



HydroWorks Ltd
PO Box 1952, Christchurch,
New Zealand
40 Walker St
Phone: +64 (03) 365 8777
Fax: +64 (03) 365 8776
mobile +64 (027) 445 3456

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Submissions
Electricity Authority
PO Box 10041
Wellington 6143
submissions@ea.govt.nz

Dear Sir/Madam,

RE – Consultation Papers on TPM and DGPP's

HydroWorks is a Christchurch based provider of engineering services and electro-mechanical equipment. We specialise in the design and manufacture of highly efficient turbines and the upgrade/refurbishment of existing assets and ancillary equipment. We believe we represent a great example of a renewable energy success story which showcases New Zealand's expertise in Hydro Generation. We have broad ambitions to grow and leverage New Zealand's world leading status in Hydro to ultimately compete on the world stage.

Whilst we are sure the EA will receive a number of submissions from the obvious stakeholders such as generation companies, we thought it was necessary to give another perspective; that of a supplier. Invariably, any industry will always have a large network of inter-connected suppliers of services and products and any regulatory changes need careful consideration of the overall impacts on an entire industry.

HydroWorks have traditionally operated in the small-medium sized hydro market across New Zealand and have thus built strong relationships with a wide range of the affected stakeholders and in particular a number of the Distributed Generators. Indeed, a high proportion of HydroWorks revenues are associated directly with services and products supplied to the affected parties.

Distributed generation companies obviously tend to be smaller in scale than the large generators, and often are well integrated into their local communities and are keen supporters of local NZ based contractors. Therefore most of the capital and operation expenditure associated with installing new schemes or maintaining existing assets tends to be distributed into local regions and economies promoting local employment opportunities. Indeed most of the distributed generation assets employ local operational labour and utilise a wide range of local, New Zealand owned service providers. This is certainly not the case with the large generators where a major proportion of the maintenance and refurbishment contracts are awarded to large, multi-billion dollar companies which are based overseas (typically European) and utilise a bare minimum of "local" content.

The current proposals seem to go out of the way to dis-incentivise distributed generation by introducing a whole level of uncertainty into the process. One of the main concerns relates to the proposal to give distributors the power to negotiate connection and utilisation charges on a case by

case basis (without a default in the code). This change in particular introduces a whole level of uncertainty into planning cycles and severely hinders the development of business cases for both new schemes as well as potential refurbishments and upgrades.

The changes are especially unfair on Distributed Generators who have already installed assets and made major investment decisions based on a completely different set of rules. We can certainly sympathise with a range of DG asset owners whom currently feel as if the rug has been pulled from under their feet. Hydro schemes in particular carry extremely long and expensive planning processes and investment paybacks can often be measured in terms of decades. We believe that the approach proposed is inequitable and certainly discourages investment in the industry, both for new schemes but also for refurbishments and upgrades of existing schemes. HydroWorks is already aware of a range of works that have been deferred as a result of the proposed changes in the consultation papers. The uncertainty that the process and proposal has introduced has a major bearing on the profitability and livelihoods of a whole range of businesses including HydroWorks.

Furthermore, the proposals seem inconsistent with stated NZ Government policy objectives to increase our renewable energy targets to 90% by 2025. We all know that 'large' renewable schemes (including wind, hydro etc) have major RMA hurdles. This means that small regional embedded generation assets have a much greater potential to contribute to the growth in renewable energy production and yet the proposed changes will act as a major impediment to growth in the sector.

The current proposals to remove the DGPP's seem to be considered against very narrow terms of reference. Furthermore the proposed changes seem to be unnecessarily being "rushed through" to the significant detriment of the distributed generators and the wide network of associated suppliers and communities.

For these reasons, HydroWorks would like to note our strong objection to the proposals as they stand and encourage the EA to rethink the objectives of the review whilst taking a much broader frame of reference and detailed consultation with the Distributed Generation companies.

Yours sincerely,



Richard Weaver

Head of Business Development

For and on behalf of HydroWorks Ltd