## Full 2024/25 levy consultation submissions

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# Drive Electric Submission: Consultation on 2024/2025 energy levies funding proposal and related work programme

24 January 2023

### Introduction

Drive Electric is an apolitical, not-for-profit organisation. We engage with government, media, industry and individuals to continually promote the benefits of making e-mobility mainstream and encourage accelerated electric vehicle uptake across the country. Our board, member network and research partners are at the forefront of the electric vehicle movement. We are proud to instigate change and impart expertise in the key conversations bringing New Zealand closer to a fully electric future.

Drive Electric represents a member base comprising new car OEMs and retailers, used car importers and distributors, infrastructure organisations (electricity generators, distributors and retailers, electric vehicle service equipment suppliers), e-bike/scooters, heavy vehicle importers, finance, fleet leasing and insurance companies, along with electric vehicle users. We have more than 70 members from across the e-mobility ecosystem.

Drive Electric also established a subgroup of Charge Point Operators (CPOs) to specifically focus on the barriers to investment in public charging infrastructure in New Zealand. This group currently comprises Tesla, Meridian, Jolt, ChargeNet, Z Energy (Z), We.EV, and BP.

#### Our interest in the consultation

Drive Electric's mission is to accelerate the uptake of e-mobility in New Zealand. There are myriad benefits to electrification, many of which are outlined in the consultation document.

Specifically our membership has interests in EECA's:

- Low Emissions Transport Fund;
- Low Emissions Transport Information Provision Programme; and the
- Standards and Regulations Programme;

We do not have specific views on:

- The other consulted programmes as they are outside our organisation's scope of work. Our silence on these matters should only be interpreted as such.
- The design or application of the levies because they are applied to entities outside our organisation's scope. However, we do support the levies and the above three programmes being appropriately funded.

## Low Emissions Transport Fund (LETF)

We strongly support the funding and work programme of the LETF.

In particular, the CPO subgroup supports the need for funding to be directed from this fund to support urban charging to overcome barriers and meet user demand.<sup>1</sup> Current appropriations are in place to support destination charging and community/rural charging. The LETF is the only current source of funding for urban charging, which is currently where there is the most significant demand.

We note that the current level of the LETF is not sufficient to support the Government's objectives of 10,000 chargers by 2030. Further public investment will be required to support public charging over the rest of this decade, in conjunction with significant private sector investment. We acknowledge that this is outside the scope of this paper, but are interested in working with EECA and the government on this matter.

We also support the adoption of convenient, flexible, and impactful funding approaches being applied under the LETF, in consultation with applicants.

## Low Emissions Transport Information Provision Programme

We support the need for the Low Emissions Transport Information Provision Programme.

This programme will be particularly important in 2024, following the removal of the Clean Car Discount and the introduction of RUCs on EVs. It is essential that consumers continue to understand the economic and broader benefits of EV ownership, with the removal of these incentives.

As a stakeholder of EECA we value our collaboration with the organisation on shared objectives around the uptake of electric vehicles and charging infrastructure.

## The Standards and Regulations Programme

We support the need for an effective Standards and Regulations Programme. This full programme is broader than our interests, but we consider the following work programmes as essential:

"In addition, EECA is also involved in a number of ongoing projects in the demand flexibility space. These projects help provide the framework to deliver smart appliance connectivity and interoperability to New Zealand consumers. In 2024/25, we intend to continue the development/consultation of policy options for electric vehicle chargers and demand flexibility."

Drive Electric considers supporting consumers and businesses to install smart charging as critical to the transition to e-mobility.

#### Conclusion

<sup>&</sup>lt;sup>1</sup> While outside the scope of this consultation, we recall that there are barriers to investment to public charging - particularly the costs and processes associated with connecting to electricity networks. Without regulatory direction, public investment is vital to accelerating the roll out of public charging infrastructure.

Thank you for the opportunity to consult on this matter. We are available to discuss this if you wish.



## **SUBMISSION**

Submission: 2024/25 Energy Levies Proposal

- To: Te Tari Tiaki Pūngao Energy Efficiency And Conservation Authority
  <a href="mailto:levyconsultation@ecca.govt.nz">levyconsultation@ecca.govt.nz</a>
- Date: 24 January 2024
- Contact: Billy Clemens, Policy Advisor Ia Ara Aotearoa Transporting New Zealand billy@transporting.nz 04 471 8283

Dom Kalasih, Interim CEO Ia Ara Aotearoa Transporting New Zealand dom@transporting.nz 027 441 4309

## Ia Ara Aotearoa Transporting New Zealand (Transporting New Zealand) submission to the Energy Efficiency and Conservation Authority (EECA) on the 2024/25 Energy Levies Proposal

Background

- 1. Transporting New Zealand appreciates the opportunity to provide feedback to EECA on the 2024/25 Energy Levies Consultation.
- 2. Transporting New Zealand agrees in principle that efforts need to be made to reduce emissions in the transport sector. In February last year Transporting New Zealand launched its Green Compact: our framework for decarbonising commercial road transport by 2050.
- 3. Transporting New Zealand's interest lies with the Petroleum or Engine Fuel Monitoring (PEFM) component of the levies. We have no comment on either the Electricity Industry (Electricity) or the Gas Safety, Monitoring and Energy Efficiency (GSMEE) levies.
- 4. Transporting New Zealand made a submission in December 2022 on the 2023/24 energy levies funding proposal and it supported the then proposed \$3 million increase in the PEFM levy, subject to EECA continuing to support freight decarbonisation.
- 5. We note the proposed PEFM levy for 2024/25 of \$13.5m remains the same as last year.
- 6. We note there is a reduction from the total forecast cost of the PEFM levy related activities in 2023/24 of \$28.61m to \$27.62m in 2024/25.
- 7. We stated in our last submission that our support for PEFM levy increases is not endless. In the near future, as decarbonisation technologies in the transport sector become more commercially practical and widely available, Transporting New Zealand expects that the need for co-funding through the LETF (and the PEFM levy) will reduce. Our view on this remains unchanged.

