



Chairman: Robert Miller,

22 April 2016

Freshwater Consultation 2016
Ministry for the Environment
P O Box 10362
Wellington 6143

By email: watersubmission@mfe.govt.nz

Dear Sir / Madam

RE: Freshwater Consultation 2016

The Independent Electricity Generators Association (IEGA) welcomes the opportunity to make submissions on the government's proposals for next steps for freshwater.

The IEGA comprises approximately 40 members who are either directly or indirectly associated with predominately small scale power schemes throughout New Zealand for the purpose of commercial electricity production.

Our members have made significant economic investments in generation plant and equipment throughout New Zealand that is embedded within local distribution networks with 95% of the plant using renewable fuel. Our members own 27 hydroelectricity generating plant with a combined capacity of 104MW dispersed throughout New Zealand. That is, members' hydroelectricity generating plant form part of New Zealand's significant renewable electricity advantage, as is recognised in the nationally significant status of small scale renewable generation in the National Policy Statement for Renewable Electricity Generation.

IEGA members are small, entrepreneurial businesses, essentially the SME's of the electricity generation sector. We are price takers in the electricity market and provide significant benefits to the regions in which we operate. Distributed generation:

- Provides 10% of New Zealand electricity by output (equivalent to over twice the output of the Huntly power station);
- Introduces competition resulting in lower regional electricity prices for consumers as well as enabling new retailers to enter the market with PPAs;
- Employs around 500 people across most regions of New Zealand;
- Results in rebates and distributions back to local communities. For example, Pioneer Energy has distributed \$75m over 15 years to its community trust shareholder;
- Assists with security of supply as many of our schemes are designed to run islanded from the grid in an emergency loss of transmission. Recently one of our member's distributed generation plant provided emergency power to Grafton hospital when Vector lost power; and
- Avoids or defers network or transmission investment.

As with all hydroelectricity plant, our members are non-consumptive users of water in regional areas of New Zealand through their plant that, in general, have less of an impact on their local environment than utility scale hydroelectricity plant. Some of these generating plants form a hydroelectricity power 'scheme' – a sequence of generating plant in the same catchment that may or may not be owned by a member. Adopting a 'Freshwater Management Unit' approach needs to be cognisant of the existing, essentially interconnected, electricity generation infrastructure across a catchment.

Consenting, or re-consenting, their hydroelectricity generation operations can be a disproportionate cost on the business compared with utility scale generators. In addition, members' have limited resource to monitor and engage in local council initiatives to amend or develop regional plans. More guidance from government and a more consistent approach to consenting water take and use across local councils can be expected to reduce this cost of doing business.

IEGA supports the development of freshwater allocation approaches that encourage multi-use and multi-users. Some of our members are irrigation schemes that have hydroelectricity generating plant as an integral part of their infrastructure. Any changes should ensure that there remains the opportunity / flexibility for local stakeholders to agree an arrangement that achieves efficient use of a water resource between parties that might have competing demands / objectives. Our small scale generation operations are often well connected with the local community.

Our members have significant sums of private money invested in their hydroelectricity plant. It is critical that the regime to manage water resource provides certainty for these investors and their funders. Certainty about what is allowed by current consents is paramount. If a water trading regime is introduced then members can trade off the value of using this allowed water in their generating plant or trading the consent to other higher value uses.

Our members commend the government's interest in improving New Zealand's water quality. However, it is critical that parties that have created water quality issues are obligated to pay for improvement and face penalties for non-compliance. Appropriate research should be undertaken to determine the cause of any degradation in water quality. There is a role for government in funding monitoring, research and management – as described in the consultation paper. In the unlikely event that a hydroelectricity plant has contributed to the degradation in water quality any requirement to pay for costs must reflect that water volumes that pass through a hydroelectricity plant are likely to be disproportionately high compared with other water users in the region (ie a volumetric charge is unfair on a non-consumptive user). The issue of how councils meet the cost of improving freshwater management is one where the IEGA suggests there could be guidance from government rather than greater flexibility.

The IEGA would welcome the opportunity to discuss this submission with you in more detail. We would appreciate being added to your stakeholder list to ensure we remain fully informed about your work in this area.

Yours sincerely

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Robert Miller
Chairman