

4 April 2008

Dear Minister

Draft Government Policy Statement on Electricity Governance 2008

Thank you for this opportunity to comment on the draft *Government Policy Statement on Electricity Governance 2008* (GPS).

General comment

The Ministry of Economic Development (MED) has taken a proactive approach in discussing matters in relation to the update with the Commission. The Commission welcomes this approach and considers that it has been very productive.

The Commission appreciates that the new draft GPS largely addresses general changes that have taken place since the GPS was first published, including actions in the current GPS that have been completed or are now dated. The new GPS also includes changes arising out of the NZES and NZEECS. The Commission welcomes these updates, which have already been incorporated into its planning for 2008/09.

The draft also reflects changes arising out of the Commission's Review of the Reserve Energy Policy. The Commission is happy with this section of the GPS.

Electricity efficiency

The Commission considers that there is a very strong collaborative working relationship with EECA, which continues to develop in a positive manner that also ensures statutory and good practice procurement requirements are met. There is considerable contact between staff of the two organisations and day-to-day sharing of information, knowledge and expertise.

The Commission requests that the first sentence of paragraph 38 be amended, as follows, to continue to support the collaborative approach between the Commission and EECA:

“38. The Government expects the Commission to use EECA to help deliver its electricity efficiency work programme consistent with the principles of paragraph 33, and good procurement practice. ~~unless there is a good reason to contract another party – for example, if the relevant expertise is held elsewhere~~”

EnergyWise

The Commission has been actively working with EECA to consider how it may contribute to the EnergyWise home loans scheme as set out in the New Zealand Energy Efficiency and Conservation Strategy (NZECS). This matter received considerable stakeholder feedback during the Commission's consultation on its proposed appropriations for 2008/09.

The Commission considers that paragraphs 33 and 38 (amended as recommended above) address the Government's objectives and outcomes in this respect. The Commission suggests that paragraph 44 is not necessary and should be deleted.

However, should you retain this paragraph, the Commission recommends that the wording be amended to confirm that the Commission's participation in the package is subject to meeting the principles of paragraph 33, the Commission's assessment criteria for electricity efficiency programmes, and good procurement practice.

Replication of transmission analysis

Paragraph 101 of the new draft GPS no longer requires that Grid Upgrade Plan (GUP) analysis must be able to be replicated by stakeholders.

This replication requirement is important to the transparency and credibility of the process and needs to be retained. Participation in the process could become inaccessible to stakeholders should Transpower choose to use specialised consultants and proprietary software in preparing a GUP. In that event the process is likely to be subject to greater controversy and challenge. Conversely, the ability of stakeholders to access this information and make positive contributions to the process is enhanced by the replication requirement.

Accordingly, it is recommended that paragraph 101 of the GPS retain the requirement for Transpower's and the Commission's GUP analyses to be able to be replicated by stakeholders. The following edit is suggested:

"101. The Commission should make available to Transpower and other stakeholders clear and specific policies and processes relating to how grid upgrade plans in general, and any particular plan specifically, will be developed, and then reviewed and approved or rejected. These criteria should be clearly explained so that the review process and linkages to other processes such as the statement of opportunities are transparent and can clearly be understood and replicated by stakeholders."

Transmission planning

Consideration should be given to whether paragraphs 105 and 106 are still required now that the grid upgrade investment review policy (GUIRP) has been developed in conjunction with Transpower.

If paragraph 106 is retained, it should be amended to more accurately reflect the Commission's role, which is to consider and approve (or decline) investment proposals from Transpower. Transpower is responsible for securing the interests, designations and consents described in the paragraph. The Commission cannot ensure that this takes place, as indicated by the current wording. The following edits are suggested:

"106. The Government expects Transpower ~~and the Commission~~ to ensure that it ~~Transpower~~ identifies and secures appropriate interests in land, designations and resource consents required for transmission corridors and, to the extent possible, obtains resource consents (or designations) well in advance of urgent needs. Transpower should be able to recover the reasonable net costs of doing so and therefore should include an assessment of these costs in its GUP applications to the Commission.

Timetable for production of the Commission's Statement of Intent

You will be aware that Treasury are encouraging Crown Entities to have their Statements of Intent (SOI) ready for tabling the day after budget day (23 May). For 2008 this is a voluntary timetable and the July deadline of the Crown Entities Act 2004 still applies. The Commission is developing its SOI with the intention of provision of the draft to you shortly, and to meet the 23 May timetable, if possible.

However, please note that the completion and publication of the new GPS is a critical date for the finalisation of the Commission's SOI. The Commission considers that the 2008–2011 SOI should address the new GPS and therefore the draft 2008 GPS is being used in preparing the SOI.

The MED has advised that it is intended that the GPS be finalised in early May. Please note that any extension to the early May GPS timetable will result in a delay in the finalisation of the Commission's SOI.

Yours sincerely

David Caygill

Chair