

23 January 2018

Secretary
Finance and Expenditure Select Committee
Parliament Buildings
Wellington 6160

To: select.committees@parliament.govt.nz

ENA submission on Overseas Investment Amendment Bill

The Electricity Networks Association (ENA) welcomes the opportunity to provide a submission to the Finance and Expenditure Select Committee (the Committee) on the Government's Overseas Investment Amendment Bill (the Bill). ENA is the peak industry body for the electricity distribution businesses (EDBs) in New Zealand and makes this submission on behalf of that industry and in support of any submissions individual EDBs have made.

ENA's principal concern with regards to the draft Bill is the time, complexity and expense undertaking the proposed 'Benefit to New Zealand test' would add to the task of purchasing land by EDBs for use in their core business activities (i.e. supplying electricity to consumers). From time to time EDBs need to purchase land that would be included in the 'residential' definition contained in the Bill for the purposes of expanding or reinforcing their electricity distribution networks - for example, buying a small plot of land on which to site an electricity substation to support the needs of a new housing subdivision. Should the EDB in question be greater than 25% foreign owned, the Bill as currently drafted would require that EDB to undertake a 'benefits test' to satisfy the Overseas Investment Office of the benefit that will accrue to New Zealand of allowing the sale to proceed. Given the nature of the EDB's business, it may be awkward to meet any of the factors for consideration set out in 17 (2) (a) of the Act, although there is no doubt that having an efficient and effective system of electricity distribution *is* of benefit to New Zealand.

This test would therefore add time, complexity, uncertainty and ultimately cost to a relatively trivial activity that EDBs routinely undertake to support the needs of their customers (New Zealand electricity consumers) and the wider community. Due to the nature of network planning and existing topography, EDBs may have limited flexibility as to where to site key strategic infrastructure (such as substations). In these cases there may be little choice but to undertake the 'Benefit to New Zealand test' to go ahead with the purchase, or to seek an alternative but less desirable site that is not considered 'sensitive'. Either case will ultimately lead to undesirable outcomes for electricity consumers, via additional costs incurred in the purchasing process or a sub-optimal network design.

The Government's stated aspirations are to encourage and support the transition of New Zealand to a low-carbon economy, and a key first step in achieving this will be the electrification of domestic

transportation. New Zealanders will, more than ever before, require a safe, secure, reliable and efficient system of electricity distribution to support this transition. Hurdles to the efficient running of that system will simply delay and add unnecessary cost. We urge the Committee to recommend that the draft Bill be modified to ensure that those carrying out the vital task of delivering electricity to New Zealanders' homes and businesses not be unduly and unnecessarily impeded in carrying out routine land purchases. The definition of 'electricity distributor' contained within the Electricity Act 1992 could be used to exempt EDBs from this provision where they are purchasing land for the purposes of carrying out 'line function services', which are also defined in the Act.

Please let me know if ENA can be of any further assistance to the Committee in their deliberations. In the first instance please contact ENA's Senior Advisor Policy and Innovation, Richard Le Gros, at richard@electricity.org.nz, 04 555 0075.

Yours sincerely

A handwritten signature in black ink, appearing to be 'GP', written in a cursive style.

Graeme Peters
Chief Executive
Electricity Networks Association