



MAJOR ELECTRICITY USERS' GROUP

15 December 2017

Andrew Caseley
Chief Executive
Energy Efficiency and Conservation Authority
By email to levyconsultation@eeca.govt.nz

Dear Andrew

EECA 2018-19 levy consultation

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Energy Efficiency and Conservation Authority (EECA) paper "Consultation on EECA's 2018/19 levy funding proposal and related work programme", 16 November 2017.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG makes this submission as an interested party for MEUG members that collectively will pay approximately 26% or \$1.35 million of the proposed \$5.2 million levy funded electricity efficiency work in 2018-19.
4. MEUG submits:
 - a) An in-principle objection to the levy framework.
Setting aside the in-principle objection then:
 - b) The total levy funded work programme should be kept at \$13 million and not increased by \$1 million next year (an 8% increase) to \$14 million; and
 - c) More granularity and target ex post reviews of work being published.
5. Each of these are discussed in the next 3-sections.

In-principle objection

6. MEUG has a long-standing and well-known objection in-principle to the levy framework. We have not repeated the rationale for those objections in this submission. Those objections have not changed with the material in this year's consultation paper.

¹ URL <https://www.eeca.govt.nz/assets/Resources-EECA/corporate-strategic/Consultation-on-EECA-s-2018-19-levy-funding-proposal-and-related-work-programme.pdf> at <https://www.eeca.govt.nz/about-eeca/consultations-and-proposals/#levy>

Increased total levy budget contrary to government belt-tightening

7. The proposed \$1 million increased spending and hence levies in aggregate for motorists, gas and electricity customers is contrary to government belt-tightening. The \$1 million increase is an 8% increase for the total levy funded work programmes and a 15% increase for the levy on motorists. See the MEUG summary table below setting out these increases:

Work programme Levy sources:	2017-18	2018-19	Change 2017-18 to 2018-19	
	Current \$m	Proposed \$m	\$m	Pct
Petroleum or Engine Fuel Monitoring (PEFM) levy	\$6.5m	\$7.5m	\$1.0m	15%
Electricity Industry Levy	\$5.2m	\$5.2m	-	-
Gas Safety, Monitoring and Energy Efficiency (GSMEE) levy	\$1.3m	\$1.3m	-	-
Total	\$13.0m	\$14.0m	\$1.0m	8%
	Note 1	Note 2		
Note 1	EECA levy consultation paper, p36, 16-Nov-17			
Note 2	EECA levy consultation paper, p2, 16-Nov-18			

8. The 8% increase for the total levy funded programme is 4 times the expected rate of inflation. The 15% increase in the levy on motorists is more than 7 times the expected rate of inflation.²
9. MEUG recommends no change in the current levy of total levy-funded work at \$13 million per year. If the value of work funded by the Petroleum or Engine Fuel Monitoring (PEFM) levy is expected to yield higher returns than work on the electricity and gas sectors, then an increase on the levy on motorists would be justified provided there was an offsetting reduction in levies on electricity and gas customers resulting in no net change to the overall levy budget of \$13 million.
10. MEUG notes that the Electricity Authority (EA) has and continues to set a good precedent by proposing to keep its 2018-19 core operating expenses unchanged at \$18.729 million. This has been unchanged since 2012/13.³

Improving accountability on work programmes

11. MEUG recognises EECA has been improving its accountability on work programmes and plans better measurement tools in the future. An example of a willingness to be transparent with more granular accountability of levy funded spending has been EECA's provision to MEUG of an updated list of electricity levy funded work recipients following publication of an initial list last year in response to a request by the Taxpayers Union.⁴
12. To ensure ongoing public accessibility to this information a copy of the updated list is attached. We understand that in future years EECA is likely to be able to publish updated recipient lists along with the value of the levy funded work and a brief explanation of the work for each recipient. This will assist scrutiny of the \$2,124,419 for the large energy user engagement programme. This is the second largest component of the proposed total electricity levy on all customers of \$5.2 million. This \$2.1 million programme is 41% of the total electricity levy spend.

