

Form 3
Submission on proposal for national policy statement

Sections 49, Resource Management Act 1991

To the Chairperson
Board of Inquiry
c/o PO Box 8270
AUCKLAND 1150
By email to jo.daly@mfe.govt.nz

This is a submission on the following proposed national policy statement on electricity transmission that was publicly notified on 16 May 2007:

The specific provisions of the proposal that my submission relates to are:

[give details].

The National Policy Statement (NPS) proposal as a whole.
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My submission is:

[include –

- *whether you support or oppose the specific provisions or wish to have them amended; and*
- *the reasons for your views].*

Members of the Major Electricity Users' Group (MEUG) use approximately 29% of total electricity demand in New Zealand and pay a significant amount of the total delivered national power bill of over \$4 billion per annum. Total transmission charges this year are estimated to be \$590 million.

A list of MEUG members along with the Statement of Corporate Intent for the group is attached to this submission.

Impediments to efficient and timely investment in transmission are very important to MEUG members and all electricity consumers. Equally important is ensuring legislative and regulatory interventions, such as the proposed National Policy Statement on Electricity Transmission (the "NPS") enhance rather than diminish economic welfare. MEUG use the phrase "economic welfare" to cover efficient use of physical resources as well as more difficult to measure externality effects (both negative and positive).

In our view the proposed NPS is an unnecessary regulatory intervention and therefore MEUG does not support the proposal.

The comments that follow are split into comments on the first 4 policies that we oppose and then the last two policies (5 and 6) that have some merit but may be best achieved through routes other than a NPS.

MEUG oppose proposed policies 1,2, 3 and 4 because:

- (1) The benefits of the proposal are less than the costs. Referring to Appendix B of the section 32 report, MEUG note:
 - a) Using the quantified estimates of benefits (\$530,000 pa) less the quantified costs (\$5,820,000 one-off up front costs), discounted at 10% over 10 years gives a Net Present Value of -\$2,034,000, ie a negative NPV
 - b) MEUG suggests the table on page 29 of Appendix B overstates the costs savings that will accrue to Transpower (ie the benefits are overstated) and incorrectly assumes restrictions on land use will be a benefit when they should be treated as a cost. Therefore the NPV in paragraph (1) a) of this submission overstates the likely NPV of the proposal. That is the proposal is likely to have an NPV that is even more negative than the -\$2million calculated above. In particular:
 - i) If the NPS were gazetted then Transpower would save some, but not all, of the plan advocacy and managing third party costs.
Therefore the quantified benefits of \$530,000 pa are overstated.
 - ii) If the NPS were gazetted then MEUG suggest policy 4 will create an opportunity cost on efficient land use to New Zealand as a whole as well as individual land owners. It's true, as the text of the section 32 analysis notes, that this will be reflected in property price changes. However it will be more than just a wealth transfer because rather than property owners having rights to seek consents that may be modified because of proximity to transmission lines, the NPS proposes a one-size-fits-all blanket prohibition. This will inevitably capture land uses that are benign to transmission services and therefore a loss of use options for that land to the nation. Therefore this should be recorded as a cost rather than a benefit as it is in the table on page 29 at the moment.

Therefore the un-quantified costs have been understated.
- (2) All alternatives have not been considered, eg the Reference Group suggested changes to the Buildings Act 2004 but there is no mention of that option in the section 32 analysis.

MEUG also believe that a fundamental review of the RMA, that is a generic review of the timeliness of processing consent applications, is warranted. This would benefit all sectors of the economy, not just the transmission sector.
- (3) The infrastructure characteristics of transmission differ little from that of roads. MEUG is not aware of any proposed NPS for roads and highways; which leads to the question what if anything is different about transmission to warrant a NPS? MEUG do not believe there is anything special about transmission to warrant a NPS apart from perhaps a political wish to tilt the playing field in favour of transmission over other factors when considering consent applications.

MEUG believes policies 5 and 6 have merit but using an NPS to implement those is inappropriate. Other less interventionist approaches to achieve policies 5 and 6 should be explored, such as through a National Environmental Standard.

I seek the following changes to the proposal:

[give precise details].

MEUG recommends the Board of Inquiry in advising the Minister:

- (1) Recommend that the proposed NPS is not warranted and should not proceed;
- (2) Recommend other approaches to implement proposed policies 4 and 5 be considered because those may be worthwhile but implementation by a NPS seems heavy handed; and
- (3) Recommend that other options suggested by the Reference Group be considered such as amending the Buildings Act 2004.

I ~~wish~~ (or do not wish) to be heard in support of my submission.

- * If others make a similar submission, I will consider presenting a joint case with them at a hearing.
- * Delete if you would not consider presenting a joint case.



.....
Signature of submitter (or person authorised to sign on behalf of submitter)

22 June 2007

.....
Date

(A signature is not required if you make your submission by electronic means.)

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Appendix: List of MEUG members and Mission Statement

As at June 2007 there are 20 member companies in MEUG plus two industry group members ^[*]:

Table 1: List of MEUG members	
Auckland International Airport Limited Business NZ ^[*] Canterbury Meat Packers Limited Carter Holt Harvey Limited Dongwha Patinna NZ Limited Fletcher Building Limited including: <ul style="list-style-type: none"> • Fletcher Building Steel Group • Golden Bay Cement Co. Limited • The Laminex Group Heinz Wattie's Australasia Holcim (new Zealand) Limited Lion Breweries Methanex New Zealand Limited	New Zealand Steel Limited Norske Skog Tasman Limited Oceana Gold Limited Pan Pacific Forest Products Limited Ravensdown Fertiliser Co-operative Limited Rio Tinto Aluminium NZ Ltd Solid Energy New Zealand Limited Tegel Foods Limited Telecom New Zealand Limited The New Zealand Refining Company Limited Winstone Pulp International Limited Wood Processors Association of NZ ^[*]

MEUG members, households and commercial consumers use approximately 30% to one third each of total national demand. Table 2 on the following page lists individual MEUG member annual electricity load, onsite generation and peak demand.

The Mission Statement for MEUG is:

"The members of the Major Electricity Users' Group are committed to ensuring the continuing availability of electricity services, at the lowest cost to the economy as a whole, consistent with sustainable development. Within this framework, the Group seeks to ensure competitive electricity prices and security of supply to the members of MEUG."

The 2007/08 external strategic objectives for MEUG are:

- 1) Improve competition;
- 2) Environmental policies that support the primary goal of economic growth;
- 3) Security of supply arrangements do not distort the market;
- 4) Most cost efficient transmission; and
- 5) Most cost efficient distribution.

Table 2: MEUG members load and own generation					
MEUG member ¹	Load GWh/y	Gen. GWh/y	Net GWh/y	Peak	
Auckland International Airport Ltd	23	-	23	13 MVA	www.auckland-airport.co.nz
Business NZ	n.a.	n.a.	n.a.		www.businessnz.org.nz
Canterbury Meat Packers Ltd.	41	-	41		www.cmp.co.nz
Carter Holt Harvey Limited	1,105	260	845	130 MW	www.chh.co.nz
Dongwha Patinna NZ Ltd	58	-	58	9 MW	www.patinna.com
Fletcher Building Limited	454	-	454		www.fletcherbuilding.com
Heinz Wattie's Ltd	56	-	56		www.watties.co.nz
Holcim (New Zealand) Ltd	70	-	70		www.holcim.com/nz
Lion Breweries	23	-	23	6.5 MW	www.lion-nathan.co.nz
Methanex New Zealand Ltd	18	-	18		www.methanex.com
New Zealand Steel Ltd	1,045	600	445	106 MW	www.nzsteel.co.nz
Norske Skog	1,300	230	1,070	170 MW	www.norske-skog.com
Oceana Gold Ltd	152	-	152	16.5 MW	www.oceanagold.com
Pan Pac Forest Products Ltd	550	66	550	78 MW	www.panpac.co.nz
Ravensdown Fertiliser Co-op	28	22	6		www.ravensdown.co.nz
Rio Tinto Aluminium NZ Ltd	5,000	-	5,000	580 MW	www.riotintoaluminium.com
Solid Energy New Zealand Ltd	29	-	29		www.coalnz.com
Tegel Foods Ltd	56	-	56		www.tegel.co.nz
Telecom New Zealand Ltd	190	-	190		www.telecom.co.nz
The New Zealand Refining Co. Ltd	235	-	235		www.nzrc.co.nz
Winstone Pulp International Ltd	330	-	330	48 MW	www.wpi-international.co.nz
Wood Processors Assoc of NZ	n.a.	n.a.	n.a.		www.wpa.org.nz
	10,763	1,178	9,585		
NZ total demand ²	36,898				
MEUG as percentage of total ³	29%				

¹ Load, generation and peak load data may not be up to date because of changes in operations by individual companies since last surveyed by MEUG.

² Refer Ministry of Economic Development, Energy Data File, January 2006, p139, demand for year ended 30 March 2005

³ Excluding demand by non-MEUG members of Business NZ and Wood Processors Association