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Energy Markets Policy
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King Country Energy Submission – Accelerating Renewable Energy and Energy Efficiency

King Country Energy (KCE) is a renewable generator based in Taumarunui. We own five hydro power stations in the central North Island in the Waikato and Manawatu-Whanganui, generating on average 197GWh per year.

KCE welcomes the opportunity to submit to the discussion and applauds the government for bringing together all the issues into one document.

However, that this process would have benefited from workshops in order to bring ideas to the fore that could be shared amongst all parties. At this stage the views of submissions will be limited to the experience of each submitter and these views might change if their understanding was expanded.

Overall we believe the current market works and that any significant change will only increase investor uncertainty at time when new development is required. It is important that any changes made only provide consistency across the various policies and increase confidence for investors.

While KCE supports energy efficiency we have focused our submission on Part B (sections 7, 10 and 11) which has the most direct impact on our business.

Other submitters

KCE supports the submissions of Trustpower Ltd and the Independent Electricity Generators Association (IEGA) and KCE information has been included in the IEGA submission.

Section 7: Enabling renewables uptake under the Resource Management Act 1991

Currently the energy technologies used to replace carbon fuels all require renewable electricity generation, whether it is electricity substitution or electrolysis for hydrogen. Regardless of innovation, if the path to building renewable electricity generation in bulk is not more efficient and certain then the goal of carbon free by 2050 will not be reached. New Zealand will have to triple the size of its electrical generation capability in the next 30 years. The success of section 7 will have the greatest impact on the success of the 2050 goal.

It is important that there is alignment between the various policies in enabling renewable generation.

For small scale projects the cost and uncertainty around consenting and re-consenting is disproportionate to larger projects. The economies of scale imply the smaller projects while potentially more efficient, just don't start due to the uncertainty. Ideally if cost and uncertainty around consenting processes could be addressed with the uncertainty issue being the higher priority.

National Policy Statement on Renewable Electricity Generation (NPSREG)

The NPSREG is a valuable document however it appears that it is not given enough weight when considered against other policies. KCE supports the strengthening of NPSREG.

In terms of the analysis the key elements that we support in the discussion document are

- 1) NPSREG is given more weight and should provide the glue that brings together other policies.
- 2) Better direction for decision makers on how to weigh up the value of renewable generation against other parameters
- 3) Clearer guidelines on consent renewal process of existing schemes.

The NPSREG does not need to be amended to 'consider and plan strategically for renewable sources' as this would be a costly and time consuming effort. The effort is better spent developing that systems that provide surety for developers who come up with new proposals and providing an efficient and clear pathway to development.

National Policy Statement Freshwater Management (NPSFM)

For hydro generation, the NPSFM is a major challenge to development. Hydro schemes can have positive and negative effects and of particular concern is that any negative effects under the proposed NPSFM cannot be tolerated. This constrains development.

KCE fully supports sustainable operations but the tension between development, water rights and environmental effects needs to be balanced.

National Environmental Standards (NES)

KCE's concern is that a NES becomes a one size fits all approach and that the resultant "window of requirements" is so small many projects wont fit within it. For many generation types the low hanging fruit has already been developed and that future projects have larger hurdles. Subsequently the NES needs to have flexibility to allow projects to fit within the window.

For example rather than binary bottom limits there could be a tier of outcomes, eg ideal, preferred, tolerable and unacceptable. This will allow developers to be able to show the full merits and shortcomings of a project.

For hydro generation the main factors that need to be addressed within the NES are

Residual flow

Flow range and ramp rates

Fish passage

These are the key elements that have considerable effect on economic viability of schemes. Other elements can addressed through time but these three are core to the initial design and construction of a hydro scheme and costly to retrofit.

Section 10: Connecting to the national grid

Section 10 assumes the national grid is the most appropriate platform for energy transmission. There is a strong case that renewable generation built for the purpose of hydrogen production is done so behind the meter, or even no meter at all.

Whether renewable electricity is transmitted through the grid or is converted to molecular fuels will be done on a case by case basis. This implies that the demand for renewable generation and grid capacity will not always go hand in hand.

It is appropriate that section 7 and section 10 are separate for the purpose of discussion and section 10 should effectively be split into two components considering the alternatives to moving energy around New Zealand; electrical or gas transmission or a blend of both.

First mover disadvantage

KCE agrees that first mover disadvantage is an issue. Our preference is that a combination of option 10.1 and option 10.2 is used where Transpower includes climate change mitigation in the economic benefits and allows for subsequent connections to take cost sharing as opposed to marginal connection costs.

The best way to encourage substantial renewable growth is to ensure access is readily available. KCE believes that the government is not the best party to take on risk and should be left to the market and subsequently KCE does not support option 10.3.

Information Provision

Public information should be readily available where there is no compromise to investors risk. KCE believes that information on spare grid capacity, existing generation and large users would be useful including the current fuel types used by large users. This will provide consistent information for forecasting and investigations.

Information on potential opportunities could compromise developers and set false expectations to landowners. Development is best left to the market. The government should not pick winners.

Section 11: Local network connections and trading arrangements

Distributed generation (DG) makes up about 12% on New Zealand's generation capacity. As the paper states Part 6 of the Electricity Code (Connection of Distributed Generation) provides a default position for distributed generation connection pricing and operates at similar proportions to grid connected generation connection charges. DG competes with grid connection generation in the market so it is important these pricing principles remain.

Summary

- No substantial changes to the market
- Policy must be consistent and provide confidence to investors
- Government must not pick winners – let the market decide
- Climate change mitigation should be considered in investment decisions – particularly the national grid

Yours sincerely



CHRIS FINCHAM
GENERAL MANAGER