Industry developments

- 8. Light vehicle technology in the low emissions area has developed and evolved significantly. For example, previous concerns with range anxiety are almost a distant memory, there are multiple global manufacturers supplying a range of vehicles and the network of charging infrastructure has grown considerably.
- 9. At the end of calendar year 2023, there were 106,942 registered plug-in <u>electric vehicles</u> in <u>New Zealand</u>, consisting of 76,550 battery-electric vehicles and 30,392 plug-in hybrid vehicles, together making up 2.2% of the national fleet.
- 10. Given the market penetration of electric vehicles (EV) and plug in hybrid electric vehicles (PHEV) in total now exceeds 2 percent, as expected, the <u>government confirmed</u> recently that the exemption from road user charges (RUC) for owners of light electric vehicles (EVs) and plug-in hybrids will end from 1 April this year.

- 11. We believe PHEV and EV light vehicles can now stand in their-own-right as practical market alternatives.
- 12. For heavy vehicles, decarbonisation technologies are still in their infancy. Even where they are developing most with the smaller size of trucks there are serious constraints and that can lead to other unwanted outcomes.
- 13. In a recent Australian Transport News <u>article</u> Daniel Petrovski, Hino Australia Department Manager - Product Strategy was quoted " to do the job of a diesel truck or a hybrid electric truck you would need at least two electric trucks doing the same job in terms of uptime range. ".
- 14. In addition to reduced uptime, the inherently higher weight of electric trucks is also raising issues with reduced access to the road network, more strict driver licence requirements and reduced payload. We have identified and proposed to the Ministry of Transport and Waka Kotahi NZ Transport Agency some solutions that could help reduce these barriers.

The proposed PEFM levy funded programmes

- 15. In the light vehicle fleet it appears that the Low Emission Transport Fund (LETF) has been considerably helpful, particularly with assisting early users with decarbonisation technologies and investments that would not otherwise have been commercially practical.
- 16. We anticipate challenging economic conditions to continue for transport companies in 2024/2025 and that is a barrier that could see transport companies suspend or delay decarbonisation investment. This will make co-funding through the LETF more important than ever.
- 17. Given our view that PHEV and EV light vehicles can now stand in their own right as practical market alternatives, there should be a significant move within the LETF with a much greater proportion of funding towards promoting decarbonisation in the heavy road freight fleet.
- 18. For a new fleet our Green Compact advocates that accelerated depreciation (100% first year) for low and zero emission trucks would empower transport operators to improve fuel efficiency while maintaining their autonomy over their fleet. We believe the LETF is an ideal source to support this.
- 19. Considering there are far greater barriers to adopting EV and PHEV in the heavy vehicle fleet, Transporting New Zealand is concerned that unless we are able to progress initiatives to reduce carbon emissions with the current fleet of diesel ICE, we will not only fail to reach the Paris Agreement goal to reduce net GHG emissions to 50 per cent below gross 2005 levels by 2030, but we will also be unlikely to reach 2050 targets.
- 20. Transporting New Zealand's Green Compact proposes a range of initiatives that could help reduce carbon emissions with the current heavy road freight fleet and we invite EECA to discuss with us how the LETF could support these initiatives.
- 21. We note that the other proposed PEFM programme, the Low Emissions Transport Information Provision Programme (LETIPP), is allocated less funding compared to the

LETF (\$25.89m vs \$1.73m) for 2024/25 and that it is a reduction from the \$2.56m forecast for 2023/24.

- 22. In principle we support that the vast majority of the PEFM funding should be proportioned to the LETF.
- 23. For its supply of road freight vehicles, New Zealand largely remains a technology taker, particularly from Europe, the United States and Japan. The dominating challenge currently in this space is the lack of practical solutions available.
- 24. In the absence of practical vehicle solutions, the proposed content of the LETIPP, namely the benefits and costs of low emissions transport options, is of minimal value to the road freight industry.
- 25. We believe PHEV and EV commercial suppliers are stepping up with their product marketing therefore we agree in principle with EECA's proposal to reduce the spend on the LETIPP programme next year. We recommend EECA consider whether that reduction in spend could be even greater and be reallocated to the LETF.

### About la Ara Aotearoa Transporting New Zealand

Ia Ara Aotearoa Transporting New Zealand is a national membership association representing the road freight transport industry. Our members operate urban, rural and interregional commercial freight transport services throughout the country.

As the peak body and authoritative voice of the road freight sector, Transporting New Zealand's purpose is creating the environment where trucking operators can drive successful, safe, sustainable businesses. Our strategic priorities are:

- Providing one industry voice for advocacy
- Promoting the road freight transport industry
- Attracting talent and promoting workforce development
- Supporting our members and customers
- Sustainability, safety and responsible emissions reduction

New Zealand's road freight transport industry employs 33,000 people (1.2% of the total workforce), and has a gross annual turnover in the order of \$6 billion. This is part of a wider transport sector that employs 108,000 people and contributes 4.8 percent of New Zealand's GDP. Road freight transport accounts for 93% of the total tonnage of freight moved in New Zealand (MoT National Freight Demands Study 2018).

