

Submissions: Electricity Authority
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By email: reviewconsultation2022@ea.govt.nz

Introduction

Elemental Group appreciates the opportunity to provide a submission on promoting competition in the wholesale electricity market in the transition toward 100% renewable electricity issues paper. As a developer of a significant pipeline of onshore renewables and offshore wind projects in Aotearoa New Zealand, we strongly support initiatives that aim to ensure a healthy and competitive wholesale electricity market in the country.

We are supportive of the initiatives proposed by the Electricity Authority and we support the responses set out in the submission made by the NZ Wind Energy Association in relation to this issues paper. In addition to those responses, we offer the feedback set out below.

600% Renewables

Aotearoa New Zealand is blessed with world class wind energy resources well beyond that required to electrify its current economy. Therefore, the country has the unique opportunity to harness these resources in order to both develop a more advanced domestic economy and export green products to other parts of the world in order to aid the decarbonisation of other economies who are not as resource rich as ourselves.

We believe that a proactive and intentional approach to “overbuilding” renewable power generation in Aotearoa New Zealand has numerous benefits, including:

1. Significantly improved domestic energy security in a 100% renewables scenario by developing flexible export markets, allowing renewable generation to be prioritised for domestic purposes to manage intermittent generation;
2. The development of an advanced green industrial economy, harnessing cost effective renewable power to grow manufacturing and digital businesses such as regional data centres, green steel, green ammonia, green hydrogen and other power-to-x opportunities;
3. The ability to make a strong international contribution to global decarbonisation efforts, exporting products to less resource rich nations in order to help them to displace fossil fuel consumption in their own domestic markets.

This is a significant economic opportunity for Aotearoa New Zealand with material benefits at both a domestic and international level. One important initiative which could be implemented to support this initiative is a domestic mechanism to recognise (and financially incentivize) the abatement of carbon emissions outside of New Zealand. This would send a clear positive signal to market participants, encouraging investment in green export opportunities.

Renewable Energy Targets

We acknowledge the very positive steps taken in Aotearoa New Zealand to announce both a net zero target and to publish an emissions reduction plan. However, we believe that further action could be taken to encourage investment in cost-effective renewable power generation in the country. We provide two examples below:

1. Renewable energy targets; and
2. Commercial structures to bring new generation to market.

In the offshore wind market, numerous countries have set specific development targets over various time horizons. Examples include:

1. Victoria, Australia: 4GW by 2035, 9GW by 2040
2. UK: 50GW by 2030
3. Germany: 30GW by 2030, 70GW by 2045

Whilst targets alone do not guarantee investment, they send strong signals to the broader market to incentive the necessary investments in supply chain and workforce capability. This leads to a significantly improved development pipeline by supporting a long term industry approach rather than a project by project approach. We strongly encourage Aotearoa New Zealand to consider the adoption to long term targets for offshore wind to incentivize these investments.

In addition to setting targets, numerous Governments take further steps to implement commercial frameworks which actively bring new renewable generation to market. Common structures include:

1. Auctions for Power Purchase Agreements (PPAs) or Contracts for Difference (CfD);
or
2. Renewable Energy Certificates granted to projects combined with minimum obligations imposed on energy retailers.

These structures create commercial certainty for developers in order to support them to manage the significant risks in deploying large amounts of capital to develop large scale generation projects.

These types of initiatives could create significant value for Aotearoa New Zealand's broader economy and increase competition in wholesale energy markets. By actively encouraging the introduction of new sources of cost-effective renewable energy, downward pressure will be exerted onto wholesale electricity prices thereby incentivizing further investment in industrial and digital endeavours to advance the broader economy.

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