

10 April 2024

The Electricity Authority Te Mana Hiko

Email: FSR@ea.govt.nz

Subject: Consultation Paper – The future operation of New Zealand's power system

Tēnā koe,

Waikato Regional Economic Development Agency “Te Waka” Submission to the Future Operation of New Zealand’s Power System Consultation Paper

Thank you for the opportunity to submit on the consultation paper for the future operation of New Zealand’s power system. Please find attached the Te Waka submission regarding this consultation.

Should you have any queries regarding the content of this document please contact Fiona Carrick, Chief Executive Officer, by email or phone.

Nāku iti noa, nā



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About Te Waka

Te Waka is the Waikato region's economic development agency. Our Mission is lifting economic performance across the Waikato by attracting, retaining, and growing investment, talent, business and championing the region's collective voices for economic and business needs and opportunities. We want to propel the Waikato to reach its full potential.

Te Waka works in partnership with iwi, business, local and central government, and community to get things done and unearth opportunities that will lead to jobs, prosperity, and sustainable economic growth. Te Waka is a limited liability company and is owned by the Waikato Regional Economic Development Trust. This means we can be nimble, act independently and move with pace. We have a skills-based Board of Directors, none of whom are elected representatives.

Te Waka feedback on the Consultation Paper

1. Our feedback on the consultation paper primarily relates to submission question 7, which asks whether we need an increased level of coordination of network planning, investment and operations across the New Zealand power system. We also outline Te Waka's overall principles for development of the energy system and highlight concerns regarding the lack of a national energy strategy to guide this work being undertaken by the Electricity Authority.

Principles

2. Consistent with our November 2023 submission to the Ministry of Business, Innovation and Employment's (MBIE) discussion documents for Advancing New Zealand's Energy Transition, Te Waka supports the development of a future power system that:
 - a. Enables investment in abundant renewable energy that enables decarbonisation, creates new export market opportunities, and improves energy affordability.
 - b. Meets the Crown's Treaty obligations with respect to natural assets and creates meaningful opportunities for iwi/mana whenua to engage, including commercially, to ensure their communities benefit from the energy transition.
 - c. Encourages competition, innovation and efficiency, provides flexibility to adapt to changing market conditions and technological change, and ensures resiliency of energy supply.

Key Drivers of Change

3. We agree that electrification of the energy system is a key driver of change, and that electricity demand is expected to increase significantly to 2050. However, there are a range of views on the level of demand growth, and we note that the data referenced from the *Whakamana i Te Mauri Hiko* report does not reflect a full abatement scenario (i.e., the scenario would not see New Zealand reach net zero by 2050).
4. This points to the need for further action to decarbonise our economy, and this action may represent significant additional growth in electricity demand for activities such as the production of green hydrogen and other low carbon fuels.

5. We therefore encourage the Electricity Authority to undertake scenario planning that accounts for a net zero future, particularly in the context of long-term planning for relevant transmission and distribution network investments.

Coordination

6. We believe there is a need for increased coordination of network planning and investment across the NZ power system. The consultation document clearly outlines the drivers of change and emerging system complexities that highlight the need for greater coordination.
7. We also observe coordination challenges at a regional level, with an increasingly complex mix of initiatives, policy developments, and investment decisions spanning:
 - a. Policy and regulatory entities (including MBIE, EECA, the Electricity Authority, regional and district councils).
 - b. Transmission and distribution lines companies (noting that there are six distribution lines companies active in the Waikato region).
 - c. Generators (including several emerging wind and solar investors) and retailers.
 - d. Local Iwi who are seeking to reduce energy hardship for their communities as well as opportunities to engage commercially in the energy sector and attract investment to their regions to create employment and economic opportunities.
8. We are particularly concerned about the risks of inadequate coordination that could result in:
 - e. Increased costs to consumers resulting from inefficient investment choices and/or high transaction costs. This risks further exacerbating energy hardship in our region.
 - f. Decreased innovation, particularly if high transaction costs act as a barrier to new entrants looking to disrupt incumbent models, for example those looking to introduce peer-to-peer trading models, demand management tools etc.
 - g. Regional/geographic inequities if some regions are better able to coordinate than others.
 - h. Sub-optimal land use choices for energy infrastructure, for example in areas with highly productive soils, if coordination with local planning authorities is lacking.
 - i. Insufficient workforce development planning that results in skills shortages or missed opportunities for local communities to benefit from energy sector development in their region.
9. We therefore support the Electricity Authority undertaking detailed work to craft an accurate problem definition on the issue of coordination and identify possible options to address the problem, as outlined in point 5.47 in the consultation document. We encourage the Authority to work collaboratively with the industry (across all segments and including new/potential entrants) in the identification of potential solutions to the coordination challenge.

New Zealand Energy Strategy

10. We remain concerned at the slow progress in the development of an overarching national energy strategy for New Zealand and continue to encourage an acceleration of the work to define this strategy with urgency.

11. While we support and appreciate the drivers for the Electricity Authority to proceed with its consultation on the future operation of New Zealand's power system, we are concerned that the outcomes of this consultation could prove to be inconsistent with the pending national energy strategy, requiring a further round of consultation or change in approach.
12. We understand that the Electricity Authority works closely with the MBIE Energy team to support an aligned approach and encourage this collaboration to continue during the development of the national energy strategy.

