

Our Purpose

‘Mobilise New Zealanders
to be world leaders in clean
and clever energy use’



Energy Efficiency and
Conservation Authority
Te Tari Tiaki Pūngao

EECA's submission on the Electricity Price Review - Options paper

22 March 2019



Miriam Dean,
Chair, Electricity Price Review
C/ - Secretariat, Ministry of Business, Innovation and Employment
15 Stout Street
PO Box 1473
Wellington 6140

energymarkets@mbie.govt.nz

EECA's submission on the Electricity Price Review - Options paper

Dear Miriam,

EECA is providing this submission to support and provide our high-level comments on selected options, based on our extensive experience in supporting the demand-side use of electricity and programme delivery. All of the positions and views expressed by EECA in this submission are in principle, and do not necessarily represent government policy.

Thank you for the opportunity to provide this submission. We welcome the opportunity to meet and discuss our comments further.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Andrew Caseley'.

Andrew Caseley
Chief Executive

EECA's submission

EECA's main focus is Section B reducing energy hardship. While acknowledging that the options favoured in the paper are designed to work as a package, it is within the options of B1, B3, B4, E1, E2, G1 and G4 that EECA's comments are directly relevant.

General comment

1. We welcome the panel's recognition of the importance of energy efficiency when addressing energy hardship. We agree that any options targeted at energy hardship be packaged together as part of a coordinated, phased work programme.
2. If the proposed 'cross-sector energy hardship group' (B1) is established, we agree it should be tasked with responsibility for coordinating this work programme. EECA delivers a range of services that help to address energy hardship, for example, Warmer Kiwi Homes¹ delivers health benefits through insulation (and from 1 July 2019 heating retrofits) and our Energywise website provides information to consumers on energy saving measures such as energy efficient lighting². We look forward to engaging further on how any recommended options can complement existing initiatives.
3. The Options Paper refers to the possibility of funding B1, B3 and B4 via 'an electricity industry levy'. The current electricity industry levy funds the activities of the Electricity Authority, and a portion of EECA's activities (\$5.2 million in financial year 2018/19)³. It is unclear whether 'energy hardship' currently falls within the scope of activities that can be funded via the electricity industry levy. This would need to be investigated further.

B1 Establish a cross-sector energy hardship group

4. Yes: EECA agrees in principle with this recommendation.
5. As the Authority on energy efficiency, EECA believes we can play an important role as part of the cross-sector group. EECA can contribute expertise in the demand-side interventions of energy efficiency and has significant experience in the design, implementation and delivery of residential energy efficiency programmes.
6. We agree the first task of the group will be to define 'energy hardship', and to take stock of existing policies, organisations or initiatives (government and non-government) and identify gaps. This will mitigate the risk of duplication and inefficiencies such as cost.
7. EECA agrees that a carefully co-ordinated cross-sector approach is needed. Due to the potential for co-ordinating a large number of decision makers, the groups scope, role and mandate will need to be clearly defined. We believe the best facilitator of this group is an entity/organisation who has as part of their purpose the alleviation of hardship.

¹ Warmer Kiwi Homes is a four-year (2018/19-2021/22) \$142 million programme.

² <https://www.energywise.govt.nz/at-home/lighting/choosing-the-right-energy-efficient-bulb/>

³ <https://www.eeca.govt.nz/assets/Resources-EECA/corporate-strategic/EECA-2019-20-Energy-Levies-Consultation-Document.pdf>

B3 Establish a network of community-level support services to help consumers in energy hardship

8. Yes: EECA agrees in principle with this recommendation, but wishes to emphasise the quantum of funding required to adequately resource a national programme.
9. A number of critical issues will need to be addressed during the policy design phase, notably: targeting and eligibility; funding; delivery scale; training for service providers to ensure standardisation; quality assurance.
10. A number of non-government organisations currently deliver some similar services, however, to our knowledge there is no one organisation delivering the full range of services recommended in the Options Paper. Therefore, to deliver these services, work will need to be done at the design and implementation phase to ensure the most appropriate organisations are chosen and industry has capacity and capability to provide quality and independent services.
11. The stated services relevant to EECA include two of the three; energy use and build skills.
12. It is important to recognise the financial barriers that households experiencing energy hardship face in paying for energy efficient technologies that could help save them money longer term. EECA notes that the Warmer Kiwi Home (WKH) programme goes some of the way towards addressing the financial barriers for insulation, for example. Other mechanisms could support other energy efficient technologies such as replacement of inefficient lighting with efficient lighting (e.g LEDs). EECA strongly recommends these opportunities be explored.

B4 Set up a fund to help households in energy hardship become more energy efficient

13. Yes: EECA agrees in principle with this recommendation.
14. The design of any new energy hardship fund would need to be carefully considered to ensure it complements and leverages existing initiatives.
15. As noted in the Options Paper, EECA already delivers a range of funding and information to help New Zealanders improve the energy efficiency of their homes.
16. Starting in 2019/20, grants provided under Warmer Kiwi Homes will cover the cost of installing heaters⁴, in addition to the existing insulation grants. EECA works with a number of government and non-government organisations to target the most vulnerable households. Grant funding under Warmer Kiwi Homes is for owner-occupied properties; the introduction of mandatory Healthy Homes Standards will address a significant part of the energy efficiency retrofit opportunity in rental homes.
17. EECA makes information available to low-income households that includes simple ways to lower energy bills.⁵ EECA is currently undertaking market research to identify what messages (and media) will resonate with consumers in order to motivate them to take

⁴ From 1 July 2019

⁵ <https://www.energywise.govt.nz/at-home/simple-ways-to-lower-energy-bills/>

action on their own energy choices. EECA wishes to note our insights may be of value to any language and communication barriers for consumers.

