



13 December 2022

Electricity Authority (EA)

Submitted via email: reviewconsultation2022@ea.govt.nz

Consultation: 'Promoting competition in the wholesale electricity market in the transition toward 100% renewable electricity'

Fortescue Future Industries (FFI) is a global green energy company committed to producing green hydrogen from 100 percent renewable energy. FFI is currently establishing a global portfolio of green hydrogen production and manufacturing projects. Our New Zealand based team is growing, with a keen focus on building green hydrogen projects and eco-systems to support the decarbonisation transition.

We welcome the opportunity to provide comment on the EA's consultation and are supportive of change where it enables increased competition in the electricity market and renewables investment to support the decarbonisation transition for NZ.

FFI supports the electrification of all energy consumption when more efficient. Green hydrogen will then play a complementary role to enable the decarbonisation of the hard-to-abate sectors. Competitive, cost-effective renewable electricity supply will underpin this transition, whether used for electrification or green hydrogen. FFI are looking for competitive options to procure, partner and/or develop additional renewable electricity generation in NZ, underpinning growth of new industry as well as improving the reliable supply of renewable energy for existing New Zealand consumers.

Ensuring there is a competitive market that makes best use of resources, is imperative to supporting the energy trilemma. We see the opportunity for deeper and more advanced integration of demand-side options, in addition to new build of additional renewables, to support improving the energy trilemma: reducing energy market costs to benefit consumers, supporting the management of the electricity systems peak or energy constraints, and reducing carbon emissions from requirements for thermal generation.

Our submission on the EA's questions is provided below. If you would like to discuss any comments raised in our submission, please contact David Kemshall at david.kemshall@fortescue.com, or myself on the below contact information.

Yours sincerely,

AMY BARRETT

Country Manager, New Zealand

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Response to EA questions:

QUESTION	COMMENT
<p>Chapter 2</p> <p>1. Do you agree that a key competition [issue] in the transition toward 100% renewable electricity is that it weakens competition during extended times when intermittent generation cannot run?</p> <p>2. Do you have any comments on the contents of this chapter?</p>	<p>The transition to (near) 100% renewables generation requires firming capability within the market. Existing capabilities will be able to play part of this role, although additional alternatives will also be required in the future.</p> <p>The current firming options for intermittent power are limited, primarily to hydro and thermal generation plant. The limitations of these offerings (including their plant, feedstock, operations and costs) constrain the use of these assets and therefore the level of competition in the market.</p> <p>Ensuring there is a clear pathway for introducing new offerings/alternatives and participants, is key to ensuring a fair and efficient market to support a renewable electricity system. We are supportive of the focus areas which the EA and MDAG have outlined in the Roadmap, specifically the entry of new options and participation of demand response, along with reviewing the risk management tools available for participants. These will help increase competition at times when there is little intermittent power available.</p>
<p>Chapter 4</p> <p>3 Do you have any comments on the impediments to generation investment?</p> <p>4. Do you agree that the lag in investment is not due to anticompetitive behaviour to slow down investment and discourage entry, or can you provide instances or other evidence to the contrary?</p> <p>5. Do you have any comments on the role and impact of carbon pricing on investment and wholesale market competition or the other contents of this chapter?</p>	<p>The paper covers the key impediments to generation investment. As with all markets, uncertainty is expensive and slows investment. We agree that, as an international investor/developer, having clarity around the resource consenting (RMA) and overseas investment (OIA) processes is a core element when we are considering risks in delivery of projects.</p> <p>We do not have a clear view on competition and investment behaviours, but note that the current energy prices are above the levelised cost of energy for a new entrant. Regardless of what is causing the delays, the rate of delivering new investment (and associated enabling processes/ connection works) needs to significantly increase to enable the successful transition to renewables in a timely manner.</p> <p>Carbon pricing has a key role. As noted by the EA it has potential impact on consumer costs if the renewables transition is not undertaken swiftly – yet that is a reason to act and accelerate, not avoid engaging with the challenge.</p>

QUESTION	COMMENT
<p>Chapter 5</p> <p>6. Do you agree with the Authority’s overall conclusion that it currently considers that continued reliance on the current conduct-based measures to mitigate the exercise of market power remains broadly appropriate in the transition toward 100% renewable electricity?</p> <p>7. Do you agree with the objective and evaluation criteria set out in this chapter?</p> <p>8. Do you have any comments on the contents of this chapter?</p>	<p>We are generally supportive of the EA’s approach and the proposed package of actions.</p>
<p>Chapter 6</p> <p>9. Are there any other options that would promote wholesale electricity market competition in the transition that you consider would be more effective and efficient?</p> <p>10. Do you have any comments on the contents of this chapter?</p>	<p>We would like to encourage the continued consideration of demand side options, particularly in terms of understanding the full value of the demand response.</p>
<p>Chapter 7</p> <p>11. Are there any other options that would better facilitate efficient investment in renewable generation to promote wholesale electricity market competition in the transition?</p> <p>12. Do you have any comments on the contents of this chapter?</p>	<p>We are generally supportive of the EA’s approach, including providing investors with greater clarity on the pathway for generation develop projects. As outlined above in question 3, uncertainty is expensive and slows investment. We agree that, as an international investor/developer, having clarity around the resource consenting (RMA) and overseas investment (OIA) processes is a core element when we are considering risks in delivery of projects.</p>

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