

28 February 2020

Energy Markets Policy
Ministry of Business, Innovation and Employment
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WELLINGTON 6140

By email: energymarkets@mbie.govt.nz

ERANZ submission on accelerating renewable energy and energy efficiency

The Electricity Retailers Association of New Zealand (ERANZ) welcomes the opportunity to provide feedback on the Government's December 2019 discussion document: Accelerating renewable energy and energy efficiency.

ERANZ is supportive of the Government's goal to transition New Zealand to a low emissions economy. Electricity has a key role to play. In the past 12 months, 84 per cent of all electricity was produced from renewable sources. There are significant gains to be made by converting emission-intensive industries such as transport and process heat to electricity.

We are also supportive of the steps the Government is taking to coordinate change both across government and indeed the entire country. This joined-up approach will drive much better outcomes than a range of ad-hoc measures.

In this submission, we have provided feedback only on proposals that relate to electricity retailers. ERANZ represents retailers that provide electricity to more than 9 in 10 New Zealanders, with member companies ranging in size from 1,000 to 500,000 customers. We have not provided feedback on generation-focused proposals, except to the extent they affect retailers.

New Zealand is fortunate to have relatively low-cost electricity. Our power prices are the 10th cheapest in the developed world, and the average annual household power bill has fallen by around \$120 in the past five years.

Moving to a low-emission economy will likely raise power prices to some extent, all else being equal – both by increasing the marginal cost of supply (in part through a higher carbon price) and by significantly increasing demand for electricity as industries such as transport and process heat move to electrification. This may be offset to a certain extent by other factors such as technological change.

In this context, it is vital that emission reductions are achieved as efficiently as possible – taking advantage of least-cost abatement opportunities in order to minimise the additional costs faced by New Zealanders.

The Emissions Trading Scheme (ETS) is the key mechanism by which the Government is seeking to reduce emissions in New Zealand. ERANZ agrees with this approach. Using the ETS drives efficient emissions reductions – incentivising technology or other changes to reduce emissions where the cost to do so is lower than the price but allowing some emissions where the cost of reduction is greater than the price.

The Government’s discussion document considers which steps beyond the ETS are required to support a low-emissions economy. Many of these changes will complement the ETS – such as proposals to remove unnecessary regulatory, information, and cost barriers to unlock least-cost abatement opportunities.

However, a number of proposals could impose significant costs beyond the ETS. Part of the reason the ETS will not drive the full reductions in emissions is that the Government intends to place a cap on the price of carbon to limit the increase in costs faced consumers.

It seems counter-productive to cap the ETS price in order to limit the additional costs faced by consumers, while at the same time undertaking additional steps that increase costs faced by consumers because of the ETS cap limits its effectiveness

Of particular concern is the regulation under active consideration which would require power companies to deliver energy efficiency resources to their customers. Electricity retailers are not best placed to make improvements to New Zealand’s poor housing stock. The extra cost to power companies would ultimately be paid for by consumers through higher power prices – and could see significant expenditure on changes that may not be the most efficient method of reducing emissions. These concerns are outlined in more detail in the remainder of this submission.

Option 8.1 – Power Purchase Agreement Platform

New Zealand is fortunate to be well endowed with potential renewable energy sources. In New Zealand, renewables provide the least-cost options for new generation. In 2019, 84 per cent of the electricity produced in New Zealand was from renewable sources, up from 73 per cent ten years ago.

Renewable generation has increased over time. Around 1,500 MW of additional renewable generation capacity has been built since 2000. Renewables, as a proportion of total generation, have increased from 64 per cent in 2008 to 84 per cent today. The trend will continue, with 563 MW of new renewable generation projects currently being developed.

Furthermore, over 1,800 MW of additional wind generation capacity has been consented. The wind current projects under active development will raise New Zealand’s total installed wind capacity by over a third.

Geothermal is currently one of New Zealand’s lowest-cost sources of new electricity generation. With three projects currently under development, it is likely that additional new capacity will be brought online in the medium term.

In 2018 residential rooftop solar capacity increased by 30 per cent. Genesis Energy has recently announced it is advanced discussions on terms for a 300 MW solar farm in North Waikato.

Unlike most other countries, our high levels of continued renewable electricity generation growth have been achieved without specific renewable support schemes.

The current PPA market allows brokers to connect renewable electricity developers with electricity buyers that want to enter into PPAs.

It may be potential developers and investors in smaller-scale renewable generation projects would benefit from low-cost facilitation that allows parties to self-connect – such as greater availability of information resources (eg the publication of a list of potential generation opportunities, and the contact details of relevant established entities such as specialist brokers, legal experts, and engineering consultants).

ERANZ sees a limited role for Government in this space beyond that – particularly given New Zealand’s ongoing favourable renewable resources potential, and the attractive economics of renewable resources.

ERANZ is concerned with proposals that guarantee or underwrite certain PPAs to help lower the contract stake price and de-risk electrification projects. This would be a Government subsidy for certain types of new generation, but not others – which may result in some more expensive generation projects proceeding ahead of less expensive options, increasing the overall cost of New Zealand’s transition to a low-carbon future.

Of the options presented, ERANZ believes Government intervention and incentives to encourage PPAs have less potential and should be given lower priority. More in-depth analysis, research, and consultation should be undertaken if this were to be progressed.

Option 8.2 – Encourage greater demand-side participation and develop the demand response market

This option considers whether there is a role for Government in developing a national demand response market that runs alongside the wholesale electricity market to remunerate market participants for reducing their demand during peak periods and/or shifting it into a different time period.

ERANZ agrees there is untapped demand-side response resource. A recent IEA report estimated there is around 4,600 MW of potential demand response in New Zealand, comprising 1,500 MW in the residential sector, 1,100 MW in the commercial sector, and 2,000 MW in the industrial sector.¹

However, ERANZ does not support the development of a national demand response market. Instead, the most cost-effective way to unlock this potential this is through enabling of the electricity pricing

¹ Energy Policies of IEA Countries: New Zealand, IEA 2017.

mechanisms that both incentivise consumers to change their electricity consumption patterns and fully realise the benefits of investing in technologies that enable consumers to flatten their demand profiles.

The rollout of smart meters has been a game changer for electricity retailing, providing the basis for innovation and consumer choice. New Zealand has one of the highest uptakes of smart meters of any country in the world. Around 83% of the nearly 2.2 million ICPs in New Zealand have smart meters certified to provide half-hour data. At 86%, the proportion of smart residential meters is even higher.