#### END



# Submission on EECA's Consultation: 2024/25 energy levies funding proposal and related work programme

January 2024



## **Keith Andrews and Daimler Group trucks**

Thank you for the opportunity to submit on EECA's levy funding proposal and related work programme in 2024/25.

*Keith Andrews* is a New Zealand family-owned business. From our beginnings in Whangarei, Keith started a legacy that has spanned over 30 years. *Keith Andrews* has been a leading proponent for the Daimler brands of Mercedes-Benz, Freightliner, and the number-one Heavy Commercial Truck brand in New Zealand 2021, 2022 and 2023: Fuso. That legacy is continuing with Kurtis Andrews at the helm and *Keith Andrews* now sells over 1,400 vehicles a year. The company has invested heavily in securing an allocation of zero-emission trucks for the New Zealand market, including front-footing their validation here.

*Keith Andrews* and our sister company, Fuso New Zealand, have appreciated the funding support through EECA from the Low Emissions Transport Fund and its forerunners, enabling us to demonstrate electric trucks in New Zealand.

*Keith Andrews* and Fuso New Zealand fully support the proposed funding from the Petroleum and Engine Fuel Monitoring Levy (PEFML) towards the Low Emission Transport Fund and the financial assistance this Fund provides towards the demonstration of electric trucks and the installation of charging infrastructure for these.

## New Zealand is ideally suited to electric truck operation

Heavy vehicles account for 24% of transport  $CO_2$  emissions, and 4% of national greenhouse gas emissions, despite being only 4% of the national vehicle fleet, because of their high fuel consumption and high annual driving distances in comparison with passenger cars and other light vehicles.

Over 84% of truck trips in New Zealand are under 200km and can be undertaken with today's electric truck technology.

Climate change is a global problem and deploying electric trucks here offers greater climate change benefits than in most other countries. Over the last 12 months, 89% of NZ electricity was generated from renewable sources, meaning that electric trucks deployed here reduce more greenhouse gas emissions than if they were deployed in countries with a greater proportion of fossil fuel-based electricity generation.

## **Electric trucks deliver national economic benefits**

Electric trucks have significantly lower operating costs and CO<sub>2</sub> emissions than diesel trucks, but face the barriers of unfamiliarity, high up-front capital costs and no network of public charging infrastructure.

Urban freight vehicles, particularly in Auckland, operate in areas of greatest human exposure to their exhaust emissions, where businesses operate and people live, work and study.

Diesel-fuelled vehicles are the most significant source of nitrogen dioxide (NO<sub>2</sub>). Children in the Auckland region experience the highest number of asthma hospitalisations due to exposure to NO<sub>2</sub>. The social costs of NO<sub>2</sub> from vehicles are calculated at \$9.5 billion per year. Diesel vehicles are responsible for most of these costs.

The Treasury states that meeting New Zealand's first Nationally Determined Contribution (NDC1) represents a large fiscal cost requiring offshore mitigation purchases. The latest Treasury estimate of these costs is in the order of \$7 billion to \$23 billion by 2030. This cost can be lowered with policies which reduce domestic emissions. As heavy vehicles account for 4% of national greenhouse gas emissions and, taking the lower figure of \$7 billion for financing NDC1, it would be worth investing up to \$150 million (5% social discount rate) in facilitating heavy electric vehicles, now.

The Treasury also states electrification, particularly for transport, has a benefit of reducing New Zealand's reliance on fuel purchased offshore and can therefore improve resilience against international oil price shock. Reducing imports of oil also contributes to reducing New Zealand's current account deficit.

We encourage EECA to continue to have Low Emission Transport Fund rounds which target demonstrating electric trucks with different road freight operators around the country, seeding experience with their operation to influence future purchases.

## Investment in infrastructure for charging heavy vehicles is needed

We commend EECA in funding public charging infrastructure for EVs through application of the PEFML to the Low Emission Transport Fund. It is critical that some of these charger sites are suitable for heavy electric vehicles to create a skeleton network of heavy vehicle public charging on state highways. There is now a growing national network of EV charging for light vehicles, but there is nothing designed for electric trucks, except for one site at Wiri shared with charging passenger cars. This infrastructure is needed now, as it is lagging demand. Instead, it needs to lead demand.

Government co-investment in electricity distribution network upgrades to facilitate charging of multiple electric trucks at depots is also critical.

## New Zealand risks missing out on electric truck technology

It took three years of negotiations for *Keith Andrews* to secure a supply of pre-mass production Fuso eCanter electric trucks from its parent company. This was only achieved because the New Zealand Government had policies such as the Low Emission Transport Fund in place to support electric truck uptake.

Electric trucks globally are now moving to mass market production, and we are poised to bring in new mass-produced electric truck models from our parent company, Daimler Group. However, without policies such as the Low Emissions Transport Fund, Daimler Group will not allocate production volumes of electric trucks to the New Zealand market. We would only be able to offer diesel trucks, and we would continue a major part of our business which is servicing these.

