

Your Ref:  
Our Ref: 2460 02

25 September 2007

2013 Review  
Electricity Group  
Energy and Communications Branch  
Ministry of Economic Development  
PO Box 1473  
Wellington

Dear Sir

**Review of Section 62 of the Electricity Act 1992 'Continuance of Supply (2013 Review) Discussion Paper**

Thank you for the opportunity to comment on the Review of Section 62 of the Electricity Act 1992 Continuance of Supply (2013 Review) Discussion Paper August 2007. This issue is of importance to the communities of the Bay of Plenty – particularly as there are a number of areas that are likely to be considered for disconnection from network supply arrangements. For example, Horizon, the lines services provider for the eastern Bay of Plenty area, has been identified as one amongst five rural network area providers who have over 35% their network created from subsidised lines

Our submission points are attached but in general we support a framework that:

- provides a consultative and coordinated process for any changes to supply for affected electricity consumers;
- is based on alternative supply options being agreed **before** any changes to supply occur; and
- encourages renewable energy generation for remote areas wherever possible.

We would also encourage officials to consider how small scale energy generation opportunities (back feed into the network) can be encouraged with this review.

I hope that you find these comments useful to finalise the 2013 Review.

We do not wish to be heard in support of this submission.

Yours faithfully

Mary-Anne Macleod  
**Group Manager Strategic Development**

# Comments from Environment Bay of Plenty on the “Review of Section 62 of Electricity Act 1992 ‘Continuance of Supply’ (2013 Review) Discussion Paper August 2007”

This submission is arranged in three parts: specific submission points, responses to questions raised in discussion paper, and option preference.

## 1 Specific Submission Points

The first part of this submission provides comments on specific aspects of the discussion document:

1 Specific provisions that submission relates to:		2 Nature of submission			3 Environment Bay of Plenty seeks the following decisions.
Paragraph No.	Section Heading (include a reference to the actual item in the plan or document that you are commenting on)	Environment Bay of Plenty’s Submission is that:  (clarify the issues you are concerned about. e.g. It is inconsistent with EBOP policy).	Support or Oppose or Seek amendments	Reason  (Reason should include a ref. to policy/objective/method or rule in the Regional Policy Statement or a regional plan if possible:)	(Try to be precise. What wording change are you seeking?).
	General comment	Any decision on discontinuing electricity supply to communities or areas should be done only on the basis of consultation and agreement to alternative supply. The responsibility for the transfer from network supply to alternative forms of energy should lie with the supply companies, supported as required by MED.	Seek amendment	The viability of rural and isolated communities and their future sustainable development may be threatened by discontinuance of electricity supply unless the process is consultative and produces agreed outcomes. The efficient operation of the network should not be seen as a priority over social concerns and issues.	<p>Environment Bay of Plenty recommends that the affected parties are given opportunities to be consulted on with a view to developing joint solutions. Feasible and reliable renewable energy solutions derived from the consultation should be fully supported.</p> <p>One way to accommodate this is for the Ministry of Economic Development to produce a guideline for lines companies and electricity supply planning agencies on best practice for joint decision making and consulting on intended changes to line supply to customers.</p> <p>The Ministry of Economic Development should identify an agency to ensure continued electricity supply and provide consistency across different distribution providers.</p>

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35	Criteria for assessing different options: <ul style="list-style-type: none"> <li>▪ Efficient,</li> <li>▪ Fair,</li> <li>▪ Reliable,</li> <li>▪ Environmentally sustainable</li> </ul>	A long-term horizon should be considered when using these criteria to assess different options. The assessment could include the consideration of <b>practicality</b> , so that options are tested for how realistic their uptake will be.	Seek amendment	Options will need to be practical to meet the needs of the various communities that are impacted on.	Include considerations for practicality and a long-term horizon, so it reads "Reliable and <i>practical</i> (e.g. assess whether the option leads to enabling sufficient, reliable supply for the long-term."
36	In relation to New Zealand Energy Strategy	The discussion document stated that this review of the 2013 obligations takes the NZ Energy Strategy into account. However, the connections are not stated.	Seek amendment	Stating the connections to the national Energy Strategy will help readers understand how these options fit into the longer term Strategy.	Connections between New Zealand Energy Strategy and 2013 Review need to be specifically made.
63 – 68, 79 and 80	These paragraphs identify a lack of information about the status of distribution assets.	Environment Bay of Plenty suggests that robust information is provided through appropriate consultation, especially when non-viable connections are no longer to be maintained.	Seek amendment	Environment Bay of Plenty is aware that there is concern amongst our community about the security of energy supply.  The uncertainty and misinformation about energy at the local scale needs constructive attention.  Assessable information is necessary for a remote rural community to develop a local energy outlook.	In addition to the forms of information identified in paragraph 63, the electricity supply planning agency (in the discussion paper suggested to be lines companies) should consider other information including: <ol style="list-style-type: none"> <li>1. Local electricity demand patterns, annually, weekly and daily.</li> <li>2. Time required for a process to take its course, whether it is implementing alternative supply or retrofitting to single phase power (11kV).</li> </ol> The consultation should engage with consumers and local development agencies.

