

Independent Electricity Generators Association

The Secretary
c/-David Inch
P.O. Box 113
Motueka 7143

or david@nzenergy.co.nz
or wensley@mountcampbell.co.nz
or robert.miller@pjl.co.nz

17 December 2015

Electricity Evaluation Team
Ministry of Business, Innovation and Employment and Ministry for the Environment
Wellington

By email: electricityevaluation@mfe.govt.nz and bertrand.ngai@mbie.govt.nz

Dear Bertrand and Katherine

RE: Evaluation of the effectiveness of the National Policy Statement for Renewable Electricity Generation and the National Policy Statement on Electricity Transmission

The Independent Electricity Generators Association welcomes the opportunity to make submissions on the government's evaluation of the effectiveness of the National Policy Statement for Renewable Electricity Generation (NPSREG). We became aware of your review indirectly and would appreciate you adding our Association to your stakeholder list for other electricity industry related consultations.

Individual members have made submissions and included their practical experiences of operating with the NPSREG.

Background on the Independent Electricity Generators Association

The Independent Electricity Generators Association (IEGA) comprises approximately 50 members who are either directly or indirectly associated with predominately small scale (100kW to 10MW) power schemes throughout New Zealand for the purpose of commercial production.

Our members have made significant economic investments in generation plant and equipment throughout New Zealand that is embedded within the local distribution network which predominately use renewable fuel.

Comments on the NPSREG

The IEGA supports the NPSREG and submits it continues to be highly relevant and makes a valuable contribution to the objective of ensuring the proportion of NZ's electricity generated from renewable sources increases to a level that meets or exceeds the government's national target that 90% of electricity generated in NZ should be derived from renewable sources by 2025.

Increasing New Zealand's renewable electricity generation to 90% is also a key component of the government's domestic policies and measures to meet our climate change target.¹ This target takes on more significance after New Zealand recently signed the Paris Agreement on climate change. Maintaining existing well understood policies is important, particularly when it is unclear if our target to reduce greenhouse gas emissions by 30% from 2005 levels by 2030 is sufficient to achieve New Zealand's commitment to the Paris Agreement.

NPSREG recognises the value of small and community-scale distributed electricity generation

This NPSREG states the need to develop, operate, maintain and upgrade renewable electricity generation activities throughout New Zealand is a matter of national significance.

The objective of the NPSREG is;

"To recognise the national significance of renewable electricity generation activities by providing for the development, operation, maintenance and upgrading of new and existing renewable electricity generation activities, such that the proportion of New Zealand's electricity generated from renewable energy sources increases to a level that meets or exceeds the New Zealand Government's national target for renewable electricity generation."

The NPSREG defines renewable electricity generation activities to include small and community-scale distributed electricity generation activities. The NPSREG clearly, therefore, recognises the national benefit of small and community-scale distributed electricity generation activities. This NPS was developed by government and promulgated in April 2011 and maintained a long standing policy approach by government of facilitating distributed generation.

The majority of the IECA's generating assets are smaller scale electricity generating plant that use renewable resources and are connected to the local distribution network.

In our view, it is important for officials involved in the evaluation of the NPSREG to understand that other parts of government are investigating changes that would make a dramatic negative impact on the financial viability of existing distributed generation. This could impact the ongoing operation of existing capacity as well as reduce the likelihood of new distributed generation plant being constructed – potentially reducing the contribution that small and community-scale distributed electricity generation can make to the objective of the NPSREG.

Regulations promulgated by Government in 2007 focused on facilitating the connection of distributed generation. During the process of developing the Connection of Distributed Generation Regulations, the Minister said in the foreword to the September 2003 discussion paper, titled "Facilitating Distributed Generation":

"I am very keen to encourage the development of distributed generation. One of the electricity outcomes the Government seeks is to facilitate the use of new technologies and renewable energy, and distributed generation."

The discussion paper set out the underlying policy principles that had been identified for regulating the connection of distributed generation. The list of objectives included:

¹ Ministry for the Environment consultation on "New Zealand's Climate Change Target", May 2015
<http://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/climate-change-consultation-document.pdf>

“There should be an investment environment that encourages the contribution of small scale generation to the delivery of electricity in an environmentally sustainable manner and to the overall security of the electricity system.”

The Electricity Act was amended in 2010 to implement a significant range of decisions from a Ministerial Inquiry into the Electricity Industry. At the same time the Act was changed to move these Regulations into the Electricity Industry Participation Code (becoming Part 6 of the Electricity Industry Participation Code) but this went largely unnoticed given the scale of the other legislative changes.

The Electricity Authority is now undertaking a review of Part 6² and holds a pre-conceived position that aspects of Part 6 result in inefficient investment in distributed generation. The IECA disagree and are highly focused on this review by the Authority.

The Authority is reviewing Part 6 within the confines of its narrow theoretical economic efficiency objective and can have no regard for, and will not take into account, any other benefits from distributed generation. Other benefits include: being primarily renewable; creating greater diversity, and security, of electricity supply; contributing to the government’s target to reduce greenhouse gas emissions and the renewable energy target – the latter target being an integral part of the objective of the NPSREG.

The IECA query how different parts of government can have policies or take actions that so clearly have contradictory outcomes. The NPSREG requires local authorities to take into account the benefits of renewable generation in their planning processes, whilst the Electricity Authority does not have this obligation when it is discharging its functions.

The IECA would welcome the opportunity to discuss this submission with you in more detail.

Yours sincerely



Robert Miller

Chairman

² Details of the Electricity Authority Review of Part 6 are at this link <https://www.ea.govt.nz/development/work-programme/transmission-distribution/review-part-6-dg-pricing-principles/>