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Transpower
(via email: REZ@transpower.co.nz)

To whom it may concern,

Submission on *Renewable Energy Zones National Consultation*

The Electricity Networks Association (ENA) appreciates the opportunity to make a submission to Transpower on their consultation on Renewable Energy Zones (REZ). The ENA represents the 27 electricity distribution businesses (EDBs) in New Zealand (see appendix B) which provide local and regional electricity networks. Transpower will be aware that two ENA members, Northpower and Top Energy, are currently involved in a pilot REZ in Northland.

ENA is supportive of Transpower's efforts to resolve the first mover disadvantage and high connection costs that can pose a significant barrier to the deployment of new renewable generation in the regions. Our responses to the specific consultation questions are included as appendix A of this letter.

Please don't hesitate to get in touch with ENA if you'd like to discuss our submission. If you require anything further from ENA or its members, please contact Richard Le Gros (richard@electricity.org.nz, 04 555 0075) in the first instance.

Yours sincerely,

Graeme Peters
Chief Executive
Electricity Networks Association

Appendix A – ENA response to REZ consultation questions

Q1. Do you agree that the first mover disadvantage and high connection costs can be challenges for connecting new renewable generation and/or large electricity loads to the electricity network?

A1. ENA agrees that first mover disadvantage and high connection costs can be significant barriers to network connection. In particular, our members report that for many potential grid-scale solar schemes, the cost of connection to the distribution network is a significant part of the project cost. Therefore, anything that can reduce these costs should allow more schemes of this sort to come to fruition. This would help facilitate the entry of more renewable generation to the electricity system in a timely manner, supporting New Zealand's transition to a low carbon energy future.

Q2. Do you think the concept of a Renewable Energy Zone could be beneficial in a New Zealand context?

A2. Yes, if REZs overcomes the issues outlined in Q1 i.e. FMD and high connection costs. ENA is aware that another significant barrier to large-scale renewable generation projects (and to a lesser extent, new electricity loads) is the planning system. We encourage Transpower to work with government and other stakeholders to explore whether the concept of REZ can be more effectively enabled and recognised by the new planning system that is currently making its way through Parliament.

Q3. What region(s) do you think would be suited to Renewable Energy Zones?

A3. ENA is not best-placed to advise which specific regions would be suited to REZ. From a technical perspective, regions with a high level of natural resource which is suitable for the production of zero carbon and renewable generation, combined with a nearby grid connection with significant capacity to export to a significant load market, but requiring the transmission infrastructure to cover the 'last leg' between the existing grid and the natural resource areas. It does appear that Northland meets the criteria as a suitable area, and ENA supports the proposed Northland pilot. Presumably local authorities and EDBs will have better idea whether their region is suitable for an REZ or not. At this stage in the process, it is probably more important to define suitable criteria for REZ, rather than trying to pick out areas up front (see Q6).

Q4. What benefits do you think should be considered in the decision-making process for Renewable Energy Zones in New Zealand?

A4. When making decisions regarding REZ, benefits to be considered could include:

- Whether or not establishment of an REZ will allow renewable generation schemes to progress that otherwise would not.
- Social, economic or environmental benefits that may accrue to the regions in which the REZ would be located.

Q5. Do you agree with the proposed guiding principles? Are there any that you would change or add?

A5. We broadly agree with the proposed guiding principles and have nothing to add to these.

In relation to cost recovery, we would want to see generators pay for the transmission capacity they use, as per the 'beneficiaries pay' charge in the new Transmission Pricing Methodology. This will help ensure that the playing field is not tilted towards remote generation, away from more local solutions, and that REZs are built using the lowest-cost combination of transmission and generation, minimising costs to consumers.

Q6. Do you agree with the proposed criteria for selecting suitable regions for REZ development? Are there any that you would change or add?

A6. Agree, nothing to add.

Q7. Do you agree with using a tender process for committing projects in a REZ? Are there alternative processes that could be considered?

A7. ENA supports the use of a tender process, from the point of view that a tender will elicit all potential interested parties and enable the participants who will unlock the most value for the electricity system to participate. It also enables offers to be over-subscribed, enabling applicants to fall out of the process and still ensure there is sufficient applicants to go ahead with the projects, and share the costs.

An alternative process is for the interested parties to coordinate and negotiate the requirements themselves (or with a third party) – essentially a shared customer service line. This would allow them to negotiate things like funding, timing, sizing, delivery risk, and real-time scheduling.

Q8. Who should be involved with co-ordinating and undertaking the various steps within a REZ development process?

A8. ENA believes that Transpower should lead the REZ development process, but work closely with the EDBs in the area of the proposed REZ development in order to utilise their infrastructure, rather than it potentially be duplicated by Transpower. EDBs will add value through their local knowledge, relationships with existing and potential load and generation customers, and wider relationships with stakeholders.

Q9. Do you agree with the proposed project criteria? Are there any that you would change or add?

A9. ENA supports the proposed project selection criteria.

Q10. Do you agree with the challenges we have identified?

A10. Agree.

Q11. What are some of the ways to overcome these challenges and who should be involved?

A11. No comment.

Q12. Do you see any other potential challenges that need to be considered?

A12. No.

Appendix B – ENA Members

The Electricity Networks Association makes this submission along with the support of its members, listed below.

Alpine Energy
Aurora Energy
Buller Electricity
Centralines
Counties Energy
Eastland Network
Electra
EA Networks
Horizon Energy Distribution
MainPower NZ
Marlborough Lines
Nelson Electricity
Network Tasman
Network Waitaki
Northpower
Orion New Zealand
Powerco
PowerNet
Scanpower
The Lines Company
Top Energy
Unison Networks
Vector
Waipa Networks
WEL Networks
Wellington Electricity Lines
Westpower