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71	The discussion paper identified that there is some prospect of hybrid supply arrangements being developed.	Environment Bay of Plenty would like to see an example of pilot arrangement of this "hybrid supply arrangement".	Seek more information	It is important to know if it is a practical solution before committing a large amount of capital investment.	Produce a case study or a pilot study on hybrid supply arrangement.
98	The case of a 3.5km line on steep hilly terrain to service a remote woolshed was raised in the discussion paper.	To inform discussion it will be important to have a robust overview of the economy of this issue.	Enquiry	Is the \$150,000 case provided by Powerco an extreme case or a representative sample of uneconomical lines?  Also, is this example valid given that once a line crosses over into private property, the duty is on the owner.	Provide more information on the likely general impact.
100	A table of comparing capital and operating costs, and energy output from seven different means of microgeneration in New Zealand.	Without appropriate explanation this table could be misleading when judging the potential cost of microgeneration.	Seek amendment	The information from this table is only valid if the figures given in the table are reasonably applicable into the future.	A specific note could be attached to the table. The note should state that the value cost it estimated is based on information available as on May 2006. It may not be representative as the cost of petrol and diesel is likely to rise significantly in the future.

## 2 Responses to Questions Raised in Discussion Paper

The second part of this submission attempts to provide answers to the questions specifically raised in the Discussion Paper. Please note that not all questions have been answered.

<b>5.1 and 5.2 Questions (Continuance of supply with no expiry date, using lines or alternatives)</b>	
<b>Question</b>	<b>Proposed answer</b>
a) Should access to electricity supply for pre - 1993 connections be maintained with no expiry date? What issues could this raise?	<p>In some cases, it might be necessary for some communities to maintain their supply line connections, especially for areas where there are limited renewable options, difficult transport access or the potential risk of fuel storage is unacceptably high.</p> <p>It is also recognised that the current lack of support for renewable/alternative/new technology applications hinders renewable alternative development.</p> <p>Differences in electricity needs, such as electricity use in a remote community compared to an industrial user, should be recognised in policy development. Maintaining quality supply lines could prevent some consumers switching to fossil fuel electricity generation. After 2013 such users may be exposed to the risk of increasing transportation cost and might be penalised under the future emission trading system.</p> <p>The limited expertise in New Zealand in distributed generation could be a potential issue. Lines companies may also need financial capability to cope with the new area of work.</p> <p>One way to cope with these issues is to commission a team to provide technical advice to lines companies and to ensure the service standard of assisting transition to alternative supply. This will allow resources to be mobilised nationally and to ensure consistent information.</p>
b) What expectations should there be from consumers around price, quality, reliability and capacity for continuance of supply (either by lines or by alternatives)?	<p>Consumers might expect that they will be asked to have a say on how they wish to manage the resource that is influencing their daily life. Some communities might be more prepared to participate in distributed generation than some others. Some of the expectations might include:</p> <ul style="list-style-type: none"> <li>▪ Viable initiatives are supported and encouraged</li> <li>▪ Maintenance assistance is provided</li> <li>▪ Reliable energy investment is ensured.</li> </ul>
c) What scope is there for remote rural consumers to be supplied using alternative supply methods or for example, replacing three phases to single phase power with lower reliability standard?	<p>The lines companies may be able to identify the most suitable supply method when other factors are also considered, such as demand pattern, meeting peak demand and possibly over-engineered infrastructure in the past.</p> <p>However, the electricity phasing and reliability of supply may hinder rural development, especially for industrial users.</p>

