



Submission on the draft
Government Policy Statement on
Electricity Governance

18 March 2009

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EXECUTIVE SUMMARY

- ❖ Overall ENL regards the new GPS as a solid foundation for the new governance and revised direction of the electricity industry and welcomes the proposed amendments to the GPS. Particularly the Government's greater recognition of security of supply matters is well placed to meet New Zealand's future challenges of all vertical elements within the energy sector, including generation, transmission, distribution and retail.
- ❖ Arguably, there has been underinvestment into the grid over the past years. ENL believes that making the approval process for small grid upgrade projects faster and more efficient is an appropriate way of stimulating investments into the grid.

1.0 INTRODUCTION

1.1 Introduction to Eastland Network Ltd

Eastland Network Limited (ENL) owns and operates the lines for the upper East Coast of the North Island. ENL is 100% owned by the Eastland Community Trust with the Gisborne District Council as the capital beneficiary of the Trust.

ENL distributes approximately 302 GWh of electricity to approximately 26,000 consumers, of which almost two thirds are in Gisborne City and Wairoa Township. The remaining connections are spread out widely, across two isolated distribution networks covering 11,952km², resulting in an overall line density of less than seven connections per kilometre of line.

1.2 Structure of this Submission

ENL thanks the Ministry for continuing engagement with the industry and for providing us with an opportunity to respond to the consultation paper. ENL appreciates the opportunities afforded by the consultation processes.

Our views are aligned with the views taken by the Electricity Network Association (ENA), which reflect the collective view of the industry, and ENL proposes the Ministry gives this view considerable weight.

This submission provides ENL's opinion on the matters raised in the draft Government Policy Statement and we do not wish to be heard in support of this submission.

2.0 BACKGROUND

In 2003, as part of restructuring the energy sector, a new Government Policy Statement on Electricity ("GPS") was established. Pursuant to the Electricity Act 1992 (the "Act"), the GPS sets objectives and outcomes that the Government wants the Electricity Commission (the "Commission") to pursue.

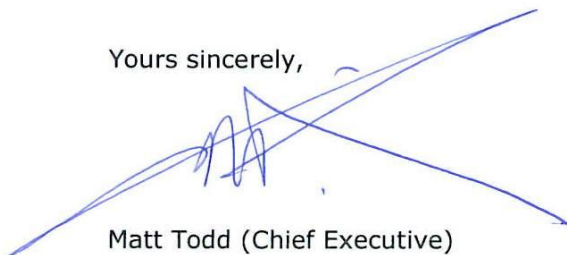
3.0 COMMENTS

3.1. Electricity is a key component of a country's infrastructure and economy. Recent supply shortage risks in past winters resulted in sustained high spot prices for electricity and the need for emergency conservation campaigns, causing inconvenience, disruption, and potential damage to the attractiveness of New Zealand for national and international business investment. The costs of supply interruptions for energy intensive producers can be very substantial and have extensive implications throughout the economy.

3.2. Overall ENL regards the new GPS as a solid foundation for the new governance and revised direction of the electricity industry and welcomes the proposed amendments to the GPS. Particularly the Government's greater recognition of security of supply matters is well placed to meet New Zealand's future challenges of all vertical elements within the energy sector, including generation, transmission, distribution and retail. The proposed changes provide the Government with the ability to ensure that security of supply and national energy interests are achieved. Greater security of supply will ensure that there is less damage to the economy overall and business confidence for investment in electricity intensive industries will strengthen.

3.3. Another important element of a secure electricity supply chain is continuing investment and upgrade into transmission and distribution networks. Arguably, there has been underinvestment into the grid over the past years. ENL believes that making the approval process for small grid upgrade projects faster and more efficient is an appropriate way of stimulating investments into the grid.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Matt Todd', is written over a large, sweeping blue line that extends across the page.

Matt Todd (Chief Executive)

For further enquiries on this submission, please do not hesitate to contact Henrike Seifert (ph 06 8691 603, email: henrike.seifert@eastland.co.nz) or Ben Gibson (ph 06 8690 725, email: ben.gibson@eastland.co.nz).