

## MEUG memo for meeting with EECA on NEECS review, 31 July 2006

### Purpose

1. EECA is leading the review of NEECS. EECA asked stakeholders a list of eight questions by email on 10 July. The purpose of the meeting is for feedback from MEUG.

### **Question 1: Do you agree with the focus on energy efficiency and reducing energy use? And in what circumstances would it be acceptable to wear the trade-offs associated with conserving energy or 'doing without'?**

2. No. What matters is whether the level of energy use including choice of energy efficiency is economically optimal. All resources costs need to be considered, ie including capital.
3. In some cases "doing without" might be more efficient than the status quo. Equally there may be cases where we should use more energy and be less energy efficient but the outcome will be an improvement in economic wealth.

### **Question 2: What areas do you think offer the biggest opportunities for improved energy efficiency and renewable energy?**

4. The biggest opportunity to improve energy efficiency (or more strictly the efficient level of energy use) is to ensure consumers (or intermediaries) face economically efficient price signals.
5. In the electricity sector most households (about a third of total electricity demand) and a lot of commercial consumers do not have time-of-use metering and therefore do not get efficient price signals.

### **Question 3: What role should the replacement Strategy play in addressing climate change?**

6. Government climate change policy is unlikely to be crystallized within the next year given the significant uncertainties over the science, what might happen in the international community, impact of policies on GDP and last but not least political constraints on the government even if it wanted to be decisive. NEECS can't wait till this is settled and therefore must be developed without pre-empting where climate change policy might end up.
7. After finalising climate change policy the Minister can initiate an early review of NEECS.

### **Question 4: Do you agree with a focus on incentives and regulation? What sorts of incentives and regulation should be used? What role should education and voluntary initiatives and marketing play?**

8. No. All possible ways to promote voluntary arrangements need to be explored before incentives and regulation are considered. If regulations and incentives are considered then in each instance they will have to pass a Regulatory Impact Assessment test.
9. For clarity can EECA confirm the NEECS replacement framework is not assuming EECA be given wide spread powers to introduce regulations?

### **Question 5: Do you agree with making government agencies accountable for progress? How should accountability be assigned and monitored?**

10. This should be a matter of implementation by EECA of the NEECS in discussion with relevant government agencies.

**Question 6: Do you agree with setting near term (5 year interval) targets and having aspirational goals for 2050? How do we get the right mix between measurability and aspiration?**

11. NZES should set aspirational goals. NEECS should focus just on the next 5 years.

**Question 7: Do you agree with sector based energy intensity targets? Should there be a national target? How do we set these targets?**

12. Do not agree with sector based energy intensity targets or national targets. Using thermal efficiency as a metric is flawed. Valuing resources used and outputs using dollars is the only way to assess economic welfare changes.
13. A better approach is to determine what barriers prevent efficient levels of energy efficiency and to develop a plan to remove those barriers. The NEECS targets than become deadlines to investigate what the barriers are and by what date they can be removed.

**Question 8: Do you agree with renewable energy targets for each renewable energy source? Should there be a national target? How do we set these targets?**

14. Do not agree with renewable energy targets for each renewable energy source. A better approach is to determine what barriers prevent efficient levels of renewable generation being realized and to develop a plan to remove those barriers. Possible barriers worth investigating include the RMA (eg Project Aqua), Conservation Act (eg Dobson) and how transmission pricing and local distributor terms and conditions affect distributed generation.