

24 June 2021

Ross Copland  
Chief Executive  
New Zealand Infrastructure Commission  
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Dear Mr Copland

### **Submission – Infrastructure Strategy Consultation Document**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the New Zealand Infrastructure Commission Strategy Consultation Document "Infrastructure for a Better Future," 12<sup>th</sup> May 2021.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may make separate submissions.
3. Feedback on the three specific options relating to the electricity sector follow.

#### **Option F2.2: Enable electricity distribution networks to minimise barriers to the connection and use of large numbers of local generation, storage and demand response facilities (distributed energy resources or DERs)**

4. The consultation paper proposes,  

"Require (and possibly fund) electricity distributors to work with DER providers to develop and implement (by 1 July 2023) standard arrangements for procuring support services from DERs and any other associated requirements."
5. There are multiple industry workstreams under the governance of the Electricity Authority, Commerce Commission, EECA (leads governance on various standards) and industry led initiatives to consider how to facilitate effective deployment of DER and other new technologies. There are competing vested interests wanting to be part of new value-added products and services. For example, regulated monopoly electricity distributors have sought incremental regulated revenue to under-write investigations and trials. MEUG and others have opposed increasing regulated revenues for that purpose. Fortunately, the Commerce Commission has to date tended to agree with our view.

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<sup>1</sup> Document URL <https://infracom.govt.nz/assets/Uploads/Infrastructure-Strategy-Consultation-Document-May-2021.pdf> at <https://infracom.govt.nz/strategy/have-your-say/>.

6. MEUG suggests the key to getting durable and best long-term outcomes for consumers is to ensure quality engagement by the regulators and to leave to their discretion the priority of steps to facilitate and timing. Therefore, MEUG does not support the Infrastructure Commission in its draft inaugural Infrastructure Strategy to the Minister recommending:
  - a) a specific date of 1<sup>st</sup> July 2023 for standard arrangements to be in place; and
  - b) an indicated preference that electricity distributors should possibly be funded by an increase in regulated revenues that are recoverable from consumers.
7. Instead MEUG recommends those decisions be left to the relevant regulatory agency. MEUG suggests the Infrastructure Commission recommends in the draft Infrastructure Strategy that Ministers acknowledge and support the pivotal role of the Commerce Commission and Electricity Authority to consider the best path forward to facilitate the effective deployment of new technologies at the household/retail end of the electricity market.

**Option F2.3: Reduce barriers to building spare transmission capacity where that would reduce inefficient barriers to large-scale renewable generation and the electrification of large process heating units**

8. The consultation paper proposes,

“Subject to appropriate regulatory oversight, enable and encourage Transpower to temporarily defer charging customers for the costs of spare transmission capacity built specifically to cater for future renewable generation connections (the deferral would end when sufficient new connections have occurred). By making it easier for Transpower to build spare capacity ahead of provable need, generators would find it easier and faster to commit to renewable investments if electricity demand increased at a higher rate than they anticipated. Similar issues arise with respect to building spare grid capacity to cater for future connections (or augmentations of existing connections) for industrial consumers.”
9. This is a complex issue with a robust regulatory regime comprising oversight by the Electricity Authority and decisions by the Authority being challengeable by judicial review. Events have since moved on from the Transpower material referenced in the consultation paper. A proposed Transmission Pricing Methodology (TPM) will be tabled by Transpower with the Electricity Authority by 30<sup>th</sup> June and published in the week starting 9<sup>th</sup> August. Transpower anticipate the Authority will then be able to publish its response to the proposal tabled by 30<sup>th</sup> June.
10. Option F2.3 relating to the topic of “first mover disadvantage” is one subset of the new TPM being implemented. Having an integrated approach to the “first mover disadvantage” topic along with many other details of TPM relevant to the Build a Better Future need are being addressed in the process governed by the Electricity Authority.

11. Like the comments on option F2.2 above, there are many vested interests and alternatives that need to be weighed and related policy issues that need to be considered. For the inaugural draft Infrastructure Strategy, it would be appropriate for the Infrastructure Commission to reinforce with Ministers the importance of the implementation of the new TPM and support governance of that process by the Electricity Authority.

**Option F2.4: Investigate the need for a specific regulatory framework for offshore energy generation**

12. The consultation paper proposes,
  - “Investigate the future need for an offshore renewable-energy regulatory framework to facilitate an environmentally responsible exploration, construction, operation and decommissioning of offshore wind and other clean-energy technologies and associated infrastructure in our territorial.”
13. MEUG agrees the various regulatory regimes relevant to developments offshore may not have anticipated offshore energy generation and therefore a review is needed to make sure they are flexible to accommodate new generation technologies and they are agnostic as to what type of technology is being deployed, be they to support renewable or non-renewable generation.

Yours sincerely



Ralph Matthes  
Executive Director