

SUBMISSION ON PROPOSAL FOR NATIONAL POLICY STATEMENT FOR RENEWABLE ELECTRICITY GENERATION

Section 49 of the Resource Management Act 1991

To : The Chairperson
Board of Inquiry

1. This is a submission on the following proposed national policy statement (the *Proposal*):

Proposed National Policy Statement for Renewable Electricity Generation.

2. This submission is made by:

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3. The specific provisions of the Proposal that this submission relates to are:
 - (a) The NPS in its Entirety;
 - (b) Policy 1; and
 - (d) Policy 5.

Introduction

4. Vector Limited (*Vector*) is a company with a diverse portfolio of energy infrastructure networks, delivering energy and service to more than one million homes and businesses across New Zealand.
5. Vector believes that in order for Government to meet its target for 90% of generation from renewable sources, a strong increase in the use by consumers of small scale renewable sources of energy, such as solar panels and micro-wind, is needed. To meet consumer demands businesses will need to respond to the commercial opportunities that arise. In order to take advantage of these

opportunities, the Government needs to provide a policy regime that provides certainty to potential investors and minimises regulatory hurdles.¹

6. Vector does not consider that the NPS, as currently drafted, places sufficient weight on the importance of small scale renewable generation. Nor does Vector consider that the policy directions included in the NPS are sufficient to address the barriers to uptake of small scale renewable generation. The focus of the current draft of the NPS appears to be on large scale renewable electricity generation. However, smaller scale technologies such as solar hot water, micro wind, and micro hydro technologies have lower impact on the natural environment, reduce grid capacity constraints and aid energy affordability. Vector believes the New Zealand energy sector, guided by Government decisions, needs to be more prepared to respond to changes in consumer demand, as their preferences move towards small scale renewable energy sources.
7. Vector has trialled solar water heaters, solar photovoltaic and small scale wind turbines to understand how these technologies operate and what internal and external barriers exist for adopting small scale renewables into our business model. In Vector's opinion considerable barriers exist to the uptake of small scale renewable generation due to Local Council consenting processes. Government subsidies to increase uptake of small scale renewable generation are unlikely to be effective until these barriers are removed.
8. In order to address these issues, Vector submits the following. The NPS objective and policy 1 need to more specifically refer to small scale renewable generation. Additionally, greater thought needs to be given to policy 5. In particular, Vector is not convinced that policy 5 will be sufficient to ensure that Council processes are cost effective and consistent such that they do not create a significant barrier to small scale renewable generation. Vector considers that in order to reduce costs to consumers, consideration should be given to the development of national standards for approval and installation of solar hot water systems.
9. Vector has outlined some of our key concerns in this submission and has provided detailed comments in relation to our own experiences with new technologies, more specifically, solar water heaters. We would welcome the opportunity to develop and discuss recommendations identified in our submission.

¹ Vector Limited, *Submission on the Climate Change (Emissions Trading and Renewable Preference) Bill*, 29 February 2008.

Vector's Submission

10. Vector's submission is as follows:

A. The NPS in its Entirety

The NPS Objective

11. Vector conditionally supports the proposed objective of the NPS to the extent that it will assist decision-makers when considering whether proposals to use and develop New Zealand's renewable energy sources will promote the sustainable management of natural and physical resources (the purpose of the Resource Management Act 1991 (RMA)).

12. Vector believes that the objective could further be expanded to ensure all renewable generation activities (regardless of size) are promoted by amending the objective as follows:

*To recognize the national significance of renewable electricity generation activities **at any scale by removing barriers to their uptake** through promoting the development, upgrading, maintenance and operation of new and existing renewable electricity generation activities, such that 90 per cent of New Zealand's electricity will be generated from renewable sources by 2025 (based on delivered electricity in an average hydrological year).*

NPS – One of the Tools to Achieve the Objectives of the NZES

13. Vector recognizes the NPS as one of the tools that will be used to promote energy efficiency objectives under the New Zealand Energy Strategy (NZES). Although the NPS is a useful tool, we consider that additional tools will be required to ensure small scale renewable solutions are recognised at a local level.

