



# ERANZ

Electricity Retailers' Association of New Zealand

## ERANZ SUBMISSION TO MBIE: NEW ZEALAND ENERGY EFFICIENCY AND CONSERVATION STRATEGY REFRESH

29 JULY 2016

Electricity Retailers' Association of New Zealand  
PO Box 25596, Featherston Street, Wellington, 6146

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## New Zealand Energy Efficiency and Conservation Strategy Refresh

### Introduction

1 The Electricity Retailers' Association of New Zealand (ERANZ) welcomes the opportunity to provide a submission to the Ministry of Business, Innovation and Employment (MBIE) on its targeted consultation document: 'New Zealand Energy Efficiency and Conservation Strategy Refresh: 2017 – 2022'.

2 ERANZ was established in August 2015 to promote and enhance a competitive and sustainable electricity market that delivers value to New Zealand electricity consumers. ERANZ members are Genesis Energy, Contact Energy, Mercury, Meridian Energy, Trustpower, Nova Energy, Pulse Energy, and Prime Energy. ERANZ represents over 98.5% of the retail market in New Zealand by ICP count.

3 ERANZ supports the proposed goals and objectives of the 2017-2022 NZEECs. The objective of the NZEECs seeking to improve the energy efficiency of New Zealand's homes and businesses, and encourage the uptake of renewable energy. Electricity retailers also seek to add value to their customers by assisting their customers to get more value out of the electricity they use.

4 We believe there would be long-term benefit in improving New Zealand's overall energy efficiency and reducing carbon emissions. We agree the NZEECS strategy refresh proposed by MBIE would assist in this objective. Further we believe that the New Zealand electricity industry will be a key participant in meeting the goals of the NZEECs. This is because it is the current and future renewable electricity generation resources of New Zealand that will enable the emerging technologies that can deliver energy efficiency and emissions reduction - particularly from the transport and industrial sectors.

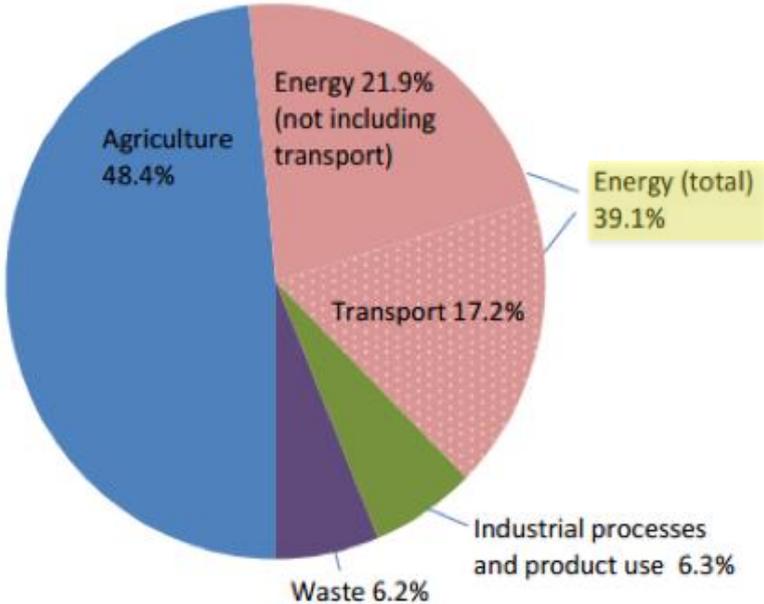
ERANZ position

New Zealand has the opportunity to leverage its predominantly renewable electricity sector to assist in achieving the proposed goal of the new NZEECS: **'For New Zealand to be a more energy efficient, productive and low emission economy'**.

**New Zealand's** electricity retailers are well positioned in the electricity value chain to communicate energy efficiency opportunities to end consumers.

