

SEANZ

Sustainable Electricity Association New Zealand Incorporated

28 September 2007

PO BOX 473 Waiuku
Auckland 2341

Electricity Group
Energy and Communications Branch
Ministry of Economic Development
33 Bowen Street
PO Box 1473
Wellington
New Zealand

Dear Sir/Madam

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

The MED Electricity Group has released a discussion paper on the planned review of Section 62 of the Electricity Act 1992 'Continuance of Supply'. Please find below a **submission** and **expression of interest in further consultation** from the Board of the Sustainable Electricity Association of New Zealand.

The present SEANZ submission briefly comments on a preferred option. Because a wide range of options are on the table we request that as policy is developed in this complex issue, the Association is consulted as an affected party and stakeholder. Contact with SEANZ should be made through:

Charmaine A. Watts
Chief Executive Officer
SEANZ-Sustainable Electricity Association New Zealand
DDI + 64 9 235 5082
Mob + 64 (0)27 6794044
charmaine@seanz.org.nz
NEW www.seanz.org.nz (Phase 1)

Thank you for the opportunity to comment. Our submission follows on the next page.

Alister Gardiner
SEANZ Board Member (DG technology)

SEANZ Comments on Review of Section 62 of the Electricity Act 1992 'Continuance of Supply' (2013 review) Discussion Paper

Preamble

A major problem with levelising the lines charges between urban and rural customers is the inhibiting effect it has on the uptake of distributed and standalone generation. Since rural customers do not pay the true cost of supply, they have no incentive to seek an alternative. A possible extension to option (f) is to make a line charge subsidy or remote energy supply payment directly to the customer, who could then decide how to use it. The lines company would be required to provide continuation of supply, but at an economic rate.

If lines charges were permitted to float to whatever the lines company requires to meet costs, it would be important to maintain a minimum fixed lines charge, ie, the increases could only be applied to the variable part of the lines charge.

Preference

The SEANS Board prefers option (b), “continuance of obligation to maintain supply, using lines or alternatives, with no expiry date”, or a variant of this, such as option (f) “continuance of obligation to maintain supply, using lines or alternatives, with no expiry date but subsidised by all electricity users”.

It is fair to note that SEANZ members views may differ from this.

Our response to questions on page 16

5.1 and 5.2 Questions (Continuance of supply with no expiry date, using lines or alternatives)

a) Should access to electricity supply for pre - 1993 connections be maintained with no expiry date? What issues could this raise?

Yes – however access should be provided in such a way that customers are not disadvantaged by making a choice to change their supply options. A possible way of achieving this would be to pay a remote energy allowance directly to the customer, not to the lines company, and allow the lines company to charge real costs plus normal margins. This true supply cost would then allow the consumer to make choices between network only, network + distributed generation, or going stand alone. A maximum fixed lines charge should remain, with the higher variable lines charges (which could also be time dependent) strongly encouraging energy conservation and reduced on-peak demand. In this manner, any subsidy paid to support remote users would be relatively neutral in terms of influencing the uptake of local generation technologies in rural areas.

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

The expectation should be that lines costs may be higher than urban customers for similar quality and reliability, but that they have choices to offset this cost through reduced capacity and reliability requirements

- 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?*

No alternative method can yet provide the benefits of network connection at a comparable cost and convenience to the customer

- 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).*

The close link between economic activity, quality of life and access to moderately priced electricity is well proven. Because there is still no comparable off-grid alternative energy option, a state responsibility exists to maintain access to the grid on terms that do not adversely affect the above. An effectively line charge differential capped at 2:1 would not be unreasonable.

- 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?*

Yes, although we are not in favour of this option unless the customer can freely make the choice to disconnect from the network or not.

- f) *What terms and conditions for continuance of supply do consumers that were connected after 1993 have in their contracts?*

No comment

SEANZ Contact:

[Charmaine A. Watts](#)

Chief Executive Officer

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