14. Vector has concerns that an indirect outcome of the NPS could be that remote large scale electricity generation solutions may be favoured over local small scale solutions. Vector believes that additional policies either within the NPS or through another tool need to be developed to ensure this does not occur.

15. After working with various renewable solar technologies, Vector has recognised consent barriers faced by small scale renewable energy sources as a hindrance to their uptake. In our view, these barriers are unsatisfactory as in aggregate small scale renewables have the potential to be as nationally significant as remote large scale projects as they create the same public benefits through reducing green house gas emissions and ensuring security of supply. We consider that the current preference and focus of the NPS leans towards large

scale wind, hydro and geothermal projects, and while this is convenient, is not comprehensive and as a result will have unintended consequences.

16. Vector agrees with the Section 32 Report that simply relying on the status quo is not enough to meet renewable generation targets. Additionally, Vector acknowledges problems have emerged primarily due to the following reasons:

- lack of recognition through the RMA decision-making process of the nationally significant benefits of renewable electricity generation capacity in New Zealand;
- inconsistent or non-existent development across Councils of specific policies addressing renewable electricity generation;
- neglected policy guidance across New Zealand in relation to electricity generation hindering investment in future technology; and
- costs and processes associated with resource consent acquisition which discourages investment in smaller scale projects with limited adverse effects.

17. To resolve the above, Vector considers that the application of the NPS objective should be applied consistently across all renewable technologies. This will ensure policies endorse the importance of renewable solutions by enabling decision-makers through to consumers to recognise Government's commitment to energy efficiency.

18. The focus of the NPS seems to be placed on technology that is currently cost effective to generate electricity. Citing that the background of the Section 32 Report on the development of the NPS contains no significant mention of technologies outside of wind, hydro and geothermal or to small scale renewable technologies such as solar panels. Given this, Vector is concerned that a slight bias may be developed and as a result, resources may be placed on consenting certain technologies at the cost of others.

19. For example, Vector acknowledges that solar electricity generation is considered to be relatively expensive compared with wind, hydro and geothermal, and does not yet have the capacity to meet the forecasted growth in demand. Vector, nonetheless, considers locally generated solar thermal and electricity generation is likely to be more ecologically sustainable and environmentally benign. Furthermore, we consider that the future of renewable technology is uncertain and Government needs to be prepared for a paradigm shift which will result in "diversification of the range of generation types and locations of generations²" to allow "renewable electricity generation to meet national demand³."

² NPS, pg. 31.

³ NPS, pg. 32.

20. Energy Efficiency and Conservation Authority (EECA) also considers that in the medium to long term international research, coupled with growing manufacturing capacity and economies of scale, could lead to an increased use of photovoltaic cells and other small scale renewable technologies. Further, they explain that changes for “connection to electricity networks, including net metering, will encourage more grid-connected installations⁴.” Government policy also needs to look to the future if it is to deliver lasting benefits and guidance to New Zealand aimed at increasing the number of renewable sources in order to help secure future energy supplies.

21. Vector agrees with MFE that the NPS should not “seek to provide absolute direction on how to weigh potentially competing values down to regional and district levels⁵,” citing that it would be difficult to prepare and not likely well received by communities and local authorities. However, Vector remains concerned- citing the example on page 12 of the Section 32 Report which states, “only 11 of 86 regional Councils and territorial authorities have introduced objectives, policies and methods into their plans regarding climate change, energy efficiency and renewable energy.” Thus, we consider that some direction and consistency is necessary and Government needs to place importance on meeting the objective of the NPS at national as well as local level.

22. Vector has had direct experience in dealing with Councils on seeking approval for solar hot water installations. The difficulties faced, further supports the need to ensure the focus of the NPS is placed on achieving its objective through consistent interpretation and application of policies across all levels of governance. Below we have provided suggestions for improvements for the current NPS based on our experience, which on the whole should reflect Government objectives.

23. In relation to the NPS in its entirety, Vector seeks the following:

- (a) when interpreted, policies under the NPS do not appear to be biased towards certain sizes or types of renewable electricity generation; and
- (b) further work be carried out either through the NPS process or another tool to ensure small scale renewable consent regimes and processes are cost effective across Councils.

