

7 June 2016

Energy Markets Policy Team
Energy and Resource Markets
Ministry of Business, Innovation and Employment
Via email: energymarkets@mbie.govt.nz

Options for expanding the purpose of existing energy levies

Mighty River Power appreciates the opportunity for comment and welcomes the initiative to recalibrate funding for EECA to focus on energy rather than electricity efficiency. There are significant opportunities to promote energy efficiency beyond the electricity sector given the sector is 81% currently renewable and represents only 25% of New Zealand's total energy demand.

We agree most future energy efficiency gains will come from outside the electricity sector, particularly transport. Electricity vehicles represent a significant cost savings opportunity for New Zealand at the equivalent of 0.30c per litre of petrol as well as providing tangible benefits for New Zealand's carbon emissions and air quality.

We consider it is sensible to allow EECA to expand its focus into programmes targeting those sectors from which New Zealand can make the most energy efficiency gains and for levies on these sectors to be used to fund these programmes. It would not be fair if only electricity consumers were required to pay for efficiency initiatives outside the electricity sector.

The design principles and criteria identified for assessing the various options are appropriate. In our view the main trade-off is between administrative simplicity and transparency and ensuring that both beneficiaries and causers are targeted for funding to reinforce the need for positive change.

In terms of the options put forward, we support those that retain the electricity industry participants levy at current levels but incorporate the PEFML and the gas levy. Our preference is for Option 3 because it is the most targeted and levy payers contribute only to specific activities that logically link to energy use.

We do not support the proposals to expand the purpose of the electricity levy to include energy efficiency and energy conservation and the use of renewable energy. This levy is collected from electricity consumers and the electricity sector is not where most energy efficiency gains can be made.

It is appropriate that the electricity sector pay for programmes directed at electricity efficiency but not programmes directed at other forms of energy efficiency. We consider the electricity levy should continue to be allocated according to the current methodology given there is direct link to consumption and therefore the causer pays principle.

Our responses to the consultation questions are provided as an attachment. Please direct any queries on this submission to myself on nick.wilson@mightyriver.co.nz or 09 580 3623.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Nick Wilson', written over a horizontal line.

Nick Wilson
Manager Regulatory and Government Affairs

Attachment: Response to Consultation Questions

What are your views on the objective of this proposal? Do you agree or disagree with it? Why?

We support the objective of the proposal. We consider that it is appropriate for EECA to focus on those sectors where the greatest energy efficiency gains can be made. The transport sector and industrial heat processes are the main areas where gains can be made. The electricity sector is already largely renewable and contributes only 25% of New Zealand's total energy demand.

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?

All the criteria are important but we understand that a balance has to be struck. We think that equity is particularly important, it would be unfair to make electricity consumers pay for projects that impact on the transport or industrial heat processing sectors. We also favour transparency and consistency of treatment even where it leads to greater administration, so for example we would support annual reporting on how EECA's share of the PEFML is spent if options 2-3A were selected because use of the electricity levy already has this level of transparency.

Which option do you think provides the best balance?

Option 3.

Why do you consider this the best option?

Under Option 3 the electricity levy would continue to fund electricity efficiency activities, and other activities would be funded from PEFML. This option targets the sectors that can contribute to energy efficiency and each levy is used to pay for specific projects coming from the sector concerned. Option 3A would give EECA a pool of money based on a pre-determined formula. In our view this means there is slightly less correlation between the causer/beneficiary and the programmes undertaken because it only attempts to allocate the costs of activities in proportion to the group's contribution to the issue.

Of the options you do not prefer, what issues or reasons do you think are most important for us to consider?

We consider that equity, rationality and beneficiary pays are the most important issues. Electricity consumers should not have to pay for transport and industrial heat process projects. Under option 1, 1A or 1B any inequity is likely to increase over time as EECA undertakes more projects in these sectors and less electricity efficiency projects. Likewise the rationale linking the project back to the beneficiary is likely to get weaker and without any clear link to the beneficiary we are less likely to encourage behavioural changes.

Are there other options for providing transparency in the use of levy money (besides requiring annual consultation and reporting)?

Not that we are aware of.