

7 August 2017

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Attention: Part 3 Notices

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Support for Top Energy's application for an exemption from arm's length rules; comments on the draft decision paper published by the Authority on 11 July 2017.

1. The Northland Regional Council (Council) supported Top Energy's application, made in November 2016, for an exemption under Section 90 of the Electricity Industry Act 2010 from the provisions of Section 76 (to comply with arm's length rules 9 and 10) of that Act.
2. Council believe that granting this exemption is necessary to enable the upgrade at Ngawha geothermal which could keep the cost of electricity at an affordable level and improve the security of supply in the Far North as well as provide much needed employment opportunities for an economically deprived area.
3. Following the release of the draft decision paper published by the Authority on 11 July 2017, Council now offer the following comments in support of Top Energy's position on this paper:
 - i. Council agree that the proposed condition (e) in the draft decision paper that limits the exemption to a period of 10 years is inappropriate.
 - ii. To ensure an acceptable return on investment at Ngawha geothermal for Top Energy, a calculated operating period of over 30 years is required
 - iii. The resource consents enabling geothermal fluid extraction are held for a period of 35 years (the maximum permitted under the Resource Management Act 1991). The 35-year period, effectively provides surety that the Ngawha geothermal plant can operate up to this period. The imposition of a time limited 10-year exemption period under the Electricity Industry Act does not align with the resource consent period and thus with the maximum calculated operating period of the plant.
 - iv. In fact, the imposition of only a 10-year exemption period cancels out the benefit of the 35-year resource consent period and thus reduces the level of surety in the investment. With the factoring in of potential additional costs to meet the requirements of Section 76 of the Act, a necessary requirement in the event that the 10-year exemption is not further extended, the viability of the project itself is called into question.

- v. Council strongly support the Ngawha expansion project for the aforementioned reasons and agree with Top Energy that the regulatory concerns of the Authority, with regard to Section 76 of the Act, can be managed under existing regulations without recourse to setting a time limit for an exemption.
4. Council will be pleased to discuss this submission with the Authority.

Yours faithfully



Malcolm Nicolson
Chief Executive Officer