Vector’s Experience with Consent Processes

24. The recent release of the First (Interim) Progress Report on the New Zealand Energy Strategy shows that uptake of solar water heaters have fallen short of

⁴ East Harbour Management Services for Energy Efficiency and Conservation Authority, *Renewable Energy- Industry Status Report (year ending March 2006)*, pg.7.

⁵ NPS, pg. 32.

the Government's targets. For example, provisional industry data indicated 3,400 solar water heaters were installed in the year to 30 June 2008, fewer than the year before.⁶

25. Despite the various financial schemes to assist consumers with the initial costs, increased standards and trained installers, a decrease in solar installations over the previous year signal that barriers to purchasing and/or installing a system still exist.

26. In Vector's experience with solar water heaters, one of the key barriers to uptake of small scale renewables is gaining consent through local authorities' processes. Vector submits that costs and processes associated with resource consent acquisition is discouraging investment in smaller scale projects with limited adverse environmental effects.

27. Vector suggests a thorough examination of consent processes at a local level be undertaken to identify opportunities for making this process more efficient and less cumbersome for those seeking relatively standard solar installations for individual households. As the consent regime and process varies among Councils, Vector considers local consent processes that are more consistent and cost effective would result in an increase of small scale renewable installations helping to meet Government targets for renewable energy.

28. Simplicity is a key feature of effective policies. Consumers are less likely to participate in a market that contains too many hurdles and costs before they are able to make use of their purchase. The outcome of the recent changes in June 2008 to the Solar Water Scheme which intended to increase the number of systems may further point to why uptake of solar water heaters does not depend solely on the level of subsidy.

29. Vector submits that current Local Council consent processes need to be less of a barrier for all renewables, regardless of the technology and size by ensuring simplified yet robust systems are in place to encourage their uptake. Vector views the following issues as important to address⁷:

- undefined or inconsistent approval processes;
- variance in fees (ex. one Council may charge \$700 to process an application which defeats the purpose of the original subsidy, while others waive the fees altogether);
- the time involved in processing an application;

⁶ *First (Interim) Progress Report for the Minister of Energy on the New Zealand Energy Strategy including the New Zealand Energy Efficiency and Conservation Strategy, October 2007-June 2008, pg. 21.*

⁷ Please note that our identification of these issues stem from our experiences and that other renewables (regardless of size) may face similar constraints.

- inaccurate communication (i.e. Council staff often unsynchronised during process on where the consent is at); and
- lack of knowledge of solar systems by those involved in consent process.

30. Vector suggests further time and resources should be given to the development of standards for residential solar hot water systems which would include examining the following:

- a nationwide, well designed approval process for residential solar hot water systems (*Approved Solar Systems*);
- nationally standardised fee for resource consent applications for the Approved Solar Systems (preferably free); and
- a comprehensive solar installation reference package for Local Government approving authorities.

31. Vector has no preference as to what tool the Government addresses the above through. However, Vector considers that the proposed policies in the NPS could act as a starting point under which more guidance could take place.

B. Proposed NPS Policies

32. Vector agrees that the five policies in the Proposed NPS provide a 'robust package' which will promote and achieve the goals of the NPS as they appropriately identify and allow for improvements to be made to current weaknesses. The policies have done well to not provide 'absolute direction' but consistent with our experiences, we consider they could provide more.

33. The balance struck between the five policies allows for the first three to be implemented immediately and the last two, which carry more weight in terms of ensuring local plans, mirror national ones, to be in place by 2012. Vector considers that this policy step change is important to the advancement of the NPS objective, as it gives local authorities time to develop a suite of amendments.

34. Concise interpretations of the policies, in addition to the requirements to steer Council plans towards the objective of the NPS and a general recognition of renewables are key to the statement's success.

35. Additionally, we consider that policies 1 and 5, in particular, could help ensure that authorities view all renewable generation activities as equally important and that this is reflected in their consent processes for all applicants, including small scale renewable technologies.

