



The Sustainable Energy Forum Inc.

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[Revised version of submission with table from consultation document added for info of readers.]

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Submission on Electricity Commission Appropriation 2005 / 2006

The Forum

The Sustainable Energy Forum (The Forum) is a group of individuals and companies with an interest in a sustainable energy future for NZ. Current membership is about 150, including corporate and individual members ranging from staff in major energy companies to students and retired people. Many members are active in small-scale sustainable energy supply and energy efficiency activities.

The Forum's objective is to "facilitate the use of energy for economic, environmental and social sustainability". All three elements of sustainability are relevant to the issues covered by the proposed appropriation discussion paper.

This submission has been prepared by members of the SEF Advocacy Working Group on behalf of the Forum. Due to time constraints, the broader membership of the Forum has not been canvassed for their comments.

General

The "appropriation" discussion paper to which this submission is addressed is on the Electricity Commission's web site: www.electricitycommission.govt.nz

Our Submission

Quotes from the discussion paper are italicised in the text below.

2. The consultation paper seeks comments from "interested parties" on the Commission's proposed work priorities for the coming financial year. Section

172ZCA(1) of the Electricity Act 1992 states that consultation must be with “those industry participants who are liable to pay a levy under section 172ZC”.

SEF Comment: Only Market Participants are liable to pay the Electricity Levy. The proposed levy allocations are set out in the table below: Note that “purchasers” include retailers and major electricity users; “generators” are those who sell directly into the wholesale market, but probably does not include generators embedded in distribution networks.

Indicative Annual Levy Rates 2005/06, m\$ in the year, \$ per unit (MWh / ICP's)

Use of levy:	Generators	Purchasers	Distributors (incl Transpower)	Distributors (excl Transpower)	Trans- power	M\$ in yr	% of total
Common Quality	0.116	0.1172	0.0679			0.3011	12%
Market	0.292	0.2949				0.5869	24%
Registry & Consumer		0.2054		0.2045		0.4099	16%
Supply Security		0.7985				0.7985	32%
Transmission					0.1124	0.1124	5%
Electricity							
Efficiency		0.2177				0.2177	9%
Other Activities						0	0%
MACQS Reform	0.0237	0.0239	0.0138			0.0614	2%
sum, m\$	0.4317	1.6576	0.0817	0.2045	0.1124		2.4879
% of total	17%	67%	3%	8%	5%		

SEF considers that the Commission’s activities impact on non-participants in the electricity market, namely providers of energy services that compete with electricity supply, and small electricity consumers. We therefore urge the Commission to go beyond the bare consultation requirements as specified in the Act, and give serious consideration to this submission.

16. The present Government Policy Statement specifies four priorities:

- *Procuring reserve energy (to meet shortages)*
- *Facilitating priority investment in transmission*
- *Promoting efficient use of electricity*
- *Improving hedge markets and demand side participation*

SEF Comment: these are acceptable so long as “efficient use of electricity” is interpreted broadly as including alternatives to electricity, and that these are recognized as potentially deferring transmission investments or the procurement of reserve energy.

SEF Recommendation: Add a new priority “Facilitating distributed generation”.

28: Funding for coming year has already been appropriated by Cabinet (this submission is occurring in parallel because of time constraints):

SEF Comment: This funding is acceptable if and only if small-scale energy supply and conservation (not only electricity supply and conservation) can compete for the “electricity efficiency” allocation, and tender for the running

cost of reserve energy. We note that paragraph 30 states that the contract between the Crown and Whirinaki is not yet signed.

SEF Recommendation: Ensure that all reserve generation contracts make the procurement contestable with reserve energy from other sources. (This includes the Whirinaki contract.)

38. Activities for 2004-5 included:

- *Publish an initial Statement of Opportunities (SOO);*
- *Finalise national demand forecast*
- *Establish a set of electricity efficiency pilot programmes*
- *Implement electricity efficiency investigation programme*

SEF Comment: The initial SOO statement has just appeared on the Commission's web site. It appears that this will be very difficult to comment on, as the "low demand" scenario does not assume improved end-use energy efficiency, but rather the phase-out of the Comalco smelter. The provisional "power plan" associated with this scenario therefore does not show the benefits of reducing transmission investment enabled by end-use energy efficiency.

SEF Recommendation: This shortcoming highlights the lack of Commission commitment and resources being applied to distributed resources including efficiency and it needs to be immediately rectified within this appropriation documentation.

42. We are particularly interested in consulting on the following priority activities for 2005-6:

Transmission:

- *Preparation of "revised" Statement of Opportunities (we note that the initial one was published only on May 10 – has it been revised already?)*

SEF Recommendation: As a matter of urgency, a credible "Low Demand" scenario based on end-use energy efficiency and distributed generation must be prepared, costed and publicised. This is essential to create a sustainable business environment that will support larger-scale distributed resource solutions.

- *Continue consideration and development of processes for establishing transmission alternatives*

Funding alternatives (if any)

Demand side technologies

Security of supply:

- *Commence 2007 needs analysis*

Other categories do not neatly accommodate direct input from sustainable energy providers. For example an activity under "retail" is given as

- *Develop communication tools to provide consumers with information on retail and distribution pricing*

SEF Comment: Extensive and costly development of “communication tools”, and also of profiling protocols, may be unnecessary if development of interval metering was pursued.

Forecasting and modelling: (this is a particularly important activity to facilitate wide understanding and consultation)

- *Development of improved regional demand forecasts*
- *Develop better sources of regional demand data*
- *Support for the second Statement of Opportunities – improved generation scenario development and regional forecasting*

SEF Comment: Regional Councils should be approached to participate in demand forecasting, and the results fed into the Statement of Opportunities. Regional electricity demand will be influenced by competing energy efficiency and supply opportunities.

At present most regional energy policies and data sets are very sparse, as they are not considered a priority use of regional council rates. The national benefits of evidence-based forecasting are such that this activity warrants appropriate funding contributions from the Commission.

SEF Recommendation: That significant and growing funding for regional energy plans and options be funded by the Commission.

(h) Electricity efficiency

- *Implement a set of electricity efficiency pilot programmes*

SEF Comment: Funding of “electricity efficiency” which excludes non-electric end-use energy efficiency will distort the commercial playing field and will be seen as a subsidy for electric solutions in comparison to non-electric alternatives such as solar water heating, transfer to biomass fuels, etc.

SEF Recommendation: That the barrier to assisting with best energy solutions for New Zealand resulting from the Commission’s focus and restriction to “electricity” efficiency must be overcome. The Commission must make submissions on this to Government.

OTHER FEEDBACK

43. The Commission seeks participants:

- Comments on whether the work priorities listed above for 2005/06 are the most appropriate work priorities.*
- Suggestions on other matters that you think should be addressed now or in the future*

SEF Comment: The work priorities would appear appropriate, if and only if they do not distort the commercial playing field for non-electric alternatives. These distortions must be avoided.

END

Signed on behalf of SEF by:

A handwritten signature in black ink, reading "Ian Shearer". The signature is written in a cursive style with a long, sweeping underline.

Ian Shearer

SEF Office Manager