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From: David MacClement [<mailto:davd@ihug.co.nz>]
Sent: Friday, 28 September 2007 9:55 a.m.
To: Public Submissions - Electricity
Subject: D. MacClement submission: Continuance of Supply Review of the Electricity Act

Summary of David MacClement's submission:

This is one of the first steps in a much bigger process: sustainable supply of electricity (and heat) to all NZers, i.e. not only those out in the country or on islands (this CoS review for electricity).

So while the focus is on a small minority of electricity users in remote locations just now, the steps taken should fit in with a much longer plan to enable the electricity and heat supply to be much more resilient, into a future with more natural disasters and other supply interruptions than we have experienced to date.

These remote electricity users should not be unfairly expected to take large responsibilities for their energy supply when the vast majority do not. But they should take on some of the effort and cost, since they have chosen to live "far off the beaten track", and there should be acceptance of responsibility for the consequence of such a choice.

- They can think of themselves as pathfinders into a very uncertain future.

My conclusion: Government (e.g. setting the cross-subsidy) and supply companies should together provide effective assistance to these remote electricity consumers so that, after a suitable transition (Option E), both the consumers and suppliers can look at their future with equanimity.

- With the alternative-energy supply market boosted, so others can move into local generation as PCE Dr Morgan Williams proposed last year.

Below: -A- Dr Williams' Preface, to set the scene; -B- my answers to questions.

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-A-

Get smart, think small: Local energy systems for New Zealand
- December 2006 Report by Parliamentary Commissioner for the Environment
(on:
http://www.pce.govt.nz/reports/allreports/1_877274_41_0.shtml).

Preface

Energy is at the heart of our daily lives, but we have little or no control over the distant sources of supply. We rely overwhelmingly on the bigger system and those who manage it.

From production and use of energy come many of the greenhouse gas emissions that are causing climate change. To reduce these emissions we need to wring more value out of every unit of energy we produce. Climate change will also require us to build more resilient systems.

These concerns, along with the opportunities now arising from new energy technologies, prompted this study. These 'local energy' technologies offer a degree of control never before achieved over how we source and manage our energy. As a British study concluded:

"Making energy generation and management part and parcel of people's homes and schools may hold the key to empowering and engaging energy consumers for the first time."

Our culture of relying on large-unit, supply-side energy solutions is deeply ingrained. But we must collectively accept we are rapidly moving into a very different world with new options, and our ideas of energy security must change.

Executive summary

New Zealand's electricity generating system is under pressure as electricity consumption rises each year. But, in local energy systems, there is an alternative to building more big power plants.

At the core of these systems are technologies that produce electricity or heat on a small scale, close to where it is used. The advantages of local energy systems include:

- * using energy sources, particularly renewable sources, that are not suitable for big generating plants
- * raising the overall efficiency and resilience of energy systems by spreading generation throughout the network
- * improving energy security by making end-users more self-reliant
- * promoting competition and innovation by introducing new technologies into the marketplace
- * encouraging regional development by creating jobs for designers, manufacturers, and tradespeople
- * raising people's awareness of energy use
- * improving health and reducing 'fuel poverty' by delivering warmer homes at lower running costs.

There is compelling evidence in favour of government intervention to kick-start local energy systems in New Zealand. The full report|* contains six recommendations to Government.

-{|*: http://www.pce.govt.nz/reports/allreports/1_877274_41_0.pdf 1.35 MB PDF}-

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-B-

David MacClement's answers to questions on the Continuance of Supply Review.

"Details" for D.M.

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Questions for "continuance of supply" review options.

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Option A: Continuance of supply expires but lines companies provide information on intentions in advance.

D.M.:

Not good enough; for nearly all the 20th century, NZers have used national and local politics to extend then ensure electricity supply – it is seen as a social good, not private property to be traded.

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Option B: Continuance of supply expires but lines companies assist transition from lines supply to alternative.

- a) If an advance notice period is used, what length of time should it be?
- b) What other requirements could or should be placed on lines companies if continuance of supply expires?
- c) What role would you expect the retailer to take as the continuance of supply expires and a change in supply is signalled?
- d) At what point after a lines company has assisted a transition should its responsibility cease?

D.M.:

This will vary with region, company-to-company. More work would be needed if this were the choice, both proposals from the various companies and tripartite negotiations, over a long enough period that remote consumers can be convinced of the need to get personally involved in their energy supply (or move so they aren't so far away from the more economic electricity-and-gas supplies).

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Option C: Continuance of supply by lines with no expiry date.

D.M.:

Definitely not. In our new resource-constrained and turbulent world, BAU (business as usual) is a recipe for disaster down the track.

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Option D: Continuance of supply, using lines or alternatives, with no expiry date.

- a) Should access to electricity supply for pre - 1993 connections be maintained with no expiry date? What issues could this raise?
- b) What expectations should there be from consumers around price, quality, reliability and capacity for continuance of supply (either by lines or by alternatives)?
- c) What scope is there for remote rural consumers to be supplied using alternative supply methods or for example, the method outlined in paragraph 47?
- d) To what extent should there be a subsidy from other network users to those in remote, rural areas? (e.g domestic urban consumers to domestic rural, remote consumers).
- e) If the continuance of supply is by lines or alternatives, should lines companies be able to cross-subsidise alternative-supply customers from lines-connected customers?
- f) What terms and conditions for continuance of supply do consumers that were connected after 1993 have in their contracts?

D.M.: This question needs to be answered first:

"What expectations should there be from consumers around price, quality, reliability and capacity for continuance of supply (either by lines or by alternatives)?"

– The answer should vary with location of consumer, so that the more distant consumer should have a greater financial (and legislative) incentive to move to supplying an increasingly bigger fraction of their needs locally. When the number of remote consumers and their cost to the supplier becomes low enough, it may become feasible to cross-subsidise the remaining few, on the basis of separate contracts specifying small less-than-100%-reliable electricity supply.

