disclosed under note 8 as at 30 June 2012, was \$12,123,486. This compares with the carrying value of the investment of \$12,000,000.

If interest rates had been 10 basis points higher, the fair value of short-term deposits would have been lower by \$2,970.

### Loans and receivables

The only receivables outstanding are those due in the short term less than 90 days from the date of acquisition. There is considered to be minimal credit risk attached to these receivables.

Loans are the residual sums due from a variety of persons to whom interest free loans have been made to achieve energy conservation measures. All such borrowers are public sector entities, including health boards, territorial authorities, schools and tertiary institutions. As the emphasis on the lending programme is on energy efficiency objectives, credit risk is not regarded as a priority. Accordingly, no security is taken.

The fair value of the loans as at 30 June 2012 was \$5,175,439. This compares with the carrying value of the loans of \$5,592,918.

If interest rates were 10 basis point higher, the fair value of the loans would be lower by \$8,464.

### Payables

Payables fall due in the short term. As the cash and other cash and cash equivalents are also available in the short term, no liquidity risk arises.

## 25. Capital management

The Board takes all possible precautions to ensure that no adverse event arises. For instance, it strictly adheres to the prudential requirements on financial management imposed by the Crown Entities Act 2004. It also transfers its risks by purchasing various forms of insurance from appropriate credit worthy insurers.

## 26. Explanation of significant variances against budget

EECA is required to report on the budget as disclosed in the 2011/2014 Statement of Intent (SOI).

The following comments summarise the substantial variances between actual and budgeted performance as disclosed in these financial statements.

### STATEMENT OF COMPREHENSIVE INCOME

#### Revenue

##### *Operational revenue*

The Electricity Efficiency programme uses a mix of grants and promotional activity to achieve electricity efficiency savings in the areas of greatest potential. Detailed planning for the 2011/12 year revealed greater opportunities to drive efficiencies via information campaigns rather than subsidies; resulting in \$1.84 million originally allocated to grants and subsidies being transferred to operational revenue to fund the promotional activity.

##### *Operational grant revenue*

The variance of \$2.1 million predominantly relates to the transfer to operational revenue of the Electricity Efficiency programme fund and unused levy funding of \$0.265 million.

##### *Crown grant revenue*

The Warm up New Zealand: Heat Smart programme is a multi-year appropriation. The SOI budget was based on the initial appropriation for 2011/12 unadjusted for the rephasing of budget in line with forecast demand. The balance as at 30 June 2012 (circa \$20 million) will be carried over to 2012/13 financial year to support the continuance of this programme.

Feedstock and oil price uncertainty continues to hinder private sector investment in infrastructure required to produce 21 million litres of biodiesel per annum. The shortfall in required funding for 2011/12 (\$8.2 million) was redirected to other Vote: Energy priorities during the year.

##### *Other revenue*

Unbudgeted cost recoveries of \$0.870 million relating to the claims paid out under the Christchurch Chimney Replacement programme and the associated administration services provided to the Earthquake Commission.

##### *Interest received*

Effective cash management processes together with higher than expected interest rates has resulted in higher interest being earned.

#### Expenses

##### *Other operating expenses*

The higher costs of other operating expenses was primarily due to a greater emphasis on information campaigns in the Electricity Efficiency programmes with a corresponding reduction in grant expenditure, together with the unbudgeted payment of claims associated with the Christchurch Chimney Replacement programme.

##### *Operational grant expenses*

A number of new Business programmes have been developed and introduced during the year and older programmes phased out. While 2012 actual expenditure is below budget due to the time lag between the start of the projects and project completion dates, actual and committed spend is generally in line with budget.

##### *Crown grant expenses*

Lower than budgeted Crown grant expenses are a result of slower uptake of the Biodiesel grant scheme. The balance relates to the Warm up New Zealand: Heat Smart programme where funding will be carried over to 2012/13 in line with a multi-year appropriation.

##### *Capital charge*

EECA is no longer required to pay a Capital Charge to Treasury.

##### *Surplus for the year*

EECA recorded a surplus of \$4.91 million compared with a budgeted deficit of \$1.161 million. The key areas contributing to this variance were:

- higher interest income, \$0.5 million
- wash-up funding from Christchurch Replacement Chimney programme 2010/11 grant administration, \$0.4 million
- savings in E3 contribution by the Products programme, \$0.3 million
- under-spend in Business programme operational costs, \$1.50 million
- increase in the Electricity Efficiency levy funded grant commitments, \$3.4 million.

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## STATEMENT OF FINANCIAL POSITION

### Assets

#### *Cash and cash equivalents and other financial assets*

The total cash and cash equivalents and other financial assets were \$7 million above budget. This was due to the funding received to cover committed funds as they fall due.

#### *Trade receivables*

Trade and other receivables were \$0.817 million higher than budgeted as a result of a GST refund of \$0.636 million and interest receivable of \$0.161 million falling due in the last period of the financial year.