Smart meters have increasingly enabled retailers to offer the time of consumption-based pricing options that incentivise consumers to shift load or curtail demand at peak times. The effect on demand profile is akin to that a demand response approach seeks to achieve, but is more cost-effective, and without the extensive risks and regulatory changes required to set up the additional market mechanisms. Time of use retail offerings also encourage the uptake of nascent technologies – such as in battery storage, solar PV, electric vehicles, and smart home technology – by enabling consumers to realise the maximum benefit from their investment in these technologies.

Retailer time of use price offerings would be increased and enhanced by a move to cost-reflective pricing by electricity distributors and by the removal the low fixed charge which serves to blunt time-based price signals. The EA has existing projects to improve distribution pricing to foster the uptake of new services and emerging technologies. ERANZ believes focusing regulatory effort on these issues would bear more fruit than setting up a new demand-side market.

Option 8.3 – Deploy energy efficiency resources via retailer/distributor obligations

This option would place an obligation on electricity retailers and/or distributors to deploy energy-efficient technologies across their customer and/or asset base.

ERANZ agrees energy efficiency has a role to play in supporting New Zealand’s transition to a low-emission economy. New Zealand households can significantly reduce their electricity consumption, and their power bill, by taking simple steps like installing insulation, using a heat pump, or by swapping out incandescent lights for LEDs. We note household consumption has fallen 10% since 2010, in part driven by improvements to appliance and building efficiency. Retailers already currently provide around \$5.5 million in funding for EECA initiatives and programs via a levy.

EECA analysis² suggests the cost of a range of energy efficiency measures, particularly for businesses, is likely to be lower than that of new renewable generation, and so represent a cost-effective way of reducing emissions. However, residential energy efficiency are much less cost-effective.

ERANZ encourages households to take energy-efficiency steps where it makes sense for them to do so. We run public campaigns (both through social media and more traditional channels) to that effect. ERANZ have also established the EnergyMate programme for low-income New Zealanders at highest risk of

² EECA – Energy Efficiency First, July 2019. <https://www.eeca.govt.nz/assets/Resources-EECA/research-publications-resources/EECA-Energy-Efficiency-First-Overview.pdf>

energy hardship, which provides some energy efficiency materials (such as LED lights) and energy literacy training to families become more energy-efficient and reduce their energy use.

However, ERANZ is strongly opposed to this proposal requiring retailers to deliver energy-efficient materials. Residential energy efficiency is fundamentally a housing quality issue – the electricity sector is not well placed deliver the improvements required to New Zealand’s poor quality housing stock.

To be effective, energy efficiency intervention programs require specialist technical expertise and resources that retailers do not typically have. Retailers are not well placed to determine the best energy efficiency offering for households and businesses – that decision is better made by individuals faced with the costs and benefits of the decision.

If the Government concludes households and businesses will not make optimal choices around energy efficiency, the best way to address this is through direct subsidies for energy-efficient appliances and lightbulbs via EECA, and regulation which address the structural barriers to energy efficiency such as the Healthy Homes Guarantee Act and Minimum Energy Performance Standards – both of which are already happening, but could be enhanced.

Requiring power companies to deliver energy-efficient technologies such as heat pumps or insulation to their customers would impose high costs on those companies. This may have the effect of reducing EECA’s costs initially, however these costs would be passed on to consumers through higher power prices.

The discussion document states that a potential benefit of the proposal would be the reduction in up-front investment costs for customers and businesses seeking to implement energy efficiency measures. However, this cost would be shared across all customers through higher power prices.

Some retailers, particularly smaller ones, may not have a large enough balance sheet to make the significant investment to support the delivery of energy efficiency materials to their customers. This proposal could, therefore, reduce the likelihood of new retailers entering the market, and indeed may even see the departure of some existing retailers – reducing competition and choice for New Zealand electricity consumers.

Option 8.5 – Renewable energy certificates and portfolio standards

This proposal would require retailers and/or large electricity users to procure a given quota of renewable electricity, with the quota increasing annually to drive investment in new renewable projects.

ERANZ agrees with the Government that this proposal should not be progressed.

As per our response to option 8.1, New Zealand is fortunate to have a highly renewable electricity system, with the proportion of renewable expected to grow further over the coming years.

The ETS is the key mechanism by which the Government is seeking to reduce emissions in New Zealand. Using the ETS drives efficient emissions reductions – incentivising technology or other changes to reduce emissions where the cost to do so is lower than the price but allowing some emissions where the cost of reduction is greater than the price.

The discussion document is correct to highlight the risks in negative interactions between the ETS and renewable energy certificates. In addition to the risks highlighted in the discussion document, if the quota was set at a level that encouraged greater use of renewables than driven through the ETS, it would likely be driving emissions reductions that are not lowest cost – lifting the overall cost of transition to a low-emission economy for New Zealanders.

ERANZ recommends the ETS remain the key mechanism for driving emissions reductions, rather than additional ad-hoc mechanisms such as renewable energy certificates that could significantly increase power prices if set at the wrong level.

Section 9 – Facilitate local and community engagement in renewable energy

This section proposes actions to facilitate and reduce barriers to community energy projects. This includes having a clear government position on community energy issues and supporting the development of a small number of community energy pilot projects.

Although community energy is still nascent in New Zealand, distributed energy is likely to have a substantial role to play in New Zealand's transition to a low emissions economy.

There may be merit in the Government supporting a small number of pilot and demonstration projects to help overcome some innovation uncertainties.

ERANZ would be concerned with more significant Government involvement in this space, such as providing a guarantee to underwrite or subsidise community energy projects. This would distort the relative merits of new renewable generation projects and may result in some more expensive generation projects proceeding ahead of less expensive traditional options, increasing the overall cost of New Zealand's transition to a low-carbon future.

Thank you for your consideration of this letter. We look forward to continuing to work with the MBIE for the benefit of the sector and the long-term interests of consumers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Burrows', with a long horizontal flourish extending to the right.