Kurtis Andrews Managing Director Keith Andrews <u>kurtis.andrews@keithandrews.co.nz</u> 027 555 0008



MOTOR INDUSTRY ASSOCIATION INCORPORATED

24 January 2024

EECA Level 8, 44 The Terrace Wellington 6011

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## Motor Industry Association submission on EECA Energy Levies Funding 2024/2025 consultation

## Summary: MIA supports the proposed energy levies funding

- 1. The MIA supports EECA's use of the Petroleum and Engine Fuel Monitoring Levy for the Low Emission Transport Fund (LETF) and Low Emissions Transport Information Provision programmes
- 2. The LETF should continue to support the roll out of public EV charging infrastructure around the country and continue to support projects such as demonstrating new heavy electric vehicle types, and supporting the rollout of hydrogen-fuelling infrastructure
- 3. The Information Provision programme should continue to influence behaviour change and educate motorists and fleet operators, including the uptake of electric vehicles and other low emission transport technologies
- 4. There is a role for EECA to also encourage the uptake of biofuels
- 5. It is appropriate that users of petroleum and engine fuels contribute through the levy towards improving energy efficiency and reducing CO2 emissions from the transport sector along with other funding sources such as the Emissions Trading Scheme (ETS)
- 6. The levy rate should remain the same as last year, as an increase is not justified given current cost of living pressures and a decrease is not justified given the urgency of addressing climate change
- 7. Without government programmes such as EECA's it is harder for many of our members to access supply of electric vehicles from international Original Equipment Manufacturers (OEMs).

## The Motor Industry Association represents the new vehicle industry

The Motor Industry Association (MIA) is a voluntary trade association set up to represent the interests of the new vehicle industry specifically the official representatives of overseas vehicle manufacturers. Members account for over 98% of all new vehicles imported and sold in New Zealand across the passenger car, light and heavy commercial vehicle and motorcycle (including on and off-road) sectors. In 2021 and 2022, approximately 165,000 new light and heavy vehicles were sold in NZ, with 149,000 sold in 2023 (nearly 96% being light vehicles).

The Association has over 44 members (official distributors appointed by vehicle manufacturers) covering 82 different marques.

The MIA's submission relates to the Petroleum and Engine Fuel Monitoring Levy (PEFML) funded transport activities undertaken by EECA through the Low Emission Transport Fund (LETF) and the Low Emission Transport Information Provision (Information) programmes. The MIA is happy for this submission to be made publicly available in full.

## Continuing LETF support for public EV charging ahead of demand is critical

December 2023, the final month of the Clean Car Discount, saw battery electric vehicles (BEVs) and plug-in hybrid vehicles (PHEVs) account for over 50% of new passenger vehicle sales. While this level of sales has been prompted by the removal of the CCD, it is clear EVs are no longer being purchased only by early adopters but have now entered the mainstream market. Many of our members have worked hard this year to achieve this impressive result and the emissions reductions that go with it.

While most EV owners will mainly charge at home, the provision of public charging infrastructure, ahead of demand, is critical to provide the confidence that EV drivers need to commit to making a vehicle purchase and using their EV on longer journeys. The MIA commends EECA's successful delivery of co-funding support for public EV charging infrastructure through LETF, with over 700 co-funded public EV chargers operational to date, and funding allocated for a further 700+.

The MIA notes that the National Party manifesto included providing a comprehensive, nationwide EV network of 10,000 public chargers by 2030. Until any other policies to support the development of this network are fully in place, it is vital that EECA's funding support of public EV charging should continue through the Low Emission Transport Fund.

There is also a role to support the roll-out of hydrogen-fuelling infrastructure, for both light and especially heavy vehicles under the LETF.

## Leading global truck manufacturers will stop making fossil-fuel trucks by 2040

In New Zealand, heavy vehicles are only 4% of vehicle registrations but account for 24% of transport  $CO_2$  emissions.

In December 2020, Europe's truck manufacturers announced that by 2040 all new trucks sold need to be fossil-free to reach carbon-neutrality by 2050<sup>1</sup>. They stated it will be possible to meet this target provided the right charging/refuelling infrastructure is built and a coherent policy framework is put into place. The statement was made through the European Automobile Manufacturers' Association (ACEA). Signatories included the truck manufacturers Daimler Group (including Mercedes-Benz), Traton Group (Scania, MAN, Volkswagen Truck & Bus), Volvo, DAF, IVECO, and Ford.

## New Zealand signed the Global MOU "Drive to Zero" at COP26

At the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties 26 (COP26) in Glasgow in 2021, New Zealand was a founding signatory to the Global Memorandum of Understanding (MOU) on Zero-Emission Medium- and Heavy-Duty Vehicles. The initiative is also known as the Global Commercial Vehicle "Drive to Zero"<sup>2</sup>. Under the MOU, leading countries commit to working together to enable 100% zero-emission new truck and bus sales by

<sup>&</sup>lt;sup>1</sup> https://www.acea.auto/message-dg/truck-makers-gear-up-to-go-fossil-free-by-2040-but-eu-and-memberstates-need-to-step-up-their-game/

<sup>&</sup>lt;sup>2</sup> https://globaldrivetozero.org/mou-nations

2040 with an interim goal of 30% zero-emission vehicle sales by 2030, to facilitate achievement of net-zero carbon emissions by 2050.

The MOU's goals align with the statement made by the European truck manufacturers, with sciencebased targets, and with New Zealand's legislated target to reduce net emissions to zero by 2050. The truck manufacturers and ACEA are leading the transition and have called on governments in Europe to match their direction with supporting policy. The MIA is calling on the New Zealand Government to deliver timely supporting policy for the transition to zero-emission heavy trucks.

## Continued LETF funding of heavy zero-emission truck projects is needed

The MIA notes and commends EECA providing co-funding for projects demonstrating heavy electric and other zero-emission freight vehicles in previous rounds of the LETF. There are now around 200 heavy zero-emission trucks on the roads here as a result.

Until there are other supporting policies in place for zero-emission heavy freight vehicles, EECA should continue to provide LETF funding towards further demonstrations of different makes and models of electric trucks in different end-use sectors and geographic regions. It is also critical that charging infrastructure suitable for electric freight vehicles is co-funded through the LETF, whether this be at depots as part of electric truck demonstration projects or public charging facilities specifically designed for heavy freight vehicles.

