Reply form

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Please identify your sector:	Energy efficiency, household energy, community
What are your views on the objective of this proposal? Do you agree or disagree with it? Why?	Agree. Providing more flexibility to source and allocate funding is long overdue. The current arrangement, whereby the only levy funding available to EECA comes predominantly from renewable energy, is perverse. The only qualification regards the statement in para 17 *"This proposal considers alternative ways to recover similar levels of funding using existing levies"*. If the proposal is tied to the maximum funding available from the current levy (cited in the paper as $17.5M as approved by Cabinet) this potentially restricts future opportunities and strategic imperatives. This is especially so given that EECA currently has no problem identifying worthwhile and cost-effective ways of using the current $13M sourced from the electricity levy (as per EECA's consultation on the 2016/17 levy-funded appropriations and proposed work programme). With a new NZEECS coming, and electric vehicle initiatives announced, an additional $4.5M would not seem to provide much additional scope.
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?	They are all important, as is 'equity' (although not necessarily the way equity appears to have been defined for this exercise – see further below). The rationality principle and causer and/or beneficiary pays are criteria that should always be given prominence because they are fundamental to the idea of levy-based funding; simplicity/transparency is something one would seek to achieve administratively but it doesn't go to the heart of the justification for this type of funding. There are always grey areas (e.g. sometimes the actual beneficiaries in worthwhile and strategic projects are a small sub-group of all potential beneficiaries (and levy payers)). Rather than having pre-judged, set weightings of one over another, I suggest that key principles are developed and specific projects are judged on their merits, with some flexibility if necessary. One of those principles could be that levy funding on a particular category of energy should not be used to fund activities that will increase use of that category of energy (which is largely consistent with rationality and causer pays criteria). For example, if funding is sought for the LEV contestable fund, then the

	bulk of that funding should be sourced from a levy on petrol and diesel, not electricity. The use of the electricity levy could be limited to aspects of system management and integration of new technologies such as PVs and battery storage, in order to minimize the electricity price impacts of the inevitable electricity demand increase implied by greater uptake of EVs.
Which option do you think provides the best balance?	None as specifically stated
What is your preferred option?	A variation of Option 3 that allows for qualified expanded purpose for all three levies.
Why do you consider this the best option?	This option provides scope for a wider brief of projects, and also provides flexibility. Expanding the electricity purpose to include the use of renewable sources of energy could enable some electricity substitution projects to be considered. The qualifications are around the points discussed above i.e. that rationality and beneficiary and/or causer pays principles are very important, and there should be principles that guide levy spending and accountability. A potential example of use of an expanded electricity levy might be energy efficiency and/or switching associated with alleviating ‘energy poverty’ in households. While in general an electricity-based levy is not favoured as a way of addressing energy poverty because (a) concerns that this form of funding entails higher regressive effects compared with funding from the general tax pool, and (b) ‘takeback’ effects, which while they represent a high level of benefit to the individual and possibly to the wider community (e.g. through lower public health costs), diminish the electricity savings potential and thus weaken the overall case for funding in this way. However, there may be some specific situations and technologies that offer both worthwhile and sustained electricity savings and provide long-lasting energy poverty alleviation benefits. Two come to mind - replacing electric resistance heating with efficient and well-chosen heat pumps, and substituting electric resistance heating with clean, efficient wood burning.
Of the options you do not prefer, what issues or reasons do you think are most important for us to consider?	Options that presume ‘equity’ is better served when levy funding is on a per customer basis (Option 1A). Notions of ‘equity’ are not that simple. Equity is very much a product of one’s frame of reference. Equity could equally be proposed as meeting customer ‘ability to pay’ criteria. Levying on a per customer basis will almost certainly have regressive impacts i.e. impacting disproportionately on low income households. The notion of ‘equity’ as used in the consultation paper needs to be rethought.
Are there other options for providing transparency in the use of levy money	I disagree with the presumption in the consultation paper that annual consultation over use of the levy money should be a ‘given’. Certainly, consultation and regular reporting is a given, but the implied need to justify the levy programme every year goes against good planning principles for energy efficiency and renewable energy investment projects. Such projects

(besides requiring annual consultation and reporting)?	require longer time frames to ascertain the flow of benefits and determine other effects such as longer-term ‘take back’ or other behavior change characteristics that are not necessarily obvious within a very short-term timeframe. I suggest that levy programmes be set up on a 2 or 3 year consultation cycle, with annual reporting, and a degree of flexibility to alter programme details within the 2 or 3 years if circumstances require. In that way a sensible planning period for projects can be set up from the start, and sufficient time can be built in to ascertain outcomes.