Cameron Burrows
Chief Executive

#80

COMPLETE

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Time Spent: 00:48:15

Page 1: Introduction

Q1 Name (first and last name)

Cameron Burrows

Q2 Email

cameron.burrows@eranz.org.nz

Q3 Is this an individual submission, or is it on behalf of a group or organisation? **On behalf of a group or organisation**

Q4 Which group do you most identify with, or are representing? **Electricity sector**

Q5 Business name or organisation (if applicable)

ERANZ

Q6 Position title (if applicable)

Chief Executive

Q7 Important information about your submission (important to read)The information provided in submissions will be used to inform the Ministry of Business, Innovation and Employment's (MBIE's) work on Accelerating renewable energy and energy efficiency.We will upload the submissions we receive and publish them on our website. If your submission contains any sensitive information that you do not want published, please indicate this in your submission.The Privacy Act 1993 applies to submissions. Any personal information you supply to MBIE in the course of making a submission will only be known by the team working on the Accelerating renewable energy and energy efficiency.Submissions may be requested under the Official Information Act 1982. Submissions provided in confidence can usually be withheld. MBIE will consult with submitters when responding to requests under the Official Information Act 1982.We intend to upload submissions to our website at www.mbie.govt.nz. Can we include your submission on the website?

Yes

Q8 Can we include your name?

Yes

Q9 Can we include your organisation (if submitting on behalf of an organisation)?

Yes

Q10 All other personal information will not be proactively released, although it may need to be released if required under the Official Information Act. Please indicate if there is any other information you would like withheld.

Respondent skipped this question

Page 2

Q11 Where are you located?

Respondent skipped this question

Q12 In what region or regions does your organisation mostly operate?

All of New Zealand

Page 3: Areas you wish to provide feedback on

Q13 Part A relates to process heat.Please indicate which sections, if any, you would like to provide feedback on.

Respondent skipped this question

Q14 Part B relates to renewable electricity generation. Please indicate which sections, if any, you would like to provide feedback on.

Section 8: Supporting renewable electricity generation investment

Section 9: Facilitating local and community engagement in renewable energy and energy efficiency

Page 4: Section 1: Addressing information failures

Q15 Option 1.1 would require large energy users to report their emissions and energy use annually, publish Corporate Energy Transitions Plans and conduct energy audits every four years. Do you support this option?

Respondent skipped this question

Q16 Please explain your answer

Respondent skipped this question

Q17 Which parts (set out in Table 3) do you support?

Respondent skipped this question

Q18 Please explain your answer

Respondent skipped this question

Q19 What public reporting requirements (listed in Table 3) should be disclosed?

Respondent skipped this question

Q20 In your view, should businesses be expected to include transport energy and emissions in these reporting requirements?

Respondent skipped this question

Q21 For manufacturers: what will be the impact on your business to comply with the requirements?

Respondent skipped this question

Q22 Option 1.1. Suggests that requirements to publish Corporate Energy Transition Plans should apply to large energy users, and proposes defining large energy users as those with an annual energy spend (purchased) of greater than \$2 million per annum. Do you agree with this definition?

Respondent skipped this question

Q23 If you selected no, please describe what in your view would be an appropriate threshold to define 'large energy users'.

Respondent skipped this question

Q24 Is there any potential for unnecessary duplication under these proposals and the disclosures proposed in the MBIE-Ministry for the Environment discussion document Climate-related Financial Disclosures – Understanding your business risks and opportunities related to climate change, October 2019?

Respondent skipped this question

Page 5: Section 1 - Option 1.2: Electrification information package and feasibility studies

Q25 Do you support the proposal to develop an electrification information package?

Respondent skipped this question

Q26 Would an electrification information package be of use to your business?

Respondent skipped this question

Q27 Do you support customised low-emission heating feasibility studies?

Respondent skipped this question

Q28 In your view, which of the components should be scaled up and/or prioritised?

Respondent skipped this question

Q29 Would a customised low-emission heating feasibility study be of use to your business?

Respondent skipped this question

Q30 Please describe any components other than those identified that could be included in an information package.

Respondent skipped this question

Page 6: Section 1 - Option 1.3: Provide benchmarking information for food processing industries

Q31 Do you support benchmarking in the food processing sector?

Respondent skipped this question

Q32 Would benchmarking be suited to, and useful for, other industries, such as wood processing?

Respondent skipped this question

Q33 Do you believe government should have a role in facilitating this or should it entirely be led by industry?

Respondent skipped this question

Q34 Please explain your answer

Respondent skipped this question

Page 7: Section 2: Developing markets for bioenergy and direct geothermal use

Q35 Do you agree that some councils have regional air quality rules that are barriers to wood energy?

Respondent skipped this question

Q36 Please provide examples of regional air quality rules that you see as barriers to wood energy. Please also note which council's plan you are referring to.

Respondent skipped this question

Q37 Do you agree that a National Environmental Standards for Air Quality (NESAQ) users' guide on the development and operation of the wood energy facilities will help to reduce regulatory barriers to the use of wood energy for process heat?

Respondent skipped this question

Q38 What do you consider a NESAQ users' guide should cover? Please provide an explanation if possible.

Respondent skipped this question

Q39 Please describe any other options that you consider would be more effective at reducing regulatory barriers to the use of wood energy for process heat.

Respondent skipped this question

Q40 In your opinion, what technical rules relating to wood energy would be better addressed through the NESAQ than through the proposed users' guide (option 2.1)?

Respondent skipped this question

Page 8: Section 2 - continued: Developing markets for bioenergy and direct geothermal use

Q41 In your view, could the Industry Transformation Plans stimulate sufficient supply and demand for bioenergy to achieve desired outcomes?

Respondent skipped this question

Q42 What other options are worth considering?

Respondent skipped this question

Q43 Is Government best placed to provide market facilitation in bioenergy markets?

Respondent skipped this question

Q44 How could Government best facilitate bioenergy markets? Please be as specific as possible, giving examples.

Respondent skipped this question

Q45 In your view, how can government best support direct use of geothermal heat?

Respondent skipped this question

Q46 What other options are worth considering?

Respondent skipped this question

Page 9: Section 3: Innovating and building capability

Q47 Do you agree that de-risking commercially viable low-emission technology should be a focus of government support on process heat?

Respondent skipped this question

Q48 Do you agree that diffusing commercially viable low-emission technology should be a focus of government support on process heat?

Respondent skipped this question

Q49 Is Energy Efficiency and Conservation Authority (EECA) grant funding to support technology diffusion the best vehicle for this?

Respondent skipped this question

Q50 For manufacturers and energy service experts: would peer learning and lead to reducing perceived technology risks?