Without co-funding for electric and other zero-emission truck projects from LETF, global truck OEMs may not allocate production volumes to the New Zealand market or introduce new zero-emission truck models here.

## Transport energy efficiency and EV information provision should continue

MIA supports the use of the PEFML towards information provision on vehicle energy efficiency, electric vehicles, and EV charging. We note particularly the Vehicle Emissions and Energy Efficiency Labelling Regulations (VEEEL) programme and the <u>Vehicle Total Cost of Ownership Calculator | Gen</u> Less which is used regularly by fleet managers.

While the focus of the information campaigns has tended to focus on electric vehicles, there is also an environmental benefit in encouraging the uptake of hybrid vehicles which have lower purchase prices and no range anxiety. With light commercial vehicles lagging passenger vehicles in the global development of electrification, low-emission or hybrid commercials may offer the best opportunity to reduce emissions from the commercial fleet and the MIA believes there is more scope for EECA to both publicise hybrid vehicles and encourage their uptake by fleets as part of EECAs information programmes, as an interim step to mass-market electrified commercials.

## Support for the uptake of biofuels

The MIA also believes there is a role for EECA to also encourage the uptake of biofuels to help reduce the emissions from the legacy fleet, which also fits within the scope of the LETF. In the absence of a biofuels mandate, this could involve support for domestic biofuel production in demonstration projects, and subsidies for heavy vehicle fleets to adopt high-blend biodiesel or synthetic diesel blends.

## The use of PEFML funding is appropriate and right sized in 2024/2025

It is appropriate that users of petroleum and engine fuels contribute, through the PEFML, towards improving energy efficiency and reducing CO2 emissions from the transport sector along with other funding sources such as the Emissions Trading Scheme (ETS).

The PEFML rate should remain the same as last year, as an increase would be challenging given current cost of living pressures, and a decrease is not justified given the urgency of addressing climate change emissions.

## NZ is a small part of a global market for zero-emission vehicles

The MIA and its members are committed to transforming our sector to a low emissions future and will continue to do so with increasing speed. The New Zealand new vehicle market comprises less than 0.17% of vehicles manufactured globally in any one year.

For many of our heavy freight vehicle members, government policies supporting the uptake of zeroemission trucks are needed to ensure that supply is allocated to New Zealand. Without policies such as the LETF supporting zero-emission freight vehicle projects, we risk having only existing diesel truck technology.

Yours sincerely

Aimee Wiley Chief Executive Officer



24 January 2024

# NZ Automobile Association submission on: EECA 2024-05 energy levies funding proposal & related work programme



| SUBMISSION TO:            | Energy Efficiency & Conservation Authority   |
|---------------------------|--|
| REGARDING:<br>programme   | EECA 2024-05 energy levies funding proposal & related work   |
| DATE:                     | 24 January 2024  |
| ADDRESS:                  | EECA<br>PO Box 388<br>Wellington 6140<br>Email: <u>levyconsultation@eeca.govt.nz</u>   |
| SUBMISSION AUTHORISED BY: | Simon Douglas<br>Chief Policy & Advocacy Officer<br>New Zealand Automobile Association Incorporated (NZAA)<br>PO Box 1, Wellington, 6140 |
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## **Executive summary**

The New Zealand Automobile Association (AA) welcomes the opportunity to provide comment on EECA's 2024-25 energy levies funding proposal and related work programme.

The AA acknowledges that this round of consultation is based on the work programme funded from three levies: Petroleum or Engine Fuel Monitoring Levy, the Electricity Industry Levy, and the Gas Safety, Monitoring and Energy Efficiency Levy. The AA's submission relates to the funding from the Petroleum or Engine Fuel Monitoring (PEFM) Levy and the Electricity Industry Levy (EIL).

The AA supports the continuation of both the Low Emissions Transport Fund (LETF) and the Low Emissions Transport Behaviour Change Programme (LETBCP), which are funded by the PEFM. We think both programmes still have a valuable role to play in New Zealand's transition to low/zero-emissions transport. While they both naturally need to evolve with the changing market, there remains a need to encourage uptake of low/zero-emissions transport and provide trustworthy educational information to the public about low/zero-emissions transport technology.

The AA is also supportive of greater investment in developing the public and private electric vehicle charging network and we think the EIL could be used to contribute to this. However, the scale of investment needed for this will also require other funding. The attractiveness of owning an EV is dependent on a complete network of EV chargers so that EV owners aren't disadvantaged in their travel compared to petrol/diesel vehicle owners. While the AA supports the National Party's pre-Election plans to build 10,000 public EV chargers by 2030, we are also supportive of ACT's requirement for a robust cost-benefit analysis for these investments. And we believe the first priority for Government money needs to be in remote locations with small populations or where there are seasonal population variances. These locations will likely not be commercially viable for private companies to invest but will still be needed to have a complete EV charging network across New Zealand.

## Projecting future EV growth & the evolving role of the LETF and LETBCP

Since the introduction of the Clean Car Discount (CCD) programme, New Zealand has seen a seen a significant increase in the proportion of electric vehicles in the new car market. At the end of December 2023 there were over 73,000 fully electric vehicles along with a further 30,000 plug-in hybrid vehicles in the light fleet. The LETF and LETBCP have contributed to this achievement, but market conditions are changing.

Driven by the announcement that the CCD would stop on 31 December 2023, over 50% of new vehicle registrations in December were electric vehicles. But with the cessation of the CCD programme, plus the introduction of RUC for EV owners from 1 April 2024, it's possible that EV purchase interest will decline in 2024.

