



MAJOR ELECTRICITY
USERS' GROUP



24 December 2010

Kate Hudson
Energy Efficiency and Conservation Authority
By email to levyconsultation@eeeca.govt.nz

Dear Kate

Consultation paper – 2011/12 appropriations for electricity efficiency appropriation

This is a submission by the New Zealand Business Roundtable and the Major Electricity Users' Group on the joint EECA and Electricity Authority consultation paper "Proposed Appropriations and Work Priorities for the 2011/12 Financial Year", published 22nd November 2010¹. This submission² is on the proposed electricity efficiency appropriation for 2011/12 of \$17.5m.

The proposed appropriation is an increase of \$4.5m over the 2010/11 budget of \$13m. This equals a 35% increase. In these financially challenging times, such an increase would require extraordinary benefits to accrue to taxpayers and the economy. We find no justification for either the proposed increase, or for the current level of expenditure.

New Zealand Business Roundtable and the Major Electricity Users' Group:

1. Oppose the proposed increase of \$4.5m;
2. Recommend a review of all of EECA's work programme (including the current level of \$13m for electricity efficiency) including a more strategic review of the role of EECA;
3. Request a copy of the cost-benefit-analysis that supports the claimed benefits to date and those for the 2011/12 appropriations; and
4. Note that Government needs to address the inconsistency between funding EECA energy efficiency work for all energy forms except electricity through Consolidated Account and electricity related work through the carry-over of a levy set by and for work undertaken by the now expired Electricity Commission.

This inconsistency is a matter for Ministers rather than this consultation. We have mentioned it here because funding sources should be part of a strategic review of the role of EECA recommended above.

¹ Refer <http://www.ea.govt.nz/our-work/consultations/corporate/proposed-appropriations-2011-12/>

² MEUG has made a separate submission to the Electricity Authority on their work programme.

The proposed appropriation of \$17.5m is a carried over estimate from 2007 when the then government had an entirely different set of policy settings³. The consultation paper and the material on the EECA web site in support of the current and proposed expanded level of expenditure have failed to meet the justification of today's policy environment.

New Zealand Business Roundtable and Major Electricity Users' Group wrote to Hon Gerry Brownlee in December 2008 discussing the energy efficiency work programme inherited from the previous government and the role of EECA. A copy of that letter is attached. The policy arguments on the role of government in the energy efficiency "market" and role of EECA we advanced then are still relevant.

The shortcomings of EECA were identified in the Ministerial Review of the Electricity Industry. This led to Hon Gerry Brownlee, Minister of Energy and Resources, recommending to Cabinet⁴ a strategic review of EECA including a review of "Funding for EECA should be reviewed, with a general principle that funding should be through levies where the beneficiaries can be clearly identified and administrative (collection) costs are low." The need for this strategic review remains.

The consultation paper⁵ estimates the PV savings from the current programmes since 2006 have amounted to \$340m. The levy cost for these programmes has been \$31m. No specific references supporting these claims are listed so they cannot be validated. There is a reference to the EECA web site and various papers carried over from the Electricity Commission. There is no obvious cross-reference in the EECA web site that leads to these estimates.

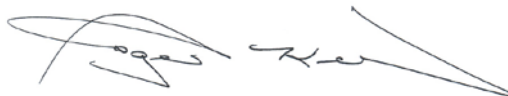
We are highly sceptical that these claimed benefits are solely attributable to levy payer monies being applied through government work programmes. For example if the benefits are so large compared to the costs why haven't individual households and businesses undertaken this work themselves? Perhaps they would have undertaken the work in the future anyway and the only effect of the subsidy is to advance that work. To allow us to validate the estimated benefits in the consultation paper we request a copy of the supporting cost-benefit-analysis.

In 2006 EECA had an independent Situation Assessment Report review of performance to date. That report included metrics that demonstrated the rate of improvement in energy efficiency performance had deteriorated. We noted this in our letter to Minister Brownlee in 2008. The old web reference for that report is no longer valid. A search of the EECA web site was also unsuccessful. We think an updated version of the 2006 Situation Assessment Report should be undertaken in conjunction with an independent expert panel to validate the methodology. The latter caveat is needed because we no longer have access to the full 2006 report.

Yours sincerely



Ralph Matthes
Major Electricity Users' Group



Roger Kerr
New Zealand Business Roundtable

³ Consultation paper, paragraph 72

⁴ Refer paragraph 137 of the paper to Cabinet Economic Growth and Infrastructure Committee, <http://www.med.govt.nz/upload/71002/cabinet-paper.pdf>

⁵ Consultation paper, paragraph 59