Respondent skipped this question

Q51 For manufacturers and energy service experts: would on-site technology demonstration visits lead to reducing perceived technology risks?

Respondent skipped this question

Q52 Is there a role for the Government in facilitating this?

Respondent skipped this question

Page 10: Section 3 (continued): Innovating and building capability

Q53 For emissions-intensive and highly integrated (EIH) stakeholders: What are your views on our proposal to collaborate to develop low-carbon roadmaps?

Respondent skipped this question

Q54 Would low-carbon roadmaps assist in identifying feasible technological pathways for decarbonisation?

Respondent skipped this question

Q55 What are the most important issues that would benefit from a partnership and co-design approach?

Respondent skipped this question

Q56 What, in your view, is the scale of resourcing required to make this initiative successful?

Respondent skipped this question

Page 11: Section 4: Phasing out fossil fuels in process heat

Q57 Do you agree with the proposal to ban new coal-fired boilers for low and medium temperature requirements?

Respondent skipped this question

Q58 Do you agree with the proposal to require existing coal-fired process heat equipment for end-use temperature requirements below 100 degrees Celsius to be phased out by 2030?

Respondent skipped this question

Q59 Referring to Question 56 - is this ambitious or is it not doing enough?

Respondent skipped this question

Q60 For manufacturers: what would be the likely impacts or compliance costs on your business of a ban on new coal-fired process heat equipment?

Respondent skipped this question

Q61 For manufacturers: what would be the likely impacts or compliance costs on your business of requiring existing coal-fired process heat equipment supplying end-use temperature requirements below 100°C to be phased out by 2030.

Respondent skipped this question

Q62 Could the Corporate Energy Transition Plans (Option 1.1) help to design a more informed phase out of fossil fuels in process heat?

Respondent skipped this question

Q63 Would a timetabled phase out of fossil fuels in process heat be necessary alongside the Corporate Energy Transition Plans?

Respondent skipped this question

Q64 In your view, could national direction under the Resource Management Act (RMA) be an effective tool to support clean and low greenhouse gas-emitting methods of industrial production?

Respondent skipped this question

Q65 If yes, how?

Respondent skipped this question

Q66 In your view, could adoption of best available technologies be introduced via a mechanism other than the RMA?

Respondent skipped this question

Page 12: Section 5: Boosting investment in energy efficiency and renewable energy technologies

Q67 Do you agree that complementary measures to the New Zealand Emissions Trading Scheme (NZ-ETS) should be considered to accelerate the uptake of cost-effective clean energy projects?

Respondent skipped this question

Q68 Would you favour regulation, financial incentives or both?

Respondent skipped this question

Q69 In your view what is a bigger barrier to investment in clean energy technologies, internal competition for capital or access to capital? **Respondent skipped this question**

Q70 If you favour financial support, what sort of incentives could be considered? **Respondent skipped this question**

Q71 What are the benefits of these incentives? **Respondent skipped this question**

Q72 What are the risks of these incentives? **Respondent skipped this question**

Q73 What are the costs of these incentives? **Respondent skipped this question**

Q74 What measures other than those identified above could be effective at accelerating investment in clean energy technologies? **Respondent skipped this question**

Page 13: Section 6: Cost recovery mechanisms

Q75 What is your view on whether cost recovery mechanisms should be adopted to fund policy proposals in Part A of the Accelerating renewable energy and energy efficiency discussion document? **Respondent skipped this question**

Q76 What are the advantages of introducing a levy on consumers of coal to fund process heat activities? **Respondent skipped this question**

Q77 What are the disadvantages of introducing a levy on consumers of coal to fund process heat activities? **Respondent skipped this question**

Page 14: Section 7: Enabling development of renewable energy under the Resource Management Act 1991

Q78 Do you agree that the current NPSREG gives sufficient weight and direction to the importance of renewable energy? **Respondent skipped this question**

Q79 What changes to the NPSREG would facilitate future development of renewable energy? **Respondent skipped this question**

Q80 What policies could be introduced or amended to provide sufficient direction to councils regarding the matters listed in points a-i mentioned on pages 60-61 of the discussion document? **Respondent skipped this question**

Q81 How should the NPSREG address the balancing of local environmental effects and the national benefits of renewable energy development in RMA decisions? **Respondent skipped this question**

Q82 What are your views on the interaction and relative priority of the NPSREG with other existing or pending national direction instruments? **Respondent skipped this question**

Q83 Do you have any suggestions for how changes to the NPSREG could help achieve the right balance between renewable energy development and environmental outcomes? **Respondent skipped this question**

Q84 What objectives or policies could be included in the NPSREG regarding councils' role in locating and planning strategically for renewable energy resources? **Respondent skipped this question**

Q85 Can you identify any particular consenting barriers to development of other types of renewable energy than REG, such as green hydrogen, bioenergy and waste-to-energy facilities? **Respondent skipped this question**

Q86 Can any specific policies be included in a national policy statement to address these barriers? **Respondent skipped this question**

Q87 What specific policies could be included in the NPSREG for small-scale renewable energy projects? **Respondent skipped this question**

Q88 The NPSREG currently does not provide any definition or threshold for "small and community-scale renewable electricity generation activities". Do you have any view on the definition or threshold for these activities? **Respondent skipped this question**

Q89 What specific policies could be included to facilitate re-consenting consented but unbuilt wind farms, where consent variations are needed to allow the use of the latest technology? **Respondent skipped this question**

Q90 Are there any downsides or risks to amending the NPSREG? **Respondent skipped this question**

Page 15: Section 7 - continued

Q91 Do you agree that National Environmental Standards (NES) would be an effective and appropriate tool to accelerate the development of new renewables and streamline re-consenting? **Respondent skipped this question**

Q92 What are the pros of using National Environmental Standards as a tool to accelerate the development of new renewables and streamline re-consenting? **Respondent skipped this question**

Q93 What are the cons of using National Environmental Standards as a tool to accelerate the development of new renewables and streamline re-consenting? **Respondent skipped this question**

Q94 What do you see as the relative merits and priorities of changes to the NPSREG compared with work on NES? **Respondent skipped this question**

Q95 What are the downsides and risks to developing NES? **Respondent skipped this question**

Q96 What renewables activities (including both REG activities and other types of renewable energy) would best be suited to NES? **Respondent skipped this question**

Q97 What technical issues could best be dealt with under a standardised national approach? **Respondent skipped this question**

Q98 Would it be practical for NES to set different types of activity status for activities with certain effects, for consenting or re-consenting? **Respondent skipped this question**

Q99 Are there any aspects of renewable activities that would have low environmental effects and would be suitable for having the status of permitted or controlled activities under the RMA? Please provide details. **Respondent skipped this question**

Q100 Do you have any suggestions for what rules or standards could be included in NES or National Planning Standards to help achieve the right balance between renewable energy development and environmental outcomes? **Respondent skipped this question**

Q101 Compared to the NPSREG or National Environment Standards, would National Planning Standards or any other RMA tools be more suitable for providing councils with national direction on renewables? **Respondent skipped this question**

Q102 Please explain your answer **Respondent skipped this question**

Q103 Are there opportunities for non-statutory spatial planning techniques to help identify suitable areas for renewables development (or no go areas)?