It will take time to observe and understand the impact of the removal of these incentives on EV purchase behaviour, but with them gone, the AA thinks it's essential that the LETF and LETBCP continue but adjust their programmes to the new market conditions.



For example, the AA does not believe a priority for the LETF now needs to be subsidising the purchase of electric vehicles for commercial or charitable entities as the technology is now well-proven. The AA sees little value in funding demonstration electric vehicles anymore and further, the fund is also not meant to be a donor for charities, other funding mechanisms exist for this.

Instead, an important factor in widescale uptake of EVs is the availability of EV charging and we think enabling this must now be a key focus for government investment. Currently there are around 1,200 public charging points around the country. Public comments crop up from time-to-time about EV owners having difficulty finding a charging place. The AA believes rollout of the charging network needs to be ahead of EV fleet numbers to avoid talk of charging problems and that becoming a disincentive to an EV purchase.

Projecting the number of public EV chargers required can be aligned with targets for EV ownership. If we are to meet current EV ownership targets (set in the Land Transport (Clean Vehicles) Amendment Act 2022), then at least 50% of new vehicles entering the fleet will need to be zeroemission vehicles (BEV) in 2027. This equates to 75,000 new BEV alone in 2027, not counting used EVs and Hybrids. The EV charging network needs to be planned in tandem with this target, taking into account New Zealanders' driving behaviour and other factors unique to our country. The AA sees this as important work that the LETF and LETBCP can contribute to.

### SUPPORTING INFORMATION:

The information below is from <u>Shifting Gear: How New Zealand can accelerate the uptake</u> of low emission vehicles, Concept Consulting Group Ltd, January 2021.

This report was one of three into issues associated with EV uptake, undertaken by Concept Consulting and funded by a group of businesses with energy and automotive interests, including the AA Research Foundation.

## How many EV chargers do we need per EV in New Zealand?

A number of factors unique to New Zealand need to be taken into account when planning the EV charging network. The Concept Consulting report provides some thinking on this, for example:

"a target rate of one public 50 kW charging station per 100 EVs. We assume each station can (when enabled and with carparking provided) provide two charging points. This provides a reasonable baseline for our purposes, though international guidelines range from 50 to 300 EVs per charger. Factors that argue in favour of higher density (fewer EVs per charger) include low availability of at-home (or destination) charging and early market development, while more mature markets may need lower densities due to demand diversity and the ability for demand to "overflow" from one station or site to another."

## Timing of EV charging network investment is critical

The report estimates that approximately 85% of EV charging will occur at home, but there is also a need for significant public and community charging infrastructure.

This infrastructure requires large-scale public funding to overcome the "chicken and egg" situation that arises with new technologies. Public chargers need to be leading, not lagging in investment. With uncertainty over the uptake rate of EVs, private investors tend to



under-invest rather than over-invest. Concept Consulting's analysis around the outcomes from under- or over-investment calculate that bringing forward investment two years too early would cost \$165m. Delaying the investment and impeding EV uptake by two years would increase transport costs by \$4.2bn, twenty-five times as much. This shows the importance of government investing to help stimulate action at the right time.

Scaling up funding will allow industry to build chargers in locations identified in a national roadmap for the future roll-out of the public EV charging network. If the market is left to respond without increased public funding, then it is highly likely that industry will focus on the most commercially viable locations. This will be at the expense of remote or less commercial options. This will result in patchy coverage of New Zealand's road network and dissuade motorists from using EVs in poorly serviced locations, thereby encouraging the use of hydrocarbon fuel vehicles.

This rationale supports the AA's submission that the Low Emission Transport Fund should focus on funding public chargers in remote areas or locations with seasonal population variances.

## Conclusion

The AA supports the continuation of both the Low Emissions Transport Fund (LETF) and the Low Emissions Transport Behaviour Change Programme (LETBCP) if both evolve with changing market conditions. For example, there is still a strong need for trustworthy public information on EVs, but less need for subsiding purchase of EVs.

A current priority is getting ahead of the EV purchase curve by expanding the EV charging network. A complete charging network will support continued rapid EV uptake. However, the AA believes more money will be needed for this work than is currently available via the PFEM and thinks the EIL could be used and other public funding will also be needed.

The AA particularly supports a focus on using public funds for EV charging stations where a weaker commercial case exists, but public benefit is necessary, namely remote areas or locations with seasonal population variances.

## About the New Zealand Automobile Association

The NZAA is an incorporated society with over 1.8 million Members, representing a large proportion of New Zealand's road users. The AA was founded in 1903 as an automobile users' advocacy group, but today our work reflects the wide range of interests of our large membership, many of whom are cyclists and public transport users as well as private motorists.

Across New Zealand, the motoring public regularly come into contact with the AA through our breakdown officers, 36 AA Centres and other AA businesses. Meanwhile, 18 volunteer AA District Councils around New Zealand meet each month to discuss local transport issues. Based in Wellington and Auckland, our professional policy and research team regularly survey our Members on transport issues, and Members frequently contact us unsolicited to share their views. Via the AA Research Foundation, we commission original research into current issues in transport and mobility.



Collectively, these networks, combined with our professional resource, help to guide our advocacy work and enable the NZAA to develop a comprehensive view on mobility issues.

Motorists pay around \$4.5 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. This money is reinvested by the Government in our transport system, funding road building and maintenance, public transport services, road safety work including advertising, and Police enforcement activity. On behalf of AA Members, we advocate for sound and transparent use of this money in ways that improve transport networks, enhance safety and keep costs fair and reasonable.