18. EECA agrees that this option is closely intertwined with option B3, meaning that, if both options are progressed, it would make sense for them to be delivered alongside each other as they will complement and leverage off one another.
19. As with option B3, a key issue to be addressed for B4 will be funding and resourcing.
20. EECA believes that lower power bills can be achieved through a combined intervention of addressing consumers cost of supply and energy efficiency together. Once households are optimised for cost of supply and energy efficiency (e.g. lighting, insulation, appliances, thermal envelope), the installation of other electricity technology has greatest benefits (monitors, heat pumps, thermostats).

E1 & E2 Issue government policy statements on transmission and distribution pricing

21. EECA agrees that considerations of fairness and equity are considerations likely to be better directed through other regulatory and policy means such as government policy statements.
22. EECA believes there will be a significant increase in demand for electricity if (as is highly probable) decarbonisation of the economy results in electrification of sectors such as transport and industry. The required timely investment in transmission and distribution assets is more likely to occur if overarching national issues are contained in a Government Policy Statement. This should then create a framework for faster decision-making, increased certainty and greater fairness and equity to enable the required future investment in the electricity system.

G1 Set up a fund to encourage more innovation

23. EECA does not believe there is a current need for a new contestable fund to encourage more innovation.
24. There are already a number of existing and recently introduced funds mentioned in the Options Paper that suggest sufficient coverage and investment for innovation in the electricity sector. In addition to those mentioned in the paper other technology funds exist, for example EECA's Low Emissions Vehicles Contestable Fund⁶, the Technology Demonstration Programme⁷, Westpac's Clean Tech Fund and Innovation Fund.⁸ Combined, these various funds form an investment continuum starting with R&D, through to demonstration and commercialisation and market uptake (i.e delivery).
25. While a new fund may not be required, a more co-ordinated and joined up approach that addresses any barriers and gaps is valid.

⁶ <https://www.eeca.govt.nz/funding-and-support/low-emission-vehicles-contestable-fund/>

⁷ <https://www.eecabusiness.govt.nz/funding-and-support/technology-demonstration-projects/>

⁸ <https://innovationfund.co.nz/>

G4 Improve the energy efficiency of new and existing buildings

26. Yes: EECA agrees in principle with the recommendation to improve the energy efficiency of new and existing buildings.
27. EECA strongly agrees that improvements can be made to the Building Code in regards to the thermal envelope requirements of new dwellings. These improvements could include higher insulation requirements for walls, ceilings and underfloor; improved lighting standards; and the inclusion of passive thermal performance design requirements (e.g. orientation, shading and ventilation).
28. EECA strongly agrees that improving existing buildings, in particular rental housing and owner-occupied houses of Community Services Card holders, is important to reducing fuel poverty and improving health outcomes. The Healthy Homes Standards are proposing to cover improvements to heating, insulation, and ventilation, and addressing issues with moisture ingress and drainage and draught stopping, while the Warmer Kiwi Homes Programme provides insulation and heating subsidies for low-income owner-occupied dwellings and households in Deprivation Zones 9 & 10.
29. Regarding the prioritisation of improvements to the energy efficiency of new residential buildings, EECA's view is that solar panels and batteries are less relevant, when compared with other energy efficiency measures mentioned above.

Appendix

The Energy Efficiency and Conservation Authority (EECA) is the Crown entity established under the Energy Efficiency and Conservation Act 2000 to encourage, promote, and support the uptake of energy efficiency, energy conservation, and the use of renewable sources of energy in New Zealand. This mandate provides us with the authorising environment to work with a wide range of stakeholders and customers, as we transition to a low carbon and sustainable economy.

Our strategy

Our purpose

Mobilise New Zealanders to be world leaders
in clean and clever energy use

Our strategic principles



Focus on impact

Pursue high-impact change with agility and at pace.



Understand the customer

Focus on those it is important to influence and influence them based on what they care about.



Define the problem

Identify what's blocking progress and tackle it head on.



Join the dots

Work with and connect people and organisations who can be part of achieving our purpose.



Display leadership

Be proactive, have a fact-based point of view, own it.

Our strategic focus areas



Productive and low-emissions business

Mobilise decision makers and technical experts to accelerate action.



Efficient and low-emissions transport

Switch the fleet to low-emissions technology while ensuring that any remaining fossil-fuelled vehicles are as efficient as possible.



Energy efficient homes

Optimise New Zealanders' use of renewable energy through energy efficient homes, technologies and behaviours.



Government leadership

Equip the public sector to innovate and lead the transition to clean and clever energy use.



Engage hearts and minds

Foster a society in which sustainable energy is expected and demanded.

Our desired outcome

A sustainable energy system that supports the prosperity and well-being of current and future generations