

ENA submission on 2023 draft advice to inform the strategic direction of the Government's second emissions reduction plan

Submission to the Climate Change Commission

DATE

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NAME OF SUBMITTER

Electricity Networks Aotearoa

INDUSTRY/AREA OF INTEREST

Utilities/infrastructure

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1 Introduction

Electricity Networks Aotearoa (ENA) is the industry membership body that represents the 27 electricity distribution businesses (EDBs, sometimes called lines companies) that take power from the national grid and deliver it to homes and businesses. See Appendix A of this submission for a list of ENA member companies.

ENA harnesses the collective expertise of members to promote safe, reliable and affordable power for our members' customers.

ENA's primary role is to guide the development of policy for the electricity distribution sector, to engage with government agencies on the sector's behalf and to co-ordinate communications and other activities on behalf of our members. In carrying out its tasks, ENA carries out extensive and independently facilitated consumer and stakeholder engagement.

2 Executive Summary

ENA appreciates the opportunity to submit to the Climate Change Commission (the Commission) draft advice to the government. We broadly support the Commission's proposed approach to achieving net-zero emissions in New Zealand by 2050.

ENA has focussed its submission on proposed recommendations 13 and 17, which directly relate to electricity distribution and, therefore, ENA members.

The distribution sector recognises the criticality of its networks in achieving the government's decarbonisation objectives. It stands ready to support New Zealand as it undertakes a significant energy use transformation.

3 Proposed Recommendations

3.1 Proposed Recommendation 13 - Prioritise and accelerate renewable electricity generation build and ensure electricity distribution networks can support growth and variability of demand and supply.

EDBs are well aware of the challenges and opportunities that will arise from a rapid shift to a net-zero economy.

A key factor in the distribution sector's ability to respond to the challenges associated with decarbonisation and electrification are the regulatory regimes operated by the Commerce Commission and Electricity Authority. ENA and its members are working constructively with these two regulators to address barriers and unlock information to enable an efficient and effective distribution sector transformation. For example, in its recent Input Methodologies review draft decision¹ the Commerce Commission is proposing to reduce the Weighted Average Cost of Capital (WACC) from the 67th to 65th percentile, which could impact on incentives for EDBs to invest. We believe regulatory settings need to err on the side of incentivising more investment, not less, over these next 20 years.

We support this proposal from the Commission and encourage the Government to consider how high-level policy settings, such as those expressed through the National Energy Strategy, can be given effect in the specific regulatory settings adopted by independent regulators such as the Commerce Commission and Electricity Authority.

¹ <https://comcom.govt.nz/regulated-industries/input-methodologies/input-methodologies-for-electricity-gas-and-airports/input-methodologies-projects/2023-input-methodologies-review>

3.2 Proposed Recommendation 17 - Rapidly resolve the barriers to scaling up vehicle charging infrastructure.

EDBs know the importance of a fair, equitable and enabling process for connecting to the distribution networks. EDBs must develop and adhere to capital contribution policies for new connections that reflect the principles outlined in the Electricity Authority's *Distribution Pricing: Practice Note*².

A key factor that EDBs consider when developing their capital contribution policies is ensuring that no existing electricity network customers are made worse off by the connection of new customers – i.e., there should be no cross-subsidy between existing electricity consumers and new connecting parties. In addition, EDBs must work within the constraints of their overall price-quality path (for non-exempt EDBs), and most also consider inter-generational equity issues.

The amount of distribution network capacity available now is largely informed by historical decisions made to ensure that the network is 'right-sized' for the needs of consumers at that time. Available capacity is not 'free' – historical and existing network customers have paid for it, and any future party wanting to use that capacity should compensate those existing customers appropriately through a capital contribution and ongoing tariffs.

ENA is working closely with Drive Electric and their members, the public EV charging point operators, to alleviate informational and process barriers to connecting public EV charging sites.

ENA supports this recommendation but urges the Commission and Government to consider how high-level policy settings (e.g. in the National Energy Strategy) can provide clear mandates to independent sector regulators to amend the regulatory settings in their remit, to enable overall societal goals, such as the provision of EV charging infrastructure.

4 Conclusion

ENA supports the overall objectives of the Government's approach to tackling climate change via decarbonisation and electrification. We also support the expert advice from the Commission to the Government on the appropriate policy settings to ensure that the outcomes in the second Emissions Reduction Plan can be achieved.

We advise that the Commission recommend, and the Government consider, how high-level policy settings to enable decarbonisation expressed in documents such as the forthcoming National Energy Strategy can be given effect to in the independent regulatory regimes that inform so much of the distribution sector's response to the challenges of electrification.

If you would like to discuss any elements of ENA's submission in more detail please contact Richard Le Gros (richard@electricity.org.nz), 04 555 0075, in the first instance.

² https://www.ea.govt.nz/documents/299/Distribution_pricing_practice_note.pdf

5 Appendix A

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below.

Alpine Energy
Aurora Energy
Buller Electricity
Centralines
Counties Energy
Electra
EA Networks
Firstlight Network
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