Respondent skipped this question

Q104 Do you have any comments on potential options for pre-approval of renewable developments?

Respondent skipped this question

Q105 Are the current National Policy Statement on Electricity Transmission (NPSET) and National Environmental Standards for Electricity Transmission Activities (NESETA) fit-for-purpose to enable accelerated development of renewable energy?

Respondent skipped this question

Q106 What changes (if any) would you suggest for the NPSET and NESETA to accelerate the development of renewable energy?

Respondent skipped this question

Q107 Can you suggest any other options (statutory or non-statutory) that would help accelerate the future development of renewable energy?

Respondent skipped this question

Page 17: Section 8: Supporting renewable electricity generation investment

Q108 Do you agree there is a role for government to provide information, facilitate match-making and/or assume some financial risk for PPAs?

provide information

Agree

facilitate match-making

Strongly disagree

assume some financial risk

Strongly disagree

Q109 Would support for PPAs effectively encourage electrification?

Respondent skipped this question

Q110 Would support for PPAs effectively encourage new renewable generation investment?

Respondent skipped this question

Q111 How could any potential mismatch between generation and demand profiles be managed by the Platform and/or counterparties?

New Zealand is fortunate to be well endowed with potential renewable energy sources. In New Zealand, renewables provide the least-cost options for new generation. In 2019, 84 per cent of the electricity produced in New Zealand was from renewable sources, up from 73 per cent ten years ago.

Renewable generation has increased over time. Around 1,500 MW of additional renewable generation capacity has been built since 2000. Renewables, as a proportion of total generation, have increased from 64 per cent in 2008 to 84 per cent today. The trend will continue, with 563 MW of new renewable generation projects currently being developed.

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It may be potential developers and investors in smaller-scale renewable generation projects would benefit from low-cost facilitation that allows parties to self-connect – such as greater availability of information resources (eg the publication of a list of potential generation opportunities, and the contact details of relevant established entities such as specialist brokers, legal experts, and engineering consultants).

ERANZ sees a limited role for Government in PPAs beyond supporting information sharing – particularly given New Zealand's ongoing favourable renewable resources potential, and the attractive economics of renewable resources.

ERANZ is concerned with proposals that guarantee or underwrite certain PPAs to help lower the contract stake price and de-risk electrification projects. This would be a Government subsidy for certain types of new generation, but not others – which may result in some more expensive generation projects proceeding ahead of less expensive options, increasing the overall cost of New Zealand's transition to a low-carbon future.

Of the options presented, ERANZ believes Government intervention and incentives to encourage PPAs have less potential and should be given lower priority. More in-depth analysis, research, and consultation should be undertaken if this were to be progressed.

Q112 Please rank the following variations on PPA Platforms in order of preference. 1 = most preferred, 4 = least preferred.

Respondent skipped this question

Q113 What are your views on Contract Matching Services?

ERANZ sees a limited role for Government in PPAs beyond supporting information sharing – particularly given New Zealand's ongoing favourable renewable resources potential, and the attractive economics of renewable resources.

ERANZ is concerned with proposals that guarantee or underwrite certain PPAs to help lower the contract stake price and de-risk electrification projects. This would be a Government subsidy for certain types of new generation, but not others – which may result in some more expensive generation projects proceeding ahead of less expensive options, increasing the overall cost of New Zealand's transition to a low-carbon future.

Of the options presented, ERANZ believes Government intervention and incentives to encourage PPAs have less potential and should be given lower priority. More in-depth analysis, research, and consultation should be undertaken if this were to be progressed.

Q114 What are your views on State sector-led PPAs? **Respondent skipped this question**

Q115 What are your views on Government guaranteed contracts?

ERANZ sees a limited role for Government in PPAs beyond supporting information sharing – particularly given New Zealand's ongoing favourable renewable resources potential, and the attractive economics of renewable resources.

ERANZ is concerned with proposals that guarantee or underwrite certain PPAs to help lower the contract stake price and de-risk electrification projects. This would be a Government subsidy for certain types of new generation, but not others – which may result in some more expensive generation projects proceeding ahead of less expensive options, increasing the overall cost of New Zealand's transition to a low-carbon future.

Of the options presented, ERANZ believes Government intervention and incentives to encourage PPAs have less potential and should be given lower priority. More in-depth analysis, research, and consultation should be undertaken if this were to be progressed.

Q116 What are your views on a Clearing house for PPAs?

ERANZ sees a limited role for Government in PPAs beyond supporting information sharing – particularly given New Zealand's ongoing favourable renewable resources potential, and the attractive economics of renewable resources.

ERANZ is concerned with proposals that guarantee or underwrite certain PPAs to help lower the contract stake price and de-risk electrification projects. This would be a Government subsidy for certain types of new generation, but not others – which may result in some more expensive generation projects proceeding ahead of less expensive options, increasing the overall cost of New Zealand's transition to a low-carbon future.

Of the options presented, ERANZ believes Government intervention and incentives to encourage PPAs have less potential and should be given lower priority. More in-depth analysis, research, and consultation should be undertaken if this were to be progressed.

Q117 For manufacturers: what delivered electricity price do you require to electrify some or all of your process heat requirements? **Respondent skipped this question**

Q118 For manufacturers: is a long-term electricity contract an attractive proposition if it delivers more affordable electricity? **Respondent skipped this question**

Q119 For investors / developers: what contract length and price do you require to make a return on an investment in new renewable electricity generation capacity?

