

Small power station owners support legal challenge

The country's independent electricity generators have joined business, farming, local government and electricity sector participants who have expressed support for a legal challenge to the Electricity Authority. Trustpower is in the High Court in Wellington today seeking a judicial review of the consultation process used by the Authority in two major regulatory reviews, including how the national grid is paid for.

The Independent Electricity Generators Association (IEGA), representing 40 owners of small power stations around New Zealand¹, says it has also been very frustrated by the consultation processes used by the Authority.

In addition to the review of grid charges, the Electricity Authority is poised to decide the fate of the 90 local power stations who collectively generate 10% of the country's electricity. It proposes to alter the way the stations are paid, to add additional costs and also dismantle rules that were designed to protect the small players in the sector and help offset pressure to expand the national grid.

"We have had an independent analysis of the impact of the proposed changes. Up to \$1.5 billion could be wiped off the value of our members' investments overnight, with no compensation. That will mean many of these power stations could close and others would no longer be maintained," says Grant Smith, a spokesperson for the IEGA.

"That will mean less choice and less competition in the market for electricity supplies. And New Zealand is going to need a new source of electricity generation by 2019, so it's nonsensical to close down independent electricity generators up and down the country and stifle further investment," he says.

"The impact will be bad for consumers², bad for regions and bad for New Zealand. It will be like taking the regional banks out of the banking system and leaving just the big banks."

"Yet our experience of engaging with the Authority on the issues has been very frustrating. The Authority's proposal to dismantle the rules for local generation was completely unexpected and is a step too far. Further the Authority has not been able to provide any information about the additional costs we face – saying only that this information would not be available for years. We sought more consultation time, so we could work constructively with the Authority and network businesses to fill these obvious knowledge gaps. However, our request was denied and now the whole process has ended up in the High Court. Hopefully, some common sense might soon prevail."

Mr Smith says there has been strong opposition to the proposed changes.

"Of 54 public and industry submissions received by the Authority on local generation, almost all disagreed in principle with the Authority's approach. Likewise, of more than 500 submissions made on their proposal to change national grid pricing, only a handful felt their proposals would resolve the issues properly."

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¹ All are community owned by either local trusts or small businesses. Many of the power stations were originally built by local consumers and ratepayers, and have been maintained and upgraded by subsequent owners. For more information, please go to www.iega.org.nz

² Two of our members have calculated their communities will lose between \$150 and \$350 per head of local generation ownership value every year, for national benefits estimated by the Authority to be worth between \$1 and \$10 per head.