

13 December 2019

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

Dear Andrew

EECA 2020/21 levy consultation

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Energy Efficiency and Conservation Authority's (EECA) consultation on EECA's 2020/21 levy funding proposal and related work programme, published 18th November 2019.¹
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 members that collectively will pay approximately 27% or \$1.5 million of the proposed \$5.5 million levy funded electricity efficiency work in 2020-21.
4. This submission has three themes. The first two are unchanged from last year. The last theme is new:
 - EECA's engagement continues to be constructive;
 - Government's general account not a levy should fund most of EECA's work; and
 - The proposed 5.8% increase in the electricity levy is unjustified regulatory creep.

EECA's engagement has been constructive

5. MEUG members and MEUG engage with EECA on many topics. Overall, we think we have a sound open relationship with EECA and that includes understanding differences as well as alignment on topics. The main point of difference remains whether individual MEUG members gain benefit from EECA work programmes that exceed the levy they pay. In general, and over time we think MEUG members would be better off not to have paid the levy and to have decided how to deploy those monies rather than seek funding from EECA

¹ <https://www.eeca.govt.nz/assets/Resources-EECA/corporate-strategic/2020-21-Levies-Consultation-Documents-with-2018-19-report.pdf>

and incurred transaction costs to seek that funding. The same argument possibly applies to other classes of consumers.

6. EECA is aware of our ongoing concerns on the levy and has been constructive to improve transparency and accountability. In submissions last year we noted EECA had responded positively to a request by MEUG to publish recipients of levy funded programmes. That commenced mid-2019 and we welcome that transparency.

Government's general account not a levy should fund most of EECA's work

7. 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.

The proposed 5.8% increase in the electricity levy is unjustified regulatory creep

8. A surprising feature of the proposal is a 5.8% increase in the electricity levy. Over all consumers this has a value of \$300,000 of which MEUG members' share will be \$85,000. We view this as unjustified regulatory creep. When EECA considers this and other submissions and the Minister in turn makes a final decision we think the following matters should be considered in relation to the proposed 5.8% increase in the electricity levy:

- The preceding argument that EECA work should be funded from government's general account rather than a levy on users. We think this argument is very strong. If there is doubt on the direct attributable value to existing levy payers from the existing levy, then that doubt will be greater for the proposed new increment to the levy.
- There has been an electricity levy on electricity users for several years. Arguably the "low hanging fruit" or low cost and widely beneficial efficiency programmes have already been undertaken. EECA electricity levy work next year is likely to be on higher cost and less beneficial work.
- In contrast the transport sector has a much larger de-carbonisation challenge than the electricity sector. It is anomalous that the levy on transport fuels is not changing despite the emissions to date and forecast increasing, whereas the levy on the electricity sector is increasing by 5.8% despite the historic trend and near-term expectations of decreasing electricity sector emissions.
- If EECA is focussed on gross emissions, it is inconsistent for the electricity sector to be charged more for levy funded programmes when EECA's focus needs to be on the transport sector.

Yours sincerely



Ralph Matthes
Executive Director