Respondent skipped this question

Q120 For investors / developers: is a long-term electricity contract an attractive proposition if it delivers a predictable stream of revenues and a reasonable return on investment?

Respondent skipped this question

Page 18: Section 8 - continued

Q121 Do you consider the development of the demand response (DR) market to be a priority for the energy sector?

No,

Please explain your answer:

ERANZ agrees there is significant potential in demand-side response resources. A recent IEA report estimated there is around 4,600 MW of potential demand response in New Zealand, comprising 1,500 MW in the residential sector, 1,100 MW in the commercial sector, and 2,000 MW in the industrial sector. However, ERANZ does not support the development of a national demand response market. Instead, the most cost-effective way to unlock this potential this is through enabling of the electricity pricing mechanisms that both incentivise consumers to change their electricity consumption patterns and fully realise the benefits of investing in technologies that enable consumers to flatten their demand profiles. The rollout of smart meters has been a game changer for electricity retailing, providing the basis for innovation and consumer choice. New Zealand has one of the highest uptakes of smart meters of any country in the world. Around 83% of the nearly 2.2 million ICPS in New Zealand have smart meters certified to provide half-hour data. At 86%, the proportion of smart residential meters is even higher. Smart meters have increasingly enabled retailers to offer the time of consumption-based pricing options that incentivise consumers to shift load or curtail demand at peak times. The effect on demand profile is akin to that a demand response approach seeks to achieve, but is more cost-effective, and without the extensive risks and regulatory changes required to set up the additional market mechanisms. Time of use retail offerings also encourage the uptake of nascent technologies – such as in battery storage, solar PV, electric vehicles, and smart home technology – by enabling consumers to realise the maximum benefit from their investment in these technologies. Retailer time of use price offerings would be increased and enhanced by a move to cost-reflective pricing by electricity distributors and by the removal the low fixed charge which serves to blunt time-based price signals. The EA has existing projects to improve distribution pricing to foster the uptake of new services and emerging technologies. ERANZ believes focusing regulatory effort on these issues would bear more fruit than setting up a new demand-side market.

Q122 Do you think that demand response (DR) could help to manage existing or potential electricity sector issues?

Yes

Q123 What are the key features of demand response markets?

Respondent skipped this question

Q124 Which features of a demand response market would enable load reduction or asset use optimisation across the energy system?

Respondent skipped this question

Q125 Which features of a demand response market would enable the uptake of distributed energy resources?

Respondent skipped this question

Q126 What types of demand response services should be enabled as a priority?

Respondent skipped this question

Q127 Which services make sense for New Zealand?

Respondent skipped this question

Page 19: Section 8 - continued

Q128 Would energy efficiency obligations effectively deliver increased investment in energy efficient technologies across the economy?

No

Q129 Is there an alternative policy option that could deliver on this aim more effectively?

Yes (please specify):
Existing policy that sees energy efficiency measures taken by households or incentivised by EECA or Government housing quality regulation.

Q130 If progressed, what types of energy efficiency measures and technologies should be considered in order to meet retailer/distributor obligations?

Respondent skipped this question

Q131 Should these be targeted at certain consumer groups?

Respondent skipped this question

Q132 Do you support the proposal to require electricity retailers and/or distributors to meet energy efficiency targets?

I do not support the proposal,

Please explain your answer:

ERANZ agrees energy efficiency has a role to play in supporting New Zealand's transition to a low-emission economy. New Zealand households can significantly reduce their electricity consumption, and their power bill, by taking simple steps like installing insulation, using a heat pump, or by swapping out incandescent lights for LEDs. We note household consumption has fallen 10% since 2010, in part driven by improvements to appliance and building efficiency. Retailers already currently provide around \$5.5 million in funding for EECA initiatives and programs via a levy. EECA analysis suggests the cost of a range of energy efficiency measures, particularly for businesses, is likely to be lower than that of new renewable generation, and so represent a cost-effective way of reducing emissions. However, residential energy efficiency are much less cost-effective. ERANZ encourages households to take energy-efficiency steps where it makes sense for them to do so. We run public campaigns (both through social media and more traditional channels) to that effect. ERANZ have also established the EnergyMate programme for low-income New Zealanders at highest risk of energy hardship, which provides some energy efficiency materials (such as LED lights) and energy literacy training to families become more energy-efficient and reduce their energy use. However, ERANZ is strongly opposed to this proposal requiring retailers to deliver energy-efficient materials. Residential energy efficiency is fundamentally a housing quality issue – the electricity sector is not well placed deliver the improvements required to New Zealand's poor quality housing stock. To be effective, energy efficiency intervention programs require specialist technical expertise and resources that retailers do not typically have. Retailers are not well placed to determine the best energy efficiency offering for households and businesses – that decision is better made by individuals faced with the costs and benefits of the decision. If the Government concludes households and businesses will not make optimal choices around energy efficiency, the best way to address this is through direct subsidies for energy-efficient appliances and lightbulbs via EECA, and regulation which address the structural barriers to energy efficiency such as the Healthy Homes Guarantee Act and Minimum Energy Performance Standards – both of which are already happening, but could be enhanced. Requiring power companies to deliver energy-efficient technologies such as heat pumps or insulation to their customers would impose high costs on those companies. Initially this may result in costs being shifted away from EECA, but ultimately they would be passed on to consumers through higher power prices. The discussion document states that a potential benefit of the proposal would be the reduction in up-front investment costs for customers and businesses seeking to implement

energy efficiency measures. However, this cost would be shared across all customers through higher power prices. Some retailers, particularly smaller ones, may not have a large enough balance sheet to make the significant investment to support the delivery of energy efficiency materials to their customers. This proposal could, therefore, reduce the likelihood of new retailers entering the market, and indeed may even see the departure of some existing retailers – reducing competition and choice for New Zealand electricity consumers.

Q133 Which entities would most effectively achieve energy savings?

Respondent skipped this question

Q134 What are the likely compliance costs of this policy?

Requiring power companies to deliver energy-efficient technologies such as heat pumps or insulation to their customers would impose high costs on those companies. Initially this may result in costs being shifted away from EECA, but ultimately they would be passed on to consumers through higher power prices.

The discussion document states that a potential benefit of the proposal would be the reduction in up-front investment costs for customers and businesses seeking to implement energy efficiency measures. However, this cost would be shared across all customers through higher power prices.

