



IEGA Media Release 6 December 2016

EA Long On Rhetoric And Short On Facts Again

Contrary to the Electricity Authority's 'spin' about having listened to their sector, small generators say they are very disappointed with its DG decisions today.

"By removing the avoided cost of transmission benefits currently shared with consumers, \$500m of value has been wiped from our members' assets," Independent Electricity Generators Association spokesperson Grant Smith says "This ACOT decision is questionable, given their poorly constructed cost-benefit analysis and the lack of any empirical evidence supporting their claim of subsidies. What the EA dished out today was long on rhetoric and short on facts."

ACOT payments are set by the actual costs of transmission. These are price signals set a long time ago and not some kind of handout which the Authority's pejorative rhetoric implies. Smith says "If you want to send different price signals, there are other options. We've put extensive submissions on this which the Authority conveniently ignores."

The Authority's decision undermines government's original consultation process and policy implemented in 2007, and is contrary to evidence from international markets, that distributed generation provides multiple benefits to consumers and reduces system investment costs. The current rulebook ensures that DG providers receive a fair share of those benefits.

IEGA commissioned advisors PricewaterhouseCoopers to undertake an independent market value impact report which identified the proposal could create wealth transfers in the distributed generation sector of between \$0.5bn and \$1.5bn depending on the ultimate allocation of the network common costs. The Authority has acknowledged this decision confirms direct losses to small generators of at least \$297m.

Smith adds "The Authority in its media release has signalled they anticipate further rule changes relating to DG connection and costs between now and 2020. Their approach continues to undermine any confidence smaller investors have in the Code's durability and this creates a material barrier to ongoing local generation competition."

The Association has requested government implements a Cross-Agency or Independent Review of the Authority's decision that imposes significant wealth transfers based on such a narrow statutory remit.

"We will consider the Authority's more detailed responses, but I anticipate the IEGA will be further pursuing their requests of government following today's decision outcomes."

IEGA Spokesperson:
Grant Smith
MOB 021 388 471