



# MAJOR ELECTRICITY USERS' GROUP

5 October 2009

The Executive Director  
National Infrastructure Unit  
The Treasury

By email to [info@infrastructure.govt.nz](mailto:info@infrastructure.govt.nz)

Dear Madam/Sir

## **Submission on Infrastructure: Facts and Issues report**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the National Infrastructure Unit report "Infrastructure: Facts and Issues" 6<sup>th</sup> September 2009<sup>1</sup> (the "facts and issues paper"). The facts and issues paper is a precursor to the drafting of a National Infrastructure Plan. The purpose of the latter is described in the facts and issues paper (paragraph 6) as.

*"The purpose of a National Infrastructure Plan is to present a high-level view of the state of New Zealand's infrastructure, describe the principles and direction of future investment, improve alignment between national and regional planning, establish greater discipline around infrastructure decisions, and increase public awareness about the role that infrastructure plays in supporting and raising the nation's living standards. It should ultimately inform the reader on three topics:*

- *The state of infrastructure at present, and what kind of a challenge it poses;*
- *What improvement is likely to occur on the basis of currently committed projects and policies; and*
- *What sort of infrastructure New Zealand needs to achieve and support ambitious economic growth and quality of life targets, and how much of a gap there is between the committed improvements and what we would need to see to lift New Zealand to a higher level."*

2. Assurances are given in paragraph 8 that the National Infrastructure Plan will, amongst other things, not:

*"Provide any more specificity or certainty about future investment than is already provided by sectoral plans"; and*

*"Be directive."*

3. Detailed information and analysis is needed if the National Infrastructure Plan is to be useful. Hence the importance of the facts and issues paper being comprehensive.
4. In relation to the electricity sector, MEUG notes the following (ordered as each arises in the facts and issues paper). We have not commented on the facts and issues paper selected extracts

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<sup>1</sup> Refer <http://www.infrastructure.govt.nz/plan>

from the Ministerial Review of Electricity Market Performance because MEUG has addressed comments in detail to that forum already.

- a) There is no analysis as to why electricity transmission is considered one of the top four priorities (paragraph 13). The facts and issues paper should be an opportunity to gather feedback before the next stage of identifying policy gaps. The presumption that there are already four identified priorities has pre-empted the analysis that we would expect to have been in the National Infrastructure Plan.

- b) Paragraph 25 states

*"While significant investment is now underway, it is clear that grid performance has suffered from the undue delay of some work. This is in part due to structural and regulatory hurdles that resulted in difficulties in getting work approved."*

We don't think it is clear that grid performance has suffered because of lack of investment. Grid performance and reliability is measured by the Commerce Commission as part of the Settlement between Transpower and the Commission. Over the last few years the largest events affecting grid reliability have been due to poor asset maintenance rather than under-investment.

- c) Other factors relevant to behaviour by electricity market participants, regulatory design and how much electricity infrastructure is optimal (paragraphs 157 to 167) include:
- i) Emerging smart grid, meter and appliance technologies and emerging small scale distributed generation. These can in some cases be substitutes for traditional electricity infrastructure such as high voltage grid power lines; or at least defer or reduce the scale of those works; and
- ii) Evolving contract terms and conditions to cater for these new technologies. We expect significant changes to pricing signals and new property rights to be established. For example households are likely to be able to contract with different parties as to when part of their power demand can be turned off momentarily or for some hours. Improved feedback through improved prices facilitated by new technologies will modify demand for traditional electricity infrastructure as we shift from many "common" costs in the electricity sector being socialised across many parties to being more targeted to causers or beneficiaries.

5. This submission is not confidential.

Yours sincerely



Ralph Matthes  
Executive Director