



2 October 2017

Low-emissions economy inquiry
New Zealand Productivity Commission
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TRUSTPOWER SUBMISSION: LOW EMISSIONS ECONOMY INQUIRY

1 Introduction and overview

- 1.1 Trustpower Limited (**Trustpower**) welcomes the opportunity to provide a submission to the Productivity Commission (**the Commission**) on its *Low emissions economy inquiry* issues paper (**the Issues Paper**).
- 1.2 We understand that the Commission is seeking feedback on a number of issues regarding how to transition to a low-emissions economy for New Zealand, including:
 - a) How the Commission can add the most value;
 - b) Ways to reduce emissions, including changes to New Zealand's regulatory settings to facilitate a greater reliance on renewable energy sources;
 - c) Changes to policy and institution settings to best help the transition; and
 - d) The essential components of an effective emissions-mitigation strategy and long-term vision for a low-emissions economy.
- 1.3 Trustpower owns and operates hydro generation plants around New Zealand. Hydro generation operations cut across the energy, water, and environmental sectors, which are governed by numerous regulatory and institutional settings. As a result, Trustpower interacts with national and local government agencies under a number of regulatory arrangements, within and outside the Resource Management Act (**RMA**) framework.
- 1.4 Through these interactions, Trustpower has observed a lack of 'joined-up thinking' among the institutions making decisions relating to water use. We believe that these decisions have suffered from a lack of coordination and alignment across the national and local government agencies around New Zealand, which each apply different policy and regulations, and give different weighting to energy, water, and environmental concerns.
- 1.5 This lack of a 'joined-up thinking', particularly in relation to environmental (notably water quality) and water allocation issues, is adversely impacting the resilience and flexibility of hydro generation in New Zealand. We believe that it is essential to address this in order to successfully transition to a low-emissions economy.

- 1.6 To this end, we have commissioned a report from an expert consultant on the topic of 'joined-up thinking' (**the Expert Report**). Unfortunately, this was not completed before submissions were due. However, we will send this to the Commission once it is complete, alongside a supplementary submission. We hope that you will consider this Expert Report, and any supplementary material, in developing your views on how to best transition to a low-emissions economy.
- 1.7 The Expert Report will include discussion on:
- a) RMA and non-RMA issues, including the convergence of energy security, system reliability, low emissions, climate change, water allocation, water quality, and affordability;
 - b) Local and national decision making, including the degree to which local issues impact on the flexibility and resilience of hydro generation; and
 - c) An analysis of how the current disjointed thinking manifests itself at different levels of governance and decision-making.
- 1.8 Based on our preliminary discussions, we believe that the Expert Report is likely to conclude that:
- a) The lack of 'joined-up thinking' in the energy-water-environment nexus means that the contribution hydro generation makes to the New Zealand economy is likely to be increasingly impaired;
 - b) Any change to ramp rates, minimum river flows, water allocation, minimum and maximum lake levels, flushing requirements for water quality purposes, and flushing for sediment removal or flood management has the potential to reduce hydro resilience and flexibility; and
 - c) The consequence is that the nationally significant public policy objectives of ensuring energy security, reliable electricity supply and reduced carbon emissions are being undermined by decisions made - especially with respect to the use of water, but also in relation to other regulatory matters.
- 1.9 We answer a selection of the questions posed in the Issues Paper in Appendix A. However, we refer to the Expert Report which will be provided to the Commission in the next couple of weeks as it will contain a detailed consideration of the key matters around establishing 'joined-up thinking'.
- 1.10 For any questions relating to the material in this submission, please contact me on 07 572 9888. Further, we would be extremely keen to engage with the Commission to share our views in person and would welcome the opportunity to do so.

Regards,



JAMES TIPPING
MANAGER STRATEGY AND REGULATION

Appendix A: Responses to consultation questions

Question	Response
<p>1. How can the Commission add the most value in this inquiry?</p>	<p>1.1 We believe that the Commission can add the most value by ensuring that there is joined-up thinking across policy and regulatory decisions relating to energy, water, and the environment, by both national and local government agencies. Currently, a lack of alignment and joined-up thinking is adversely impacting the resilience and flexibility of hydro generation in New Zealand, and is resulting in the value of hydro generation's contribution to New Zealand's transition to a low-emissions economy being undervalued. This is important to consider as hydro generation plays an important role in New Zealand's electricity generation profile currently, and will play an increasingly critical role in achieving our emissions reduction goals.</p>
<p>12. What changes will be required to New Zealand's regulatory, institutional and infrastructural arrangements for the electricity market, to facilitate greater reliance on renewable sources of energy across the economy?</p>	<p>12.1 See question 1 above.</p>
<p>14. Apart from the regulation and operation of the electricity market, what are the main opportunities and barriers to reducing emissions in electricity generation?</p>	<p>14.1 As we have outlined in question 1 above, a lack of joined-up thinking is creating a number of barriers to the ongoing operation of hydro generation plants around New Zealand. This is causing difficulties getting resource consents, and resulting in more onerous restrictions placed on the operation of hydro generators. This can cause issues resulting in an increased cost of electricity in New Zealand, and result in security of electricity supply risks at both national and regional levels.</p> <p>14.2 Regulatory uncertainty also poses a significant barrier to making investments in long term assets, as investment requires confidence that the arrangements at the time of investing will be long-lasting and robust e.g. regulatory certainty is required.</p>

<p>18. Policies to lower emissions from particular sources, technologies and processes can have interactions with emission sources in other parts of the economy. What are the most important interactions to consider for a transition to a low emission economy?</p>	<p>18.1 See question 1 above. Although it is unlikely that New Zealand will ever be completely reliant on renewable energy sources, there should be support arrangements in place so that we can optimise the utilisation of renewable resources.</p>
<p>19. What type of direct regulation would best help New Zealand transition to a low-emissions economy?</p>	<p>19.1 We believe that there should be overarching legislation to ensure that there is alignment across energy, water and the environment at a policy, regulation, and decision making level (national and local).</p> <p>19.2 This legislation could also create an oversight body, however we do not yet have a firm view on this issue.</p>
<p>28. Is New Zealand's current statutory framework to deal with climate change adequate? What other types of legislation might be needed to effectively transition towards a low-emissions economy?</p>	<p>28.1 We do not believe that the current statutory framework to deal with climate change is adequate. As we have alluded to, the current regime suffers from a lack of joined-up thinking when it comes to energy, water and the environment at a policy, regulation, and decision making level. This needs to be addressed in order to ensure the resilience and flexibility of New Zealand's hydro generation. As noted above, this could be achieved via overarching legislation.</p>
<p>36. What are the essential components of an effective emissions-mitigation strategy for New Zealand that will also be economically and politically sustainable?</p>	<p>36.1 We believe that there are a number of components of an effective emissions-mitigation strategy, including:</p> <ul style="list-style-type: none"> a) Joined-up thinking and alignment across: <ul style="list-style-type: none"> i. energy, water and the environment; and ii. national and local government agencies; b) Clear and consistent communication; c) Cross-party support; d) Appropriate safeguards for vulnerable consumers; and e) Appropriate funding arrangements for the R&D required to mitigate emissions.

<p>40. What does your long-term vision for a low-emissions economy look like? Could a shared vision for New Zealand be created, and if so, how?</p>	<p>40.1 We strongly believe that it is essential that a shared vision for New Zealand be created. This shared vision should ensure that all policy, regulation, and decisions by national and local government agencies regarding energy, water, and environment are aligned.</p>
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