Some retailers, particularly smaller ones, may not have a large enough balance sheet to make the significant investment to support the delivery of energy efficiency materials to their customers. This proposal could, therefore, reduce the likelihood of new retailers entering the market, and indeed may even see the departure of some existing retailers – reducing competition and choice for New Zealand electricity consumers.

Page 20: Section 8 - continued

Q135 Do you agree that the development of an offshore wind market should be a priority for the energy sector?

Respondent skipped this question

Q136 What do you perceive to be the major benefits to developing offshore wind assets in New Zealand?

Respondent skipped this question

Q137 What do you perceive to be the major costs to developing offshore wind assets in New Zealand?

Respondent skipped this question

Q138 What do you perceive to be the major risks to developing offshore wind assets in New Zealand?

Respondent skipped this question

Page 21: Section 8 - continued

Q139 This policy option involves a high level of intervention and risk. Would another policy option better achieve our goals to encourage renewable energy generation investment?

Respondent skipped this question

Q140 Could the proposed policy option be re-designed to better achieve our goals?

Respondent skipped this question

Q141 Should the Government introduce Renewable Portfolio Standards (RPS) requirements?

No

Q142 At what level should a RPS quota be set to incentivise additional renewable electricity generation investment?

Respondent skipped this question

Q143 Should RPS requirements apply to all electricity retailers?

No,

Please explain your answer:

ERANZ agrees with the Government that this proposal should not be progressed. As per our response to option 8.1, New Zealand is fortunate to have a highly renewable electricity system, with the proportion of renewable expected to grow further over the coming years. The ETS is the key mechanism by which the Government is seeking to reduce emissions in New Zealand. Using the ETS drives efficient emissions reductions – incentivising technology or other changes to reduce emissions where the cost to do so is lower than the price but allowing some emissions where the cost of reduction is greater than the price. The discussion document is correct to highlight the risks in negative interactions between the ETS and renewable energy certificates. In addition to the risks highlighted in the discussion document, if the quota was set at a level that encouraged greater use of renewables than driven through the ETS, it would likely be driving emissions reductions that are not lowest cost – lifting the overall cost of transition to a low-emission economy for New Zealanders. ERANZ recommends the ETS remain the key mechanism for driving emissions reductions, rather than additional ad-hoc mechanisms such as renewable energy certificates that could significantly increase power prices if set at the wrong level.

Q144 Should RPS requirements apply to all major electricity users?

Respondent skipped this question

Q145 What would be an appropriate threshold for the inclusion of major electricity users (i.e. annual consumption above a certain GWh threshold)?

Respondent skipped this question

Q146 Would a government backed certification scheme support your corporate strategy and export credentials?

Respondent skipped this question

Q147 What types of renewable projects should be eligible for renewable electricity certificates?

Respondent skipped this question

Q148 If this policy option is progressed, should electricity retailers be permitted to invest in energy efficient technology investments to meet their renewable portfolio standards? (See option 8.3 on energy efficiency obligations).

Respondent skipped this question

Q149 If this policy option is progressed, should major electricity users be permitted to invest in energy efficient technology investments to meet their renewable portfolio standards? (See option 8.3 on energy efficiency obligations).

Respondent skipped this question

Q150 What are the likely administrative and compliance costs of this policy for your organisation?

Respondent skipped this question

Page 22: Section 8 - continued

Q151 This policy option involves a high level of intervention and risk. Would another policy option better achieve our goals to encourage renewable energy generation investment?

Respondent skipped this question

Q152 Could this policy option be re-designed to better achieve our goals?

Respondent skipped this question

Q153 Do you support the managed phase down of baseload thermal electricity generation?

Respondent skipped this question

Q154 Would a strategic reserve mechanism adequately address supply security, and reduce emissions affordably, during a transition to higher levels of renewable electricity generation?

Respondent skipped this question

Q155 Under what market conditions should thermal baseload held in a strategic reserve be used?

Respondent skipped this question

Q156 Would you support requiring thermal baseload assets to operate as peaking plants or during dry winters?

Respondent skipped this question

Q157 What is the best way to meet resource adequacy needs as we transition away from fossil-fuelled electricity generation and towards a system dominated by renewables?

Respondent skipped this question

Page 23: Section 8 - continued

Q158 Do you have any views regarding the options to encourage renewable electricity generation investment that we considered, but are not proposing to investigate further? (See pages 90 - 92 of the Accelerating renewable energy and energy efficiency discussion document).

Respondent skipped this question

Page 24: Section 9: Facilitating local and community engagement in renewable energy and energy efficiency

Q159 Should New Zealand be encouraging greater development of community energy projects?

Respondent skipped this question

Q160 What types of community energy project are most relevant in the New Zealand context?

Respondent skipped this question

Q161 What are the key benefits of a focus on community energy?

Respondent skipped this question

Q162 What are the key downsides or risks of a focus on community energy?

Respondent skipped this question

Q163 Have we accurately identified the barriers to community energy proposals?

Respondent skipped this question

Q164 Which barriers do you consider most significant? You may select more than one answer.

Respondent skipped this question

Q165 Are the barriers noted above in relation to electricity market arrangements adequately covered by the scope of existing work across the Electricity Authority and electricity distributors?

Respondent skipped this question

Q166 What do you see as the pros of a clear government position on community energy?

Respondent skipped this question

Q167 What do you see as the cons of a clear government position on community energy?

Respondent skipped this question

Q168 What do you see as the pros of government support for pilot community energy projects?

Although community energy is still nascent in New Zealand, distributed energy is likely to have a substantial role to play in New Zealand's transition to a low emissions economy.

There may be merit in the Government supporting a small number of pilot and demonstration projects to help overcome some innovation uncertainties.

Q169 What do you see as the cons of government support for pilot community energy projects?

ERANZ would be concerned with more significant Government involvement in this space (ie beyond pilot and demonstration projects), such as providing a guarantee to underwrite or subsidise community energy projects. This would distort the relative merits of new renewable generation projects and may result in some more expensive generation projects proceeding ahead of less expensive traditional options, increasing the overall cost of New Zealand's transition to a low-carbon future.

Q170 Are there any other options you can suggest that would support further development of community energy initiatives?

Respondent skipped this question

Page 25: Section 10: Connecting to the national grid

Q171 Please select the option or combination of options, if any, that would be most likely to address the first mover disadvantage.