#### *Crown receivables*

The Crown receivables balance relates to funding receivable by the Warm Up New Zealand: Heat Smart scheme for June of \$6.1 million, Crown Loans scheme of \$1.4 million and Electricity Efficiency programme of \$1.7 million.

#### *Crown Loans*

Crown Loans are both assets and liabilities. EECA funds the third party from borrowed Crown funds. There is a small variance between actual and budgeted figures which is due to the inability to accurately reflect the exact timing of a loan draw.

#### *Intangibles*

The Grants Enterprise Management system went operational in May 2011. The proposed budget for 2011/12 was for added functionality, which was scoped during 2011/12 with implementation being deferred to 2012/13.

#### *Trade and other payables*

Payables were \$9.0 million higher than budgeted and predominantly relates to the higher than budgeted value of grant expenses that were paid in July 2012.

#### *Income in advance*

Delays with third-party projects has resulted in an under-spend in wood energy-related grants. The remaining \$0.351 million is fully contractually committed.

#### *Employee entitlements*

The SOI budget for employee accrued pay and annual leave was under-provided.

## FURTHER INFORMATION

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### GOVERNANCE

#### Directors holding office during the year

Dr Andy Pearce – Chair

Marion Cowden – Appointed Deputy Chair August 2011,  
Chair Risk and Audit Committee

Terrence Currie

Mervyn English

Mark Oldfield

Janet Carson – Appointed August 2011

Liz Tanielu – Appointed August 2011

### PERMISSION TO ACT DESPITE BEING AN INTERESTED MEMBER

During the 2011/12 financial year, no member was granted permission to act despite being an interested member.

### DIRECTION GIVEN BY THE MINISTER OF ENERGY AND RESOURCES

The Minister of Energy and Resources did not give any written direction under any enactment to EECA during the 2011/12 financial year.

### SECTION 19 OF THE CROWN ENTITIES ACT 2004

EECA has not performed any acts in breach of section 19 of the Crown Entities Act 2004.

### RISK AND COMPLIANCE PROGRAMME

EECA has a risk management framework which sets out strategic and operational risks for the organisation. EECA also has a legislative compliance programme.

### CONDUCT

EECA has a code of conduct that outlines the standard of behaviour required, and expects staff to perform their duties in accordance with this code.

EECA also has a protected disclosures policy and register of interests for both Board members and staff. During the financial year ended 30 June 2012 no protected disclosures were received.

### AUDITORS

The Board has continued its contract with Deloitte as its internal audit agent. In 2011/12 Deloitte provided audit advice and reviews on the process for auditing the Warm Up New Zealand: Heat Smart service providers audit procedures.

The statutory external audit is performed by Audit New Zealand on behalf of the Auditor-General under the Public Audit Act 2001. The results of the audit are reported to the Board and the Minister of Energy and Resources, and the audit report on the accounts and statement of service performance is included in this document.

### REPORTING

The Board reports on a quarterly basis on all its projects to the Minister of Energy and Resources. The Ministry of Economic Development<sup>7</sup>, as EECA's monitoring agency, also provided advice to the Minister of Energy and Resources on EECA's performance throughout the year. The Board has separately assessed EECA management's output delivery over the year.

### RELATIONSHIP WITH OTHER GOVERNMENT AGENCIES

The Ministry of Economic Development monitors EECA's performance under the Crown Entities Act 2004.

The Ministry of Economic Development is the government policy advisor for the energy sector and provides advice to the Minister of Energy and Resources on energy, including energy efficiency and renewable energy.

EECA and the Ministry of Economic Development have a Monitoring Agreement that sets out how the two agencies will work together.

<sup>7</sup> From 1 July 2012 the Ministry of Economic Development became part of the Ministry of Business, Innovation and Employment.

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## ORGANISATION

### Management team at year end

Chief Executive

– Mike Underhill

General Manager Corporate Services Group

– Ian Horne

General Manager Business

– Ian Niven

General Manager Marketing and Communications

– Pat Murray

Manager Capability and Performance

– Fiona Weightman

General Manager Residential

– Robert Linterman

General Manager Products

– Terry Collins

Manager Government Relations and Strategy

– Murray Bell

## GOOD EMPLOYER OBLIGATIONS

EECA recognises the value of good staff practices.

Under EECA's EEO practices all staff members are treated on merit.

Encapsulated within that, EECA:

- provides leadership and capability development of our people
- measures staff engagement and satisfaction via the EECA annual workplace survey, benchmarking the organisation against the JRA Best Workplaces Survey and utilising staff consultation to identify areas for improvement
- utilises staff reference groups to contribute to the design and implementation of new business systems, human resource processes and information management systems
- holds annual EECA awards that provide recognition to staff who have made significant contributions to the organisation and in working with their peers
- has a continual improvement process in regards to the induction programme to support new staff into the organisation
- provides continued enhancements to our Training and Development Strategy in order to educate, upskill and build the capability of our staff. This includes e-Learning resources to improve the flexibility and effectiveness of staff training and development initiatives
- is strengthening our processes for performance management and coaching to ensure individual contributions are aligned to organisational objectives
- provides flexible working arrangement policies and practices to both attract and retain staff, and support staff in managing personal development and family responsibilities
- is committed to maintaining acceptable levels of organisational health, including a number of wellness initiatives such as access to flu vaccinations, promotion of yoga classes, participation in corporate sports events and the Bikewise challenge.