Policy 1

36. Vector opposes policy 1 of the NPS. While Vector considers that the policy will help decision-makers recognise that the benefits of renewable electricity generation extend far beyond their immediate installation, it is inappropriate that only some of the benefits are listed.
37. Rather than including the two benefits, Vector would prefer that they be left out of the policy unless all benefits can be included. The policy places weight on two benefits, which are recognisably important, but limit the potential for decision-makers and applicants to see beyond them.
38. Vector considers that identifying renewable activities are of 'national significance' is important. Vector would go even further to ensure that all renewable electricity generation activities of any size and type are considered, not just limited to the ones highlighted throughout the NPS. This inclusion can be ensured through rewording the policy.
39. Vector seeks that proposed policy 1 be amended as follows:

*The benefits of renewable electricity generation activities, **of any type and** at any scale, are of national significance. Decision-makers must have particular regard to the national, regional and local benefits relevant to renewable electricity generation activities.*

Policy 5

40. Vector supports policy 5 of the NPS which sets out the importance of renewable electricity generation as a supported community activity incorporated into Council plans.
41. The use of 'enable' in the policy will allow Councils to audit current processes to reveal faults with operating under the status quo. Under this policy, we consider that many of the areas of our discussion above may be made explicit through changes in actual consenting procedures. Vector prefers that further guidance is provided to Councils when amending plans pertaining to consent processes to ensure a certain level of consistency is applied.
42. Without consistency it is hard for businesses, such as Vector wanting to explore renewable supply options to calculate the overall cost due to the large variance in Council fees, time and information. A lack of consistency across the 78 Councils can thus prevent the full realisation of the benefits of policy 5.
43. We view the NPS as a tool that could help to improve this inconsistency of policy and rules between Councils. Vector believes the policies should be

expanded to ensure that the Governments proposed changes are largely consistent across local Councils.

44. Vector considers that our earlier suggestion for solar water heater systems could be generalized and incorporated in policy 5 allowing for Councils to adopt the following into their Council plans on renewable activities:

- a nationwide, well designed approval process for small scale renewables;
- nationally standardised fee for resource consent applications for small scale renewables (preferably free); and
- a comprehensive installation reference package on each renewable technology for Local Government approving authorities.

45. Vector believes that adding to policy 5 would be beneficial for Councils and consumers. An agency such as EECA would be well placed to assist in designing and implementing the above suggestions.

46. Vector seeks that:

Policy 5 be supported.

New Vector Policy

47. A more efficient way to resolve the concerns noted above would be to remove the requirement of resource consents for small scale renewable projects for domestic use such as solar hot water heating. To achieve this, Vector seeks the insertion of a new policy that allows certain standard approved small scale renewable activities for individual households being recognised as permitted activities in local authority district plans.

48. As highlighted in this submission, costs and processes associated with resource consent acquisition is discouraging investment in smaller-scale projects that have limited adverse effects. We consider that New Zealand should adopt a policy such as the one being promoted in England and Wales where Local Government is looking at removing applications for planning permission when installing micro (small) generation technologies.⁸

49. Vector seeks the insertion of a new policy 6 to read as follows:

By 13 March 2012, local authorities are to notify, in accordance with Schedule 1 of the Act, a plan change, proposed plan or variation to introduce objectives, policies, methods, and rules into policy statements and plans that allow for the certain standard approved small scale renewable activities for domestic use as permitted activities.

⁸ <http://www.communities.gov.uk/publications/planningandbuilding/domesticinstallation>

Concluding Remarks

50. It is our view that further examination of the above issues will need to take place in order to ensure all forms of renewable electricity generation contributes to a reduction in New Zealand carbon emissions.

51. Vector considers that importance should be placed on increasing consistency of the applications of policy across local governance. We agree with the mechanics of policy 5, however, further guidance for this policy may be useful and our suggestions, which resulted from our own experiences with solar water heater installations, should be examined.

52. Vector is confident that by addressing the above issues the message will be clear to both Councils as well as consumers that the Government is dedicated to boosting projects committed to the installation of renewable electricity generation systems in a timely and affordable manner.

Oral Submission

53. Vector wishes to be heard in support of its submission.

54. If others make a similar submission, Vector will consider presenting a joint case with them at a hearing.

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