



**SUBMISSION BY POWERCO LIMITED ON THE PROPOSED
NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT
CAPACITY**

15th July 2016

TO: NPS Urban Development Capacity
Ministry for the Environment
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1. INTRODUCTION TO POWERCO LIMITED

- 1.1 Powerco Limited (**Powerco**) is New Zealand's largest electricity and second largest gas distributor in terms of network length and has been involved in energy distribution in New Zealand for more than a century. The Powerco network spreads across the upper and lower central North Island servicing over 400,000 consumers. This represents 46% of the gas connections and 16% of the electricity connections in New Zealand.
- 1.2 Powerco's electricity networks are in the Bay of Plenty, Thames, Coromandel, Eastern and Southern Waikato (including a small area within the Waipa District), Taranaki, Wanganui, Rangitikei, Manawatu and the Wairarapa. It has gas pipeline networks in Taranaki, Hutt Valley, Porirua, Wellington, Horowhenua, Manawatu and the Hawkes Bay. Importantly in terms of the Proposed National Policy Statement on Urban Development Capacity (**PNPSUDC**) it has electricity infrastructure in Tauranga (High Growth Urban Area) and electricity and gas infrastructure in Palmerston North and New Plymouth (Medium Growth Urban areas). Powerco's customers are served through over 30,000 kilometres of electricity lines (including overhead lines and underground cables) and over 6,200 kilometres of gas pipelines.

2. KEY ISSUES

- 2.1 Powerco supports the intent of the PNPSUDC, in particular the intent to foster improved coordination between local authorities and infrastructure providers to improve infrastructure planning (Objective OC1 and PC1, PC2 and PC3). A key factor identified in the Regulatory Impact Statement (**RIS**) (page 3) that contributes to insufficient development capacity is:

Potential coordination failures between RMA planning and infrastructure planning, which are governed by separate legislation, and the potential for social costs to arise as a result of infrastructure provision and use;

- 2.2 Intensification, urbanisation, development and population growth are continually placing demand on energy resources, in particular electricity and gas supplies. Demand on infrastructure will intensify as a result of a region and/or district's growth. Coordination between Councils and all infrastructure providers is essential if sufficient capacity is to be provided for in a timely, efficient and effective manner (i.e. to satisfy

OA1-3 and PA1-3) in order to facilitate development capacity. On page 13 of the RIS it states:

First, as discussed in the problem definition, the potential for coordination failures between RMA planning and infrastructure planning and funding may remain partly un-addressed, due to the fact that these areas of policy are governed by separate legislation. To that end, the NPS-UDC options include objectives and policies that attempt to manage the risk of coordination failures; however, we acknowledge that this risk cannot be fully avoided under current arrangements.

2.3 While it is recognised that there will remain a risk of coordination failures between infrastructure planning and RMA planning due to these areas being governed by separate legislation, the PNPSUDC objectives and policies are trying to promote better coordination between infrastructure providers and Local Authorities as a means of limiting this risk. This coordination policy framework in the PNPSUDC is considered very important and is supported by Powerco. However, Powerco is concerned that the PNPSUDC provisions that are trying to improve coordination are unduly limited due to omission from the PNPSUDC of reference to a number of infrastructure providers (including electricity and gas suppliers). This arises due to the proposed definition of “infrastructure” in the PNPSUDC which states:

***Infrastructure** means network infrastructure for water supply, wastewater, stormwater, transport and passenger transport services.*

2.4 That definition therefore limits the scope and potential effectiveness of the coordinating objectives and policies (OC1 and PC1, PC2 and PC3). Reliable and constant energy supply is critical to sustaining our regional economy, population and way of life and demand for energy is constantly increasing. It is critical to ensure that proposed intensification, urbanisation, development and population growth does not lead to security of supply issues or to potential adverse effects associated with meeting (or not being able to meet) existing or additional demand. Supply needs to be available to coincide with demand.

2.5 Powerco faces an increasing number of constraints, in terms of providing a secure and reliable supply of electricity to meet the increasing demand and population growth. The background documentation does not appear to provide any reasoning as to why the scope of infrastructure planning should be limited to the provision of the specified infrastructure (which is largely Council controlled). Such limitation is opposed by Powerco, the definition of infrastructure in the PNPSUDC should be deleted and instead reliance placed on the RMA definition of infrastructure so that reference to infrastructure providers applies to all relevant infrastructure as defined by the RMA. Alternatively a different phrase should be adopted and it should be amended to include

provision of electricity and gas networks. Either option would provide a clear opportunity for better coordination of such infrastructure by the consideration of the gas and electricity networks within the framework of Objective OC1 and PC1, PC2 and PC3. This should be undertaken for the following reasons:

- It is important to include electricity and gas providers in the mandated consultation framework contained within the PNPSUDC, to avoid creating a potential consultative void and disconnection with electricity and gas supply planning. Coordination of such services is imperative;
- Given that “infrastructure” is already defined in the RMA, it will avoid potential interpretative issues and uncertainties in relation to Regional Policy Statements and Plans as a result of introducing a second definition of “infrastructure” into the RMA realm;
- It is noted in the Housing Accords and Special Housing Areas Act 2013 that the term “infrastructure provider” refers to all network operators as defined by section 166 of the RMA (this includes electricity and gas infrastructure providers). It is not considered helpful to have the PNPSUDC apply that term to different suite of infrastructure providers.
- It recognises the importance of the role that electricity and gas networks play in relation to the functioning of those other items that are referenced as “infrastructure”. Electricity and gas networks are, along with water supply, waste water, telecommunications road and rail networks, lifeline utilities under the Civil Defence Emergency Management Act 2002. They are critical to the functioning of society and, as such, these services are fundamental underpinnings in the provision of development capacity;
- The supply of electricity and gas is critical for the operation and functioning of Council waste water and water supply networks (e.g. gas is used in Hutt Valley Water Supply and the New Plymouth wastewater treatment plant);
- It complements the view of the Productivity Commission in its report *‘Using Land for Housing’*, where it identifies electricity and gas transmission and distribution as a critical part of the housing supply pipeline (refer Page 8 of Using Land for Housing);
- It supports the position outlined in the submission of the Electricity Networks Association on the PNPSUDC;
- Gas and electricity networks are linear networks (and regulated monopolies) that supply services across jurisdictional boundaries. They operate in a way that can result in capacity upgrading requirements on the networks that are some

significant distances away from where the development capacity is to be provided. In some cases, this can be outside the jurisdictional authority of the high or medium or growth urban area. Such networks need to be managed on a co-ordinated basis irrespective of jurisdictional boundaries;

- Better coordination will facilitate identifying and securing relevant infrastructure corridors. While it can be easier to identify corridors within areas of new greenfield development, that often relies on developer co-operation and/or a designation process, and it is harder for brownfield development or where servicing the additional capacity requires corridor to new areas through existing developed areas;
- Better coordination will enable risks of creating adverse effects on infrastructure including reverse sensitivity effects to be appropriately managed.
- Powerco operates a Customer Initiated Works (**CIW**) process which covers all types of new electricity connections from simple domestic houses, to large industrial buildings as well as new subdivisions. There may be a need for developers to contribute to some or all of that upstream reinforcement of the electricity network. However it is not efficient or effective to wait for all upgrading to be developer lead, as this tends to result in ad hoc developments that ideally should be delivered within an overall long term planning context. To achieve that context electricity and gas suppliers need be closely aware of Council's housing and business assessments;
- It will mean that there is a clearer obligation on local authorities to consult with the electricity and gas network operators and they will not be relegated under PB4 to the status of "other stakeholders" and only consulted at the discretion of a Council when and if it sees fit; and
- The energy sector is dynamic and there are many changes on the horizon that could have implications for urban form. It will be important for Local Authorities to stay close to those changes by staying close to the sector.

2.6 Powerco is more than willing to assist a Council in its preparation of the three yearly Housing and Business Land Assessments and model development capacity scenarios as required. Powerco currently operates a 20 year forward capacity planning horizon. It regularly runs its models to identify supply issues in relation to individual developments and specific zoning proposals. As part of the Commerce Commissions Information disclosure requirements Powerco publishes Asset Management Plans that sets out the investments it plans to make over a 10 year horizon. An obligation through

the PNPSUDC for greater coordination with Councils in relation to development capacity will assist in improving asset management planning, which in turn will lead to greater efficiency, more effective service provision and, by implication, enhanced affordability.

3. CONCLUDING COMMENT

3.1 Powerco appreciates the opportunity to identify its key interests in the PNPSUDC. Powerco supports the intent of the PNPSUDC in relation to the focus on greater coordination with infrastructure providers but opposes the current definition of infrastructure in the PNPSUDC as being too narrow.

4. RELIEF

4.1 It is essential that electricity and gas networks are included in the consultation requirements as an infrastructure provider. This could be achieved by the following:

1) Delete the definition of infrastructure from the PNPSUDC and rely on the RMA definition of Infrastructure by amending the definition as follows:

a) **Infrastructure** *has the same meaning as S3 RMA means network infrastructure for water supply, wastewater, stormwater, transport and passenger transport services.*

or, in the alternate:

2) Amend the definition of infrastructure in the PNPSUDC so it doesn't duplicate the RMA definition of infrastructure by creating a specific phrase and provide for electricity and gas networks so that it reads as follows:

a) **Urban Development Infrastructure** *means network infrastructure for water supply, wastewater, electricity, gas, stormwater, transport and passenger transport services.*

3) Any such other consequential relief to give effect to the submissions.

Dated at TAKAPUNA this 15th day of July 2016

Signature of person authorised to sign on behalf of Powerco Limited:



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Director

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