² The latest Reserve Bank Monetary Policy Statement, 9 November 2017, stated "Overall, CPI inflation is projected to remain near the midpoint of the target range and longer-term inflation expectations are well anchored at 2 percent". Refer <https://www.rbnz.govt.nz/monetary-policy/monetary-policy-statement/mps-november-2017>

³ EA, 2018-19 Levy-funded appropriations and work programme focus areas, consultation paper, paragraph 3.19, 21-Nov-17, refer <https://www.ea.govt.nz/dmsdocument/22843>

⁴ http://www.taxpayers.org.nz/corporate_power_bill_welfare

13. The largest component of the \$5.2 million electricity levy spend is for energy efficiency standards and regulations totalling \$2,587,871 (50% of the levy budget). Gauging by how the EA, for example, manage very complex work programmes such as:
- a) consideration of real-time-pricing; and
 - b) contract for various service providers for complex ongoing market operations (eg the Financial Trading Rights market),
- we do not understand how work on standards and regulations can be at this level.
14. MEUG suggests an independent ex post review of last years and progress to date on the current year's work on standards and regulations be undertaken before finalising the work programme for 2018-19. By independent we mean by a consultant that is selected by and reports to EECA, MBIE and a panel of customer representatives with experience in energy efficiency standards and regulation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Matthes', with a long horizontal stroke extending to the right.

Ralph Matthes
Executive Director

Appendix: Information provided by EECA to MEUG on direct recipients of EECA electricity efficiency levy funded work**Businesses that EECA contracted electricity levy funding for through the EECA Business programme in 2017/18 (MEUG members)**

1. Fonterra
2. George Weston Foods (NZ) Limited
3. Hastings District Council
4. Napier City Council
5. New Zealand Steel Limited
6. Whanganui City Council

Businesses that EECA contracted electricity levy funding for through the EECA Business programme in 2016/17 (MEUG members)

1. Affco
2. Ara
3. Auckland Council
4. Auckland DHB
5. Auckland International Airport
6. AUT
7. Barkers Fruit Processors
8. Bluebird
9. Canterbury District Health Board
10. Christchurch City Council
11. Cold Storage Nelson
12. Counties Manukau DHB
13. Danone
14. Dominion Salt
15. Dongwha
16. Dunedin City Council
17. Eastpack
18. Frucor
19. Griffins
20. Halls
21. Heinz Watties
22. Hellers
23. Horowhenua District Council
24. Hutt City Council
25. IRD
26. Kiwi Rail
27. Massey University
28. Nelson Pine
29. New Plymouth District Council
30. Norske Skog
31. Northland District Health Board

32. **NZ Aluminium Smelter**
33. NZ Post
34. Otago Polytech
35. Porirua City Council
36. Ports of Auckland
37. **Progressive**
38. Queenstown Lakes District Council
39. **Ravensdown**
40. Red Stag Timber
41. **Refining NZ**
42. Sanford
43. Sealord Group Ltd
44. Sky City
45. St Georges Hospital
46. T&G
47. Talleys
48. Tauranga City Council
49. Tegel
50. University of Canterbury
51. University of Otago
52. Victoria University of Wellington
53. Waitemata DHB
54. Watercare
55. Wellington City Council
56. Wellington International Airport

Businesses that EECA contracted electricity levy funding for through the EECA Business programme in 2015/16 which we continue to implement (MEUG members)

1. AFFCO
2. Air New Zealand
3. Alliance
4. Anzco Foods
5. Auckland International Airport
6. AUT
7. Cadbury
8. Canterbury District Health Board
9. **CHH Packaging**
10. Christchurch City Council
11. Daiken
12. Danone
13. Evonik Peroxide
14. **Fletcher Building**
15. **Fonterra Group**
16. Goodman Fielder

17. Goodman Properties
18. IAG
19. Lincoln University
20. McDonalds Restaurants
21. Meadow Mushrooms
22. Nelson Pine
23. NZ Aluminium Smelter
24. NZ Police
25. NZ Sugar
26. Orora Packaging
27. Otago Polytech
28. Panpac
29. Precinct Properties
30. Progressive
31. Red Stag Timber
32. Sanitarium
33. Scales Corporation
34. Talleys
35. Tegel
36. University of Canterbury
37. Waterfront Auckland
38. Westland Milk