



Fonterra Cooperative Group Ltd Submission on:

**Government Policy Statement on Electricity
Governance**

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- 1 Fonterra is New Zealand's largest single exporter, a major user of electricity and engaged in several dairy site based energy generation operations. Our operations are heavily dependent on a continuing, secure, high quality and economic electricity supply to our many business sites.
- 2 We are pleased to note the Policy Statement's highlighting of the critical importance of electricity supply security. We, and many other businesses, rely on secure, economic electrical supply 24 hours a day, throughout the year, and over the long term. Sustainable economic development within New Zealand will indeed rely on this.
- 3 We support the removal of references to NZES and NZEEC in light of the review contemplated for each of these.
- 4 Our participation and experience in the electricity sector certainly reinforces the value of relevant information made available to the market. This transparency is in our view a foundation for effective operation of the market.
- 5 We submit that national grid and distribution lines objectives should also include the avoidance of unreasonable electrical system constraints to regional development. We particularly support the Paragraph 102 reference to keeping rural and urban line charges in line, but consider this equitable treatment of the range of regions needs to be more generally ensured (eg Supply security/quality equality)
- 6 We have serious concerns at the Policy Statement's contemplated Electricity Commission reserve energy interventions, and at the likes of the pricing indicated at Clause 30. This appears an extremely difficult intervention, and itself potentially exposed to gaming within the industry. The reference to 20c/kWh ignores the realities that supply/demand can generate in upstream energy pricing, and threatens to compromise good quality and long term capacity investment decision-making within the market.
- 7 We support the clarification of boundaries and roles between the Electricity Commission and EECA, and also support the indicated rationalisation of Government agencies with energy efficiency focus. We submit that the avoidance of duplication between the Electricity Commission and EECA would be supported by omitting "..and facilitate.." at Appendix 1 Paragraph 1b.
- 8 We query the deletion of paragraph 78 "Integration Issues". We consider that integration of renewable and other generation options will be critically important to best utilise the range of supply options available.

- 9 We propose that the Policy Statement specifically reference “Cogeneration” (eg at paragraphs 96, 99), in light of the positive role we consider this technology can continue to play in a distributed and efficient electricity system.
- 10 We consider that clarity and consistency of the rules around any intervention framework going forward are essential to the creation of an effective market, to confidence within that market, and to effective supply-, distribution- and demand -related investment decisions.
- 11 We note at Paragraph 109, the Government request for Commerce Commission compliance to review material by a historical date. This matter must surely be clear now.
- 12 At Paragraph 110, we submit that the last sentence should instead state a positive commitment to promoting/encouraging (eg incentives, recognition of distribution benefits, Paragraph 112) the implementation of distributed generation. We consider this important to support various renewable, cogeneration and other valuable options.

Ends