Respondent skipped this question

Q172 What do you see as the disadvantages or risks of Option 10.1?

Respondent skipped this question

Q173 What do you see as the disadvantages or risks of Option 10.2?

Respondent skipped this question

Q174 What do you see as the disadvantages or risks of Option 10.3.1?

Respondent skipped this question

Q175 What do you see as the disadvantages or risks of Option 10.3.2?

Respondent skipped this question

Q176 Would introducing a requirement, or new charge, for subsequent customers to contribute to costs already incurred by the first mover create any perverse incentives?

Respondent skipped this question

Q177 Are there any additional options that should be considered?

Respondent skipped this question

Page 26: Section 10 (continued): Connecting to the national grid

Q178 Do you think that there is a role for government to provide more independent public data?

Respondent skipped this question

Q179 Is there a role for Government to provide independent geospatial data (e.g. wind speeds for sites) to assist with information gaps?

Respondent skipped this question

Q180 Should MBIE's Electricity Demand and Generation Scenarios (EDGS) be updated more frequently?

Respondent skipped this question

Q181 If you said yes, how frequently should they be updated?

Respondent skipped this question

Q182 Should MBIE's EDGS provide more detail, for example, information at a regional level?

Respondent skipped this question

Q183 Should the costs to the Crown of preparing EDGS be recovered from Transpower, and therefore all electricity consumers (rather than tax-payers)?

Respondent skipped this question

Q184 Would you find a users' guide (on current regulation and approval process for getting an upgraded or new connection) helpful?

Respondent skipped this question

Q185 What information would you like to see in such a guide?

Respondent skipped this question

Q186 Who would be best placed to produce a guide?

Respondent skipped this question

Page 27: Section 10 (continued): Connecting to the national grid

Q187 Do you think that there is a role for government in improving information sharing between parties to enable more coordinated investment?

Respondent skipped this question

Q188 Is there value in the provision of a database (and/or map) of potential renewable generation and new demand, including location and potential size?

Respondent skipped this question

Q189 If so, who would be best to develop and maintain this?

Respondent skipped this question

Q190 How should it be funded?

Respondent skipped this question

Q191 Should measures be introduced to enable coordination regarding the placement of new wind farms?

Respondent skipped this question

Q192 Are there other information sharing options that could help address investment coordination issues? What are they?

Respondent skipped this question

Page 28: Section 11: Local network connections and trading arrangements

Q193 Have you experienced, or are you aware of, significant barriers to connecting to the local networks? Please describe them.

Respondent skipped this question

Q194 Are there any barriers that will not be addressed by current work programmes outlined on pages 118 - 122 of the discussion document?

Respondent skipped this question

Q195 Should the option to produce a users' guide (see Option 10.6 on page 110) also include the process for getting an upgraded or new distribution line?

Respondent skipped this question

Q196 Are there other Section 10 information options that could be extended to include information about local networks and distributed generation?

Respondent skipped this question

Q197 Do the work programmes outlined on pages 118 - 122 cover all issues to ensure the settings for connecting to and trading on the local network are fit for purpose into the future?

Respondent skipped this question

Q198 Are there things that should be prioritised, or sped up?

Respondent skipped this question

Q199 What changes, if any, to the current arrangements would ensure distribution networks are fit for purpose into the future?

Respondent skipped this question

Page 29: Additional comments

Q200 Do you have any additional feedback?

The Electricity Retailers Association of New Zealand (ERANZ) welcomes the opportunity to provide feedback on the Government's December 2019 discussion document: Accelerating renewable energy and energy efficiency.

ERANZ is supportive of the Government's goal to transition New Zealand to a low emissions economy. Electricity has a key role to play. In the past 12 months, 84 per cent of all electricity was produced from renewable sources. There are significant gains to be made by converting emission-intensive industries such as transport and process heat to electricity.

We are also supportive of the steps the Government is taking to coordinate change both across government and indeed the entire country. This joined-up approach will drive much better outcomes than a range of ad-hoc measures.

In this submission, we have provided feedback only on proposals that relate to electricity retailers. ERANZ represents retailers that provide electricity to more than 9 in 10 New Zealanders, with member companies ranging in size from 1,000 to 500,000 customers. We have not provided feedback on generation-focused proposals, except to the extent they affect retailers.

New Zealand is fortunate to have relatively low-cost electricity. Our power prices are the 10th cheapest in the developed world, and the average annual household power bill has fallen by around \$120 in the past five years.

Moving to a low-emission economy will likely raise power prices to some extent, all else being equal – both by increasing the marginal cost of supply (in part through a higher carbon price) and by significantly increasing demand for electricity as industries such as transport and process heat move to electrification. This may be offset to a certain extent by other factors such as technological change.

In this context, it is vital that emission reductions are achieved as efficiently as possible – taking advantage of least-cost abatement opportunities in order to minimise the additional costs faced by New Zealanders.

The Emissions Trading Scheme (ETS) is the key mechanism by which the Government is seeking to reduce emissions in New Zealand. ERANZ agrees with this approach. Using the ETS drives efficient emissions reductions – incentivising technology or other changes to reduce emissions where the cost to do so is lower than the price but allowing some emissions where the cost of reduction is greater than the price.

The Government's discussion document considers which steps beyond the ETS are required to support a low-emissions economy. Many of these changes will complement the ETS – such as proposals to remove unnecessary regulatory, information, and cost barriers to unlock least-cost abatement opportunities.

However, a number of proposals could impose significant costs beyond the ETS. Part of the reason the ETS will not drive the full reductions in emissions is that the Government intends to place a cap on the price of carbon to limit the increase in costs faced consumers.

It seems counter-productive to cap the ETS price in order to limit the additional costs faced by consumers, while at the same time undertaking additional steps that increase costs faced by consumers because of the ETS cap limits its effectiveness

Of particular concern is the regulation under active consideration which would require power companies to deliver energy efficiency resources to their customers. Electricity retailers are not best placed to make improvements to New Zealand's poor housing stock. The extra cost to power companies would ultimately be paid for by consumers through higher power prices – and could see significant expenditure on changes that may not be the most efficient method of reducing emissions. These concerns are outlined in more detail in the remainder of this submission.

Q201 You may upload additional feedback as a file. File size limit is 16MB. We accept PDF or DOC/DOCX.

ERANZ submission - Accelerating renewables and energy efficiency (final).docx.pdf (187.8KB)