These activities support EECA's wider business strategy – ensuring that EECA has access to the right capability at the right time and in the right places to support the business.

# GLOSSARY OF KEY TERMS

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## **APEC**

### **(Asia Pacific Economic Co-operation)**

A forum of 21 member economies, who work together to promote economic growth and prosperity for the region.

## **Biomass (woody biomass)**

Solid wood fuel sourced from forest or wood processing residues (sawdust, bark, shavings and harvesting residue).

## **Biofuels**

A renewable form of liquid fuels, used to substitute for oil-based fuels such as diesel and petrol. Biofuels include biodiesel and bioethanol.

## **Compact fluorescent lamps (CFLs)**

An efficient lighting option, now common in New Zealand, that uses 80% less energy than standard incandescent bulbs.

## **District energy scheme**

A centralised energy scheme that uses renewable fuels to provide heating for commercial and/or residential use.

## **Energy intensity**

A measure of the amount of energy used to produce a unit of GDP (gross domestic product). The lower the intensity, the more efficiently energy is being used.

## **ENERGY STAR**

A global mark of energy efficiency, administered in New Zealand by EECA. It is awarded to around the top 25% most energy efficient appliances and products in a range of categories.

## **Gigawatt-hour (GWh)**

One gigawatt-hour is equal to one million kilowatt-hours. New Zealand's annual electricity demand is approximately 38,000 GWh. Huntly power station running at full capacity for one hour would produce a gigawatt-hour of electricity.

## **Greenhouse gas emissions**

Gas emissions contribute to climate change. These include carbon dioxide, methane and nitrous oxide. In the energy sector, the burning of fossil fuels (oil, coal, gas) for heat, transport or electricity generation creates carbon dioxide emissions.

## **Heat pumps**

Refers to an efficient form of electrical space heater, now very popular in New Zealand.

## **Heat pump water heating**

Heat pump water heaters use the same technology as heat pumps (for space heating) to heat water, which is stored in a hot water tank.

## **Heat recovery system**

A system usually used in industrial processes that re-uses what would otherwise be wasted heat, and turns it into productive energy. In a heat recovery process, waste heat can be taken from one part of the plant and used for another part of the production process, resulting in less energy needed overall.

## **Joule**

The joule is the Système International (SI) derived unit of energy and heat. Its consistent use simplifies comparisons between different forms of energy and between energy supplied and consumed in New Zealand and overseas. A joule is:

- one watt over one second
- the energy needed to lift a kilogram 10.2 centimetres.

## **Kilowatt-hour (kWh)**

At the residential level, energy is measured in kilowatt-hours (kWh). A device with a rating of 1,000 watts or one kilowatt (one bar of an average electric bar heater) running for one hour would consume one kWh of electricity. One kWh is equivalent to 3,600 joules.

## **LEDs (light emitting diodes)**

A super efficient form of lighting which is very cheap to run but currently expensive to buy.

## **Marine energy**

Electricity generation using the energy of the waves and tides in the ocean.

## **Megawatt-hour (MWh)**

One megawatt-hour (MWh) is equal to 1,000 kWh. MWh is the metering standard unit for the wholesale market.

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**Minimum Energy Performance Labelling (MEPL)**

Products with energy rating label requirements must display the label when they are made available for sale. The label includes a star rating, so customers can easily compare energy performance between similar models, and the product's estimated annual energy use.

**Minimum Energy Performance Standards (MEPS)**

Products covered by MEPS, must meet or exceed set levels for energy performance before they can be sold to consumers.

**NABERS (National Australian Built Environment Rating System)**

A comparative Australian building energy rating tool that EECA is adapting for use in New Zealand.

**Peak demand**

The highest energy demand during a period – typically in relation to daily electricity use.

**Petajoule**

The unit most often used to measure energy production and use on a national scale in New Zealand. A petajoule is 1,015 (1,000,000,000,000,000) joules. One PJ is equal to approximately:

- 278 GWh of electricity
- 25.8 million m<sup>3</sup> of natural gas
- 49 million kilograms of sub-bituminous coal
- 26 million litres of imported oil
- the amount of energy used by 25,000 households in a year.

**Process heat**

Heat used in industrial process; for example, boilers and steam systems.

**Solar water heating**

Panels that collect the radiant heat of the sun to heat water for residential or commercial use.

**Vehicle fuel economy**

A measure of how much fuel a vehicle will use to travel a certain distance.

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