

Energy Markets Policy
Energy and Resources Markets
Ministry of Business, Innovation and Employment
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9th June 2016

To whom it may concern,

ENA submission to MBIE consultation on *Options for expanding the purpose of existing energy levies*

The Electricity Networks Association (ENA) appreciates the opportunity to make a submission to the Ministry of Business, Innovation & Employment consultation on “Options for expanding the purpose of existing energy levies”.

The ENA represents the 26 electricity network businesses (ENBs) in New Zealand (see Appendix B) and as such has a strong interest in the use of the electricity levy – in particular with respect to the opportunities afforded to the EECA by the levy to improve the efficiency of electricity use in NZ and consequently the efficient use of ENB networks.

Before giving our views on the specific consultation questions ENA would like to make some proposals about the visibility EECA provides to stakeholders of the use of the existing electricity levy (and any future funding streams). Regardless of which option MBIE selects following this consultation process we would like to see EECA provide much greater detail to the public and wider stakeholders regarding:

- The individual programmes (and the value of those programmes) fuel levy funding supports
- The effectiveness (or not) of programmes in meeting their stated objectives (e.g. increased electricity efficiency, economic benefits, etc)
- Any lessons arising from the funded programmes and evidence that these lessons will be learned and incorporated into future funding rounds/programmes.
- Any insights (e.g. regarding the effectiveness of particular measures to encourage domestic electricity efficiency) arising from the funded programmes.

Additionally, some ENA members hold the view that EECA should refrain from co-funding reports or initiatives with industry participants where that industry is not wholly aligned to a particular position.

Moving on to the consultation subject matter, ENA understands and is supportive of the rationale put forward in the consultation for expanding the flexibility of the EECA funding streams to enable it to better support those measures that will "...improve the energy efficiency of New Zealand's homes and businesses, and encourage the uptake of renewable energy."

That being said ENA believes the rationality principle should be paramount when determining which option is selected. The interests of electricity customers are best served when the contribution that they make (via their electricity bills) to EECA funding is used for those programmes which will improve the efficiency of use of electricity infrastructure in NZ, as this should deliver a material benefit to customers. We therefore strongly oppose Option 1 (and its various sub-options) as this appears to grant EECA a 'blank cheque' with respect to the uses the electricity levy funds are put, which could be counter to the rationality principle.

With the above points in mind ENA believes that **Option 2A: Existing electricity levy + PEFML with expanded purpose (*exempt biodiesel and ethanol*)** will best serve MBIE's objective of allowing EECA greater flexibility in its funding arrangements whilst still ensuring that electricity customers only fund schemes whose benefit accrues most directly to them.

We note that in assessing Option 2 in the consultation paper MBIE has (in para 37) suggested that the existing annual consultation arrangements that apply to the electricity levy could be extended to also apply to the other fuel types levied. We agreed that this would be a sensible way to ensure transparency of the use of the levy charged to these fuel types but suggest this should be expanded to include much greater detail, as mentioned earlier in this letter.

Should MBIE ultimately select one of the options containing an 'expansion' to the purpose of the electricity levy we believe that this should still be ring-fenced in some manner to only fund those programmes that impact upon electricity use. One approach might be to amend the EECA's use of the electricity levy to "encouragement, promotion, and support of electricity *infrastructure* efficiency". This would then enable EECA to support the continued use of the existing electricity infrastructure (both renewable generation and lines) whilst also promoting non-network solutions such as peak demand management, intelligent home automation, renewable energy use and off-peak electricity take-up e.g. electric vehicles, batteries, etc.

Also, in the case of such an expansion we believe that the existing structure of a consumption based electricity levy should be retained to ensure the burden of funding is not significantly shifted from industrial and commercial to residential electricity customers.

Our response to the specific consultation questions (using the form provided) is attached as Appendix A to this letter. ENA would be happy to discuss any of the points raised in this response in more detail if this would be of benefit.

Yours sincerely,

Graeme Peters

Chief Executive

Electricity Networks Association

For more information contact Richard Le Gros, richard@electricity.org.nz

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Appendix A – ENA reply to MBIE consultation on *Options for expanding the purpose of existing energy levies*

Name:	Richard Le Gros
Email address:	richard@electricity.org.nz
Organisation:	Electricity Networks Association
Please identify your sector:	Electricity Networks Businesses (ENBs)
What are your views on the objective of this proposal? Do you agree or disagree with it? Why?	As noted in our covering letter we agree with and support the objective of the proposal and the rationale behind it. We recognise that in order to achieve EECA’s objectives of improvements in energy efficiency and reductions in harmful emissions it requires access to funding streams that support programmes that target the sectors giving rise to the greatest impacts on these objectives.
What do you think is the appropriate balance between ‘administrative simplicity/transparency’ and the ‘causer or beneficiary pays’ and ‘rationality’ criteria? Should more weight be given to one over the others?	We believe that the rationality principle should be the priority in MBIE’s consideration of the energy levy options outlined in the consultation. We disagree with the suggestion (as in para 53) that “...electricity consumers (including businesses) are seen to represent all “energy users” in New Zealand.” We urge MBIE to consider ways in which transparency regarding the uses to which the levied funds are put (and subsequent outcomes) could be improved – some suggestions are given in our covering letter.
Which option do you think provides the best balance?	We believe that option 2A provides the best balance in terms of enabling the objective of the proposal whilst preserving the rationality principle.
What is your preferred option?	Our preferred option is option 2A.
Why do you consider this the best option?	As noted above we believe that option 2A best meets the objectives of the proposal whilst protecting the interests of electricity customers.

<p>Of the options you do not prefer, what issues or reasons do you think are most important for us to consider?</p>	<p>It is important that wherever possible cross-subsidy of EECA activities giving rise to benefits to different groups of fuel customers is avoided. As we note above electricity consumers are no more representative of all “energy users” than say petrol or diesel consumers and as such should not (to the extent possible) fund activities that will benefit other, quite possibly distinct, groups of customers.</p> <p>We also believe that <i>should</i> the electricity levy be expanded this should still be ring-fenced in some manner to only fund those programmes that impact upon electricity use (i.e. the Government’s recently announced package of measures to encourage uptake of electric vehicles). Also, the existing structure of a consumption based levy should be retained - to ensure the burden of funding is not significantly shifted from industrial and commercial to residential electricity customers.</p>
<p>Are there other options for providing transparency in the use of levy money (besides requiring annual consultation and reporting)?</p>	<p>The use of annual consultation and reporting (as suggested in para 37) appears to be the most sensible and pragmatic way of providing transparency around the use of fuel levy funds. No other practical options are immediately apparent to us. ENA and its members would like to see much greater transparency regarding the uses to which the levied funds are put (and subsequent outcomes).</p>

Appendix B – ENA Member Companies

Alpine Energy

Aurora Energy

Buller Electricity

Counties Power

Eastland Network

Electra

EA Networks

Horizon Energy Distribution

Mainpower NZ

Marlborough Lines

Nelson Electricity

Network Tasman

Network Waitaki

Northpower

Orion New Zealand

Powerco

PowerNet

Scanpower

The Lines Company

Top Energy

Unison Networks

Vector

Waipa Networks

WEL Networks

Wellington Electricity Lines

Westpower