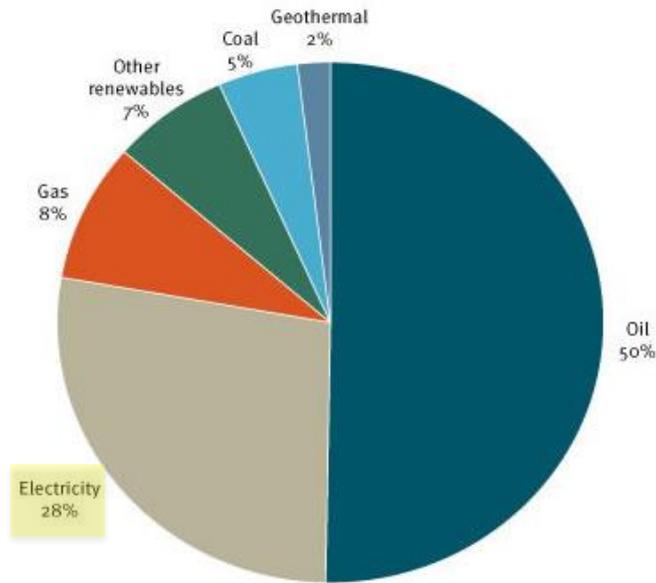
5. Climate change has become the predominant environmental concern worldwide. New Zealand has committed, both domestically and internationally, to an 11% reduction in greenhouse gas emissions below 1990 levels by 2030. However, the volume of New Zealand's greenhouse gas emissions has actually increased by about 45% since 1990. A goal of the proposed NZEECS is for New Zealand to become a low emission economy whilst remaining productive.

**New Zealand emissions by sector**



6. Energy consumption equates to around 40% of New Zealand's climate change emissions – the remainder coming predominantly from agriculture. Electricity equates to around 28% of New Zealand's total energy consumption. Approximately 84% of New Zealand's electricity is generated from renewable resources. The proportion of renewable generation is expected to increase in the future. Further, around \$1B has been spent over the last ten-years upgrading New Zealand's National Grid. This has increased the grid's ability to transport electricity from New Zealand's renewable generation resources to its load centres.

### **New Zealand energy consumption**



7. Oil is still New Zealand's most consumed source of energy. Transport contributes 17% of our emissions. In the New Zealand context the biggest 'bang for buck' in reducing carbon emissions from energy lies in targeting fossil fuel consumption. Encouraging the 'electrification' of the transport and industrial heat sectors would not only have the benefit of reducing carbon emissions, it addresses energy security issues, and makes use of New Zealand's investment in its highly efficient and predominantly renewable electricity sector.

8. There are several new technologies now reaching maturity which will allow greater electrification of these sectors. The emerging technology with the greatest potential to reduce fossil fuel consumption are electric vehicles. Although oil consumption would be displaced by increased electricity consumption, the net effect would be a lowering of New Zealand's emissions due to our predominance of renewable generation sources.

9. There are a number of other emerging technologies which will be advantageous in achieving the proposed NZEECS goals. These include solar generation coupled with battery storage, and better demand side management and communications technologies which will allow end consumers greater visibility and control over their electricity consumption. These technologies have the potential to flatten the traditional electricity demand profile (smoothing the 'peaks' of high electricity demand times). Retailers are also well placed to show the value of the electricity they provide and how to use the service in the most efficient way for that customer.

10. Emerging technologies will provide electricity consumers with more choices than they have now to control their electricity use. For example, provision of information on the real-time generation mix will allow environmentally conscious consumers to make the choice to reduce their

consumption at times when non-renewable generation is operating. Likewise solar/battery systems could be discharged at times when non-renewable generation would otherwise have been required. Retail models offering these choices are either on the market now, or will be on the market very soon, and will continue to develop.

11. Electricity retailers are ideally positioned in the value chain to help facilitate consumers energy choices and we need to ensure there is a level playing field to allow the innovation and choices to develop. We have the expertise, as well as the relationships with local lines companies, the national grid, regulatory agencies and government authorities. As such we can provide consumers with information and, increasingly, options that would enable them to improve their energy efficiency and decrease emissions if they so desired.

12. ERANZ believes a less-restrictive interpretation of “efficiency” would be reasonably justified to include a broader range of electricity efficient activities (which may include activities that increase electricity demand and consumption, such as the promotion of electric vehicles). Applying an ordinary meaning to the term “efficiency” does not necessarily mean a reduction in a process or output. Likewise a reduction in a process or output does not necessarily mean it is being conducted more efficiently. We draw MBIE’s attention to the submission ERANZ made on the proposed changes to the EECA levy on 7 June 2016 which discusses these points in more detail.

13. Please see Attachment for responses to the specific questions posed in the targeted consultation document.

14. We welcome the opportunity to provide this submission and are happy to discuss any matters raised in our submission further if you require.

