

7th September 2022

Fire Funding Review Policy Team

Department of Internal Affairs

(submitted via email: firefundingreview@dia.govt.nz)

To whom it may concern,

Submission on the Targeted Consultation: Fire and Emergency New Zealand Levy Exemptions

The Electricity Networks Association (ENA) appreciates the opportunity to make this short submission to the Department of Internal Affairs (DIA) on their targeted consultation on Fire and Emergency New Zealand Levy Exemptions. The ENA represents the 27 electricity distribution businesses (EDBs) in New Zealand (see Appendix B) which provide local and regional electricity networks.

Our responses to the specific questions contained in the consultation document are attached to this letter as appendix A.

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,



Richard Le Gros

Manager, Policy and Innovation

Electricity Networks Association

Appendix A – ENA response to consultation questions

1) Do you agree with the reasons we have provided for granting an exemption from payment of the Fire and Emergency levy? Why or why not?

We agree with the reasons provided for granting an exemption from payment of the Fire and Emergency levy, but note our suggestion for an additional exemption reason below.

2) Are there any additional reasons you think we should consider for levy exemptions, keeping in mind the purpose of the levy system described in the Act?

We think an additional reason for granting an exemption should be added, where the unique capabilities of FENZ are not engaged in the benefit that is offered. In this case we have in mind the situation where a motor vehicle collides with an electricity distribution pole (car v pole). FENZ may respond to these incidents but there is no benefit provided to the electricity distribution business – the owner of the pole – in that response. In the rare case of a car v pole incidents where the electricity lines attached to the pole are brought down, and the emergency service responders, be that FENZ or the Police or others, keep the public clear of these downed lines, there is some benefit to the EDB. However, there is no element of FENZ’s unique capability engaged in the task of keeping the public clear of downed lines until EDB staff can attend site, and this benefit could just as well be provided by the Police or any other suitably trained first responders.

3) Do you agree with our proposed list of exemptions? Why or why not?

We do not agree with the proposal to remove exemption 11 (Electric supply, telegraph or telephone pole, line or cable). We do not believe that EDB’s, as the owners of this class of asset in the vast majority of cases, receive a material benefit from FENZ in relation to these assets. The only scenario under which EDBs received a benefit from FENZ is when FENZ secure a site where electricity lines are down or damaged and keep the public away until EDB staff can arrive. This could (and often is) just as well provided by the NZ Police or any other suitably trained emergency service – there is no aspect of FENZ’s unique capabilities that are engaged in this task.

We do not agree with the proposal to not introduce new exemption 25 (i.e., we think that new exemption 25 should be introduced), at least as far as it relates to electricity cables that are buried underground. FENZ do not provide any benefit to EDBs in relation to this class of asset, and they have no capability to assist EDBs in the event that these assets fail. We believe that an exemption should be introduced for electricity cables that are buried underground.

4) What changes (if any) would you recommend making to the wording of any exemptions? Why?

For the proposed exemption 25 it would be sensible to split these into two different categories. An underground electricity cable is a significantly different class of asset than an underground pipeline, with different risk profiles, failure modes and maintenance requirements, etc. They are not analogous and so should be categorised separately.

5) Are there any other types of property you believe should be exempt? If so, what are they and what is the rationale for their exemption (please link to the list of reasons we have provided in paragraph 18, where possible)?

No comment.

6) What impacts are our proposed exemptions likely to create (financial or otherwise) for you? Please provide a qualitative description of the impacts if detailed disclosure of impacts is not possible or inappropriate for any reason. If you are unable to provide this information for exemptions relevant to you, it is still useful for us to understand why.

EDBs are highly conscious that all costs imposed on their businesses will ultimately be borne by their customers, who have no realistic opportunity to seek a cheaper alternative source of electricity. With this in mind, EDBs do all they can to reduce their input costs – especially where a new cost delivers no tangible benefit to their customers in terms of improved service.

While EDBs do not typically insure their overhead electricity networks, the imposition of a levy (via the removal of an exemption), will make insuring these assets less viable in the future, should that become desirable. In that scenario the additional cost added to EDB insurance premiums would ultimately flow through to electricity consumers, but in this case would not be accompanied by any improvement in the service that those consumers receive. This would simply be an increase to the cost of delivered electricity, at a time when Government and the sector is doing all it can to incentivise consumers to adopt low-carbon renewable electricity as a substitute fuel source for carbon-intensive fossil fuels (e.g. petrol, gas, etc).

Given the significant value of EDB network assets – the smallest EDB in NZ has a regulated asset base valued at almost \$31 million, the largest at almost \$3.7 billion – any increase in the cost of insurance for a subset of these assets that were previously exempt, will translate into substantial real amounts.

7) Please provide us with the information you can about the insurance arrangements that apply to specific types of property where we have requested it below.

No comment.

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