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NZ ETS Review Consultation
Ministry for the Environment
P O Box 10362
Wellington 6143

By email: nzetsreview@mfe.govt.nz

Dear Sir / Madam

RE: NZ ETS Review Consultation – Other matters

The Independent Electricity Generators Association (IEGA) welcomes the opportunity to make submissions on the government's review of the NZ ETS.

The IEGA comprises approximately 40 members who are either directly or indirectly associated with predominately small scale power schemes throughout New Zealand for the purpose of commercial electricity production.

Our members have made significant economic investments in generation plant throughout New Zealand that is embedded within local distribution networks with 95% of the plant using renewable fuel. IEGA members are small, entrepreneurial businesses, essentially the SME's of the electricity generation sector, providing significant benefits to the regions in which we operate. Combining the capacity of member's plant makes the IEGA the sixth largest generator in New Zealand.

The IEGA's interest in the review of the NZ ETS stems from our contribution to New Zealand's 90% renewable target and lower emissions factor for the electricity sector. The renewables target is a key part of New Zealand achieving its climate change targets – this was recognised in the Ministry for the Environment's May 2015 discussion document¹ on "New Zealand's Climate Change Target".

IEGA members' investment in new distributed generation assets have been made on the basis of a long standing regulatory regime put in place by central government which recognised the value of distributed generation to the electricity supply chain.

However, the continued operation of, and investment in new, distributed generation plant is under threat from reviews by the Electricity Authority of the regulatory settings for transmission and distribution charges. These reviews have the potential to have a significant negative impact on the financial viability of existing and new distributed generation.

¹ See <http://www.mfe.govt.nz/publications/climate-change/new-zealands-climate-change-target-our-contribution-new-international> page 16

IEGA is concerned that this will have a negative impact on achievement of a significant national climate change target that is important for New Zealand's international reputation. Reports released with this review demonstrate that existing policy settings are insufficient to achieve New Zealand's climate change targets in their own right. Projections of emission reductions are based on the existing generating plant. Any reduction in distributed renewable generation capacity will increase emissions, either by this capacity being replaced with geothermal capacity and/or due to the increased level of transmission and distribution losses that occur when electricity is generated far from load.

The IEGA is seeking a cross-party multi-agency review of all the costs and benefits of distributed generation and emerging technologies for New Zealand. The Electricity Authority's analysis is limited to its narrow focus on economic efficiency and it is unable to take into account other matters that are significant for delivering wider government policy, such as New Zealand's climate change commitments. IEGA recommends a fuller inquiry into the current reform proposals that would take into account all of the costs and benefits of distributed generation and emerging technologies for New Zealand. Our suggestion would be that the Ministry for Business, Innovation and Employment leads the review team which includes representatives from the Ministry for the Environment, Commerce Commission and Electricity Authority. It is critical that all parts of government and all regulatory decisions take into account New Zealand's international commitments to reduce emissions.

The IEGA would welcome the opportunity to discuss this submission with you in more detail. We would appreciate being added to your stakeholder list to ensure we remain fully informed about your work in this area.

Yours sincerely



Robert Miller
Chairman