Yours sincerely



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Electricity Retailers’ Association of New Zealand  
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ATTACHMENT

**TARGETED CONSULTATION QUESTIONS**

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Organisation:	Electricity Retailers' Association of New Zealand (ERANZ)
Please identify your sector:	Retail
<b>Document Content</b>	
<p>1. Do you have any comments on the background, changing energy context or opportunities presented in this document?</p> <p>Are there any other factors that the Government should have in mind when preparing the new NZEECS?</p>	<p>Climate change has become the predominant environmental concern. Accordingly focus is increasingly on reducing New Zealand's greenhouse gas emissions.</p> <p>Electricity only accounts for 25% of New Zealand's primary energy use. 80% of our electricity generation is from renewable sources. In the New Zealand energy consumption context, the biggest impact lies in targeting fossil fuel consumption.</p>

<p>2. Do you agree with the proposed NZEECS goal outlined in Section 5.2 of this document: For New Zealand to be more energy efficient, productive and a low emissions economy? (agree/disagree and explain)</p>	<p>ERANZ supports the overarching goal of the NZEECS.</p> <p>We believe that the New Zealand electricity industry will be a key enabler in meeting the goals of the NZEECS. This is because New Zealand’s predominance of current and future renewable electricity generation resources, together with retailer innovation to utilise emerging technologies that will support consumer choice and control in moving to a low-carbon economy.</p>
<p>3. Do you have any comments on the proposed objectives of the strategy outlined in Section 5.2 of this document?</p>	<p>We can see the merit in segmenting the goals down to a number of objectives by sector. This will help define and focus specific programmes.</p> <p>For each segment we would add: “promote ‘fuel switching’ from fossil fuel to renewable energy sources where appropriate”. Energy efficiency is important, but we believe there is also significant gains to be made in increased <i>electrification</i> of key sectors transport and industrial heat.</p>
<p><b>Focus for a new NZEECS</b></p>	
<p>4. How ambitious should the new NZEECS be? (low/med/high)</p>	<p>New Zealand has committed to an ambitious greenhouse gas emissions reduction: 11% below 1990 levels by 2030. This is especially ambitious considering the volume of New Zealand’s greenhouse gas emissions has actually increased by about 45% since 1990. A corresponding ambitious strategy and policy will be required in order to meet these targets.</p>

<p>5. Do you agree with the three main target areas (business heat, transport and electricity) identified in this document?</p>	<p>We believe that a better term of the 'Electricity' target area would be 'Fuel switching'. The paper notes that New Zealand already has a high proportion of electricity from renewable generation and has the potential for more. The goal should not be to decrease electricity use, but rather to switch from fossil fuels to electricity, particularly in the transport sector.</p>
<p>6. Do you consider the proposed 'three actors' approach (individuals, business and government) outlined in this document is useful for developing strategies for the NZEECS? If not, what alternatives or improvements would you suggest?</p>	<p>We believe that segmenting the consumer base helps target consumers with more effective and meaningful programmes and strategies. Further segmentation may be required of specific types of consumers within each grouping to be effective.</p>
<p><b>Strategic and policy directions</b></p>	
<p>7. What types of policies should the government consider to encourage greater energy efficiency and use of renewables?</p>	<p>Policies that encourage the uptake of electric vehicles would result in fossil fuel consumption being displaced by our highly renewable electricity sector.</p>
<p>8. What role should the government play in delivering the strategy?</p>	<p>Raise consumer awareness. Education and promotion. Monitoring and reporting of results. Refinement of the strategy and programmes to deliver results.</p>

**Energy efficiency and renewable energy for you, your organisation, or your sector**

9. What in your view are the major opportunities (technologies and actions) that could help you, your organisation or your sector become more energy efficient? Do you find that there are barriers that prevent you from making the most of these opportunities? If so, what are they?

Electricity retailers can provide energy efficiency options (assessments, energy audits, referrals etc.) as a value add to the service they deliver their customers. Retailers may promote various technologies as part of their service offering. Many are already doing this, or will do so in the future.

10. What in your view are the major opportunities (technologies and actions) that could help you, your organisation or your sector to make greater use of renewable energy? Do you find that there are barriers that prevent you from making the most of these opportunities? If so, what are they?

The biggest upcoming opportunity in New Zealand is a move to electric vehicles. This allows fuel switching from fossil fuels to our predominantly renewable electricity sector.

Increased real-time information will allow some consumers to change their consumption patterns in response to information about distribution price signals or higher non-renewable generation mix.

<p>11. How could the government ensure that the new strategy is relevant to you?</p>	<p>Ensure adequate ongoing consultation and regular meetings with ERANZ and its members.</p>
<p><b>Collaboration to deliver the NZEECS</b></p>	
<p>12. What do you see as your role in helping achieve the objectives of the NZEECS?</p>	<p>We are happy to communicate with our members any updates.</p>
<p>13. Please add any other comments you have</p>	<p>We welcome the opportunity to provide this submission and are happy to discuss any matters raised in our submission further if you require.</p>