Our advocacy takes the form of meetings with local and central government politicians and officials, publication of research and policy papers, contributing to media on topical issues, and submissions to select committees and local government hearings.

| Total Membership      | 1.8+ million Members |   |  |
|-----------------------|----------------------|---|--|
|                       | Over 1               | .1 million are personal Members           |  |
|                       | Over 0               | .7 million are business-based Memberships |  |
| % of licenced drivers | At leas              | t 29% of licensed drivers are AA Members  |  |
| Gender split          | 54%                  | Female                                    |  |
|                       | 46%                  | Male                                      |  |
|                       |                      |   |  |

Age range & Membership retention





52% of AA Members have been with us for over 10 years.



23 January 2024 Energy Efficiency and Conservation Authority (EECA) cc: <u>levyconsultation@eeca.govt.nz</u>

#### Consultation on the proposed energy levy-funded activities for the 2024/25 year

Kia ora

On behalf of Z Energy (Z), thank you for engaging us on the proposed energy levy-funded activities for the 2024/25 year. Given the nature of our business, Z's response to the consultation is focused on the Petroleum or Engine Fuel Monitoring (PEFM) levy.

As the country's largest transport energy company, we acknowledge the important role Z plays in ensuring we continue to meet the fuel needs of New Zealanders today, while enabling the solutions that will help power the transition to a low carbon future. We support the Energy Efficiency and Conservation Authority's (EECA) work programme to ensure Aotearoa New Zealand has a sustainable energy system.

As noted in your consultation document, the transport sector is heavily reliant on fossil fuels. We therefore believe it is critical the PEFM levy continues to support an independent, robust, and statistically valid fuel quality monitoring scheme. This will ensure the quality of fuels supplied in the New Zealand market is monitored and an independent confirmation of the compliance of the fuels in line with New Zealand regulations is provided.

It is also important to ensure the PEFM levy can continue to support robust, statistically valid monitoring as New Zealand progresses through the energy transition. Z believes consideration must be given to ensure adequate fuel monitoring can continue if there is to be significant diversification of fuels in the market, such as growth of biofuel and other future fuel solutions like hydrogen.

While there are no changes in the total funding amount sourced from the PEFM levy from the previous 2023/24 period, we note the previous year's \$3 million increase was to support the Government's Low Emissions Transport Fund (LETF), and a proportion of the PEFM will continue to support initiatives of this fund in the 2024/25 period. While there are no changes in the total funding amount sourced from the PEFM levy from the previous 2023/24 period, we note the previous year's \$3 million increase was to support initiatives of this fund in the 2024/25 period. While there are no changes in the total funding amount sourced from the PEFM levy from the previous 2023/24 period, we note the previous year's \$3 million increase was to support the Government's Low Emissions Transport Fund (LETF), and a proportion of the PEFM levy will continue to support initiatives of this fund in the 2024/25 period. Z's view is that consideration should be given to separating the funding of these initiatives from PEFM levy, to ensure the levy's primary purpose – the monitoring of fuel quality of engine fuel in New Zealand – is maintained. Z's view is that consideration should be given to separating the funding of these initiatives from PEFM levy, to ensure the levy's primary purpose – the monitoring of fuel quality of engine fuel in New Zealand – is maintained.

In summary, we support the proposed 2024/25 levies to improve energy productivity and reduce carbon emissions. We believe the focus of the PEFM levy needs to remain on providing sufficient funding for the fuel quality monitoring scheme, to be fit for purpose now and as New Zealand's energy needs adapt, to provide statistically valid data that gives New Zealanders credible assurances.

Please don't hesitate to contact me directly if you would like to discuss Z's submission further.

Regards

Dfauch

**David Jacobson** Product Quality Manager M + +64 21 373 453



# EECA's 2024/25 energy levies funding proposal and related work programme

Clarus welcomes the opportunity to submit this response to the Energy Efficiency and Conservation Authority's (EECA) consultation on its 2024/25 energy levies funding proposal and related work programme.

We support EECA's intention to **review whether a higher minimum efficiency performance standard would be warranted for gas appliances**. A 2022 report for Energy Networks Australia found that "Raising minimum gas appliance efficiency to 6-Star efficiency rating could reduce total domestic gas use emissions by 2%-5% by 2030 based on typical appliance end of life replacement rates alone."<sup>1</sup> Increasing prices in New Zealand's Emissions Trading Scheme will increase the cost of all fossil fuels, including natural gas and LPG. Renewable gases are also initially likely to be more expensive than gases used today. These trends mean that gas consumers will benefit from appliances that have higher energy efficiency standards.

While we support EECA's role in providing informed, impartial advice on options available to energy users, we believe that biomethane should be added to the range of options described. EECA's consultation document doesn't mention biomethane as an energy alternative. We believe it will be important for EECA to **analyse emerging evidence about the emissions outcomes and cost-effectiveness of biomethane** and which use-cases deliver the best outcomes for energy users individually and collectively. Accordingly, we encourage EECA to use the levy to undertake such analysis and provide advice and support for biomethane projects.

Biomethane often gets analysed purely in terms of its contribution to energy needs. However, Blunomy's recent report—A Vision for Biogas in Aotearoa New Zealand<sup>2</sup>—highlights that anaerobic digestion of wastes and residues to produce biomethane makes a big contribution toward New Zealand's waste targets, emission goals (including biogenic methane), agriculture decarbonisation and regional productivity. Section five of our submission to the Ministry of Business, Innovation and Employment on Advancing the Energy Transition highlights additional benefits (energy reliability and resilience, improved consumer choice, and various avoided costs) from use of biomethane.<sup>3</sup> Many of these considerations will be out of scope from EECA's traditional analytical lens, so may require tweaks to how EECA assesses and qualifies its advice about the costs and benefits associated with biomethane.