<p>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?</p>	<p>In the renewable / alternative supply context, the capital subsidy may be from rural to urban in-terms of land use and resource harvesting for energy generation. Encouraging alternative resource is likely to free-up some supply demand. There are also wider public good issues associated with supporting energy supply to “uneconomic” areas. For this reason, some proportion of cross-subsiding alternative supply is appears reasonable.</p>
<p><b>5.3 and 5.4 Questions (Expiry of obligation but with additional requirements on lines companies)</b></p>	
<p>a) If an advance notice period is used, what length of time should it be?</p>	<p>There may be some benefit in incorporating such issue in Long-Term Council Community Planning processes, which provides 10 year horizons. If consumers are aware of this issue, these issues might be reflected in the council community planning process.</p> <p>Consumers in areas where the cost of removing lines would be lower than the costs of continuing lines supply need to be identified and consulted in advance. The lead time for notification should match the lead time for alternative supply investment.</p>
<p>d) At what point after a lines company has assisted a transition should its responsibility cease?</p>	<p>Some areas may have to rely on processed fuels, such as gas, petroleum and bio-fuel to meet their peak demand.</p> <p>Due to the variation from location to location it may be most suitable to decide the point of ceasing responsibilities on a case by case basis, by agreement with affected consumers and local economic development agencies. There could a number of options including:</p> <ul style="list-style-type: none"> <li>▪ Transfer the responsibility to alternative energy providers (such as gas and/or petroleum providers</li> <li>▪ An assessment could be conducted by Electricity Commission and Commerce Commission or other authorised agencies to define responsibility endpoint.</li> <li>▪ Responsibility ceases by an agreement reached with consumers.</li> </ul>
<p><b>5.5 Questions (Continuance of supply for a limited time beyond 2013)</b></p>	
<p>a) Should the transition period be extended?</p>	<p>Currently, there is no coordinated programme assisting electricity consumers to become independent from distribution lines at the national level that the public generally know about. As a result of this, changing the expiry date alone might not have any significant meaning in terms of reducing the negative impact of discontinuing electricity supply. However, for some areas where renewable options are limited, it might be necessary to extend the transition period.</p>
<p>b) If so, how long should it be extended for and what should happen at the end of the period?</p>	<p>An imminent extension of the transition period could be a result of the absence of a coordinated progressive approach and lack of incentives for developing stand-alone generation. For example, there is no comparative/parallel scheme like the Australian “Renewable Remote Power Generation Programme” in New Zealand at this point of time. In that programme, the Australian Government has committed \$328 million to replace fossil fuels with renewable generation. Similar non-regulatory programmes could be beneficial in the New Zealand context. Government assistance may be necessary to ensure this timeline is fair.</p>

### 3 Option Preference

The third part of this submission is to indicate a preference of the options for continuance of supply that have been discussed.

On the basis of the options presented (page 13) the following is our preference - ranked from 1 to 6:

- 1 Option b: lines companies continues to maintain supply using lines or alternatives with no expiry date;
- 2 Option c: provide information on intentions in advance and keep an expiry date;
- 3 Option d: lines companies assist transition from line supply to alternatives and keep an expiry date;
- 4 Option f: all electricity users subsidise the continuance of supply, using lines and/or alternatives;
- 5 Option e: a new expiry date is suggested, a limited time beyond 2013;
- 6 Option a: lines companies continue to maintain line function services with no expiry date.

The choice of Option b reflects the social concerns that arise out of the potential for removing electricity supply – particularly around the viability of rural and isolated communities and their future sustainable development. It is recognised that the efficiency of the network system and economic considerations are also concerns, and therefore there should be a focus on developing a programmed approach to addressing uneconomic supply.

The following table takes aspects of the options above to further develop the idea of an integrated approach to addressing the issue:

<b>Integrated Approach</b>	<b>Methods</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Underpinning principle</b>
7 Provide information on the status of remote rural lines and advance information on intentions	Related authorities prepare information followed by an agreed guideline	Assists identifying potential affected consumers and communities	Disclosing commercially sensitive information	Transparent process
	Early consultation and a programmed approach	Provides certainty on who is responsible and how it is going to take a place, accountability of lines companies and remote communities	Cost of conducting consultation, open to possible political resistance	Accountable process, fair
	Inform related agencies	Allows time to factor the change of circumstances in planning documents, development strategies and growth management	Open to possible political resistance	Consistency, practicality

8	Continue supply after 2013 through lines or alternative methods (such as viable non-network and non-asset solutions)	Form an alternative energy supply supporting agency (part funded by Government)	Reduces the potential cost to rural lines companies, regulates and sets benchmarks for service quality, reduces competition over limited expertises.	Cost of forming such a group of experts	Consistency
		Assess on-site hydro and wind resources	Identify the potential for viable mid-term (20-25 years) supply alternatives that are most likely to meet the electricity needs	Cost, duplicating roles of other agencies and disclosure of commercially sensitive information	Efficiency of supply
		Installing efficiency measures (heat and hot water)	Reduces electricity demand	Cost and duplicating roles of other agencies	Efficiency, environmentally sustainable
		Distributed generation as an opportunity	Reduces electricity demand on grid	Potential adverse effects on local environment	Security of supply, sustainable development
		Consult with affected consumers	Establishes local knowledge of the electricity situation (both risks and opportunities), encourages local ownership of energy issue and local solutions	Community opinion and aspirations may be misinformed by influential figures or popular media.	Practicality, accountable process
		Subsidise some remote rural communities with alternative supply	Encourages uptake of alternative electricity supply	Pick winners, cost	Practicality, efficiency
		Conversion to single phase 11 kV lines (provide for lower reliability standards)	Reduces asset renewal cost	Reduces reliability	Efficiency, practicality
9	Discontinue maintaining uneconomical lines where agreed solutions are in place.	Develop supply agreement for disconnection solutions	Allows affected consumers to adjust and adapt to the situation, identifies potential opportunities and risks.	Open to a possible resistance	Transparent and accountable process
		Discontinuation would most likely happen when asset renewal or when significant vegetation control is needed	Lines companies cut costs	Constrains rural development, such as hospitality and tourism.	Fair (to lines company) and efficient (of the electricity system)