



Chairman: Warren McNabb,

Secretary: David Inch,

28 April 2017

Clean Water Consultation 2017
Ministry for the Environment
P O Box 10362
Wellington 6143

By email: watercomments@submissions.mfe.govt.nz

Dear Sir / Madam

RE: Clean Water Consultation 2017

The Independent Electricity Generators Association (IEGA) welcomes the opportunity to make submissions on the government's proposals to revise the Freshwater NPS.

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.¹

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 are regionally significant assets and form part of New Zealand's significant renewable electricity advantage. This is also 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. Our distributed generation:

- introduces competition resulting in lower regional electricity prices for consumers as well as enabling new retailers to enter the market with Power Purchase Agreements;
- employs around 200 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 transmission grid in an emergency loss of transmission; and
- avoids or defers distribution network and transmission investment.

¹ The Steering Committee has signed off this submission on behalf of members

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. Our small scale generation operations are often well connected with the local community and provide wide ranging economic benefits. We support the proposal to amend the Freshwater NPS to make it clear that regional councils must consider the community's economic well-being when making decisions about water quantity, deciding what level or pace of water quality improvements will be targets and when establishing freshwater objectives (section 3.5 of consultation paper).

Water allocation is a critical issue for our members and we register our strong interest in remaining informed about policy developments in this area.

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.

At a more regional level it appears Councils have some discretion to use water allocation as a method of improving / solving water quality issues. We are very concerned if Councils can, with unlimited discretion, reduce the water allocated to hydro generation in a FMU, catchment or scheme as a way of flushing or diluting the materials creating low water quality. This is especially the case if Councils can amend allocation under an existing consent. 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.

In our view, parties that have created water quality issues should be obligated to pay for improvement and face penalties for non-compliance. The responsibility for improving water quality should sit with those that contribute to its deterioration. Therefore we support the proposed regulations relating to keeping stock out of waterways. 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 IEGA notes that the changes to Policy CA3 still deems existing significant infrastructure to have contributed to existing freshwater quality problems for that infrastructure to be included in Appendix 3. We support Trustpower's position that Policy CA3 be amended to remove its dependence on populating Appendix 3. We agree that the appropriate test for determining whether to set a freshwater objective lower than the national bottom line is whether that attribute level would have a detrimental effect on the benefits derived from the existing significant infrastructure.

We commend the government for implementing more standardised approaches to water management by regional councils and the issuance of guidance about particular topics. Consenting, or re-consenting, hydroelectricity generation operations of our members 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 across Councils is expected to reduce this cost of doing business.

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

A handwritten signature in blue ink that reads "David Inch". The signature is written in a cursive style with a large initial 'D' and a long horizontal stroke at the end.

David Inch
Secretary