The first injection of biomethane into New Zealand's gas network is expected in Q2 of 2024. Energy users are likely to have some level of confusion and look to EECA for high-quality advice on this new product.

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<sup>&</sup>lt;sup>1</sup> ENEA Consulting's 2030 Emission Reduction Opportunities for Gas Networks available from <u>https://www.energynetworks.com.au/miscellaneous/2030-emission-reduction-opportunities-for-gas-networks-by-eneaconsulting2022/</u>

<sup>&</sup>lt;sup>2</sup> We jointly commissioned Blunomy's report with Ecogas and Powerco. It is available from <u>https://clarus.co.nz/about-us/regulatory-compliance</u>

<sup>&</sup>lt;sup>3</sup> Also available from <u>https://clarus.co.nz/about-us/regulatory-compliance</u>



Level 6, 138 The Terrace PO Box 5324 Wellington, New Zealand Telephone: (04) 473 8600 Web: www.eea.co.nz

| To:      | Energy Efficiency and Conservation Authority<br>levyconsultation@eeca.govt.nz                      |
|----------|--|
| From:    | Electricity Engineers' Association of NZ (EEA)   |
| Date:    | 24 January 2024  |
| Subject: | EEA Submission – Energy levies funding proposal and related work programme –<br>Consultation Paper |
|          |  |

#### OVERVIEW

The Electricity Engineers Association (EEA) of NZ welcomes the opportunity to provide feedback on the on the Energy Efficiency and Conservation Authority's (EECA) *levy funding proposal and related work programme for the period of 1 July 2024 to 30 June 2025*.

The EEA represents over 70 Corporate Members (companies) and 600 Individual Members across Aotearoa New Zealand from all engineering disciplines and sectors of the electricity supply industry (see Appendix A).

Collectively, we are the power industry's largest collaborative forum in Aotearoa New Zealand, provide clarity on complex engineering and technical issues, practical support and solutions, and market intelligence to support our members and other industry stakeholders to deliver.

EEA has and continues to work closely with EECA in our role of providing a technical lens on all aspects of the electricity industry. The delivery of affordable energy services in a decarbonised future will require a high-quality regulatory framework; collaborative co-investment in research and technology; and investment in customers knowledge and education services to support sustainable changes for a decarbonised future. The economic, environmental and social impacts benefits are considerable but will only be realised thru greater collaboration to avoid restrictive proprietary being offered to customers.

To achieve this, it is important for EECA to continue supporting the transition to low carbon emissions businesses and low emissions transport whilst also influencing the hearts and minds of future generations. EEA therefore supports EECAs levy funding proposal as outlined in the consultation paper. as we consider that the work undertaken by EECA is critical in encouraging, promoting, and supporting energy efficiency, energy conservation, and the use of renewable sources to develop the energy system of the future for Aotearoa New Zealand. EEA also acknowledges that EECA are not seeking any increase in funding from the Electricity levy in their 2024/25 proposal.

In terms of the EEA is supportive of EECA committing its 2024/25 levy funding to continue to support its current suite of proposed activities in collaboration with industry, including:

- The Low Emission Transport Fund (LETF).
- The Low Emissions Transport Information Provision Programme.
- Commercial and residential standards and regulations programmes.
- Productive and low-emissions business programmes.
- Technology Demonstration.
- Development Programme.

However, if EECA is looking for new opportunities to support the energy transition, EEA has a few suggestions that may be suitable for consideration. To date, EECA has strongly focused its activities on reducing energy consumption or transitioning to cleaner sources of energy. We believe EECA should take greater action to address peak electricity demand and electricity infrastructure management issues that can economically, environmentally, and socially affect New Zealand. Further collaboration with the industry and research institutes such as the Electrical Power Engineering Centre (EPECentre), through the GREEN Grid research programme, could be beneficial to address these issues.

These include:

- 1. FlexTalk 2.0
- 2. Residential and Commercial battery storage
- 3. Micro-grids
- 4. Greater New Zealand involvement in international electrotechnology standards.

#### 1. FlexTalk 2.0

As EECA is aware, the Demand Flexibility Common Communication Protocols project (FlexTalk) is a collaborative partnership between industry (represented by the Electricity Engineers' Association (EEA) and the Energy Efficiency and Conservation Authority (EECA). The FlexTalk project has been highly successful in showing that the adoption of common communication protocols is a viable option for Aotearoa in delivering interoperability and demand flexibility in an open manner.

With the FlexTalk project coming to an end in April 2024, EEA believe EECA should continue to play a role in enabling flexibility services being established to help manage peak electricity demand in New Zealand. As the country moves towards full electrification, there will be a significant increase peak electricity demand which will have implications for infrastructure investment, consumers involvement and costs as well as changes to New Zealand's traditional electricity generation mix. There is therefore a key opportunity for EECA to further invest in activities that can work with EEA and the wider electricity supply industry to establish viable demand flexibility services for New Zealand (i.e. FlexTalk 2.0). We recommend that EECA should support FlexTalk 2.0 which would be focused on establishing the foundations to scale demand flexibility. This would include investigating technical standards such as the current absence of common interoperability and data standards in New Zealand across behind-themeter devices and EV chargers, as well as investigating the penetration and quality of smart meters as well as possibly establishing an effective measurement system for demand flexibility in the residential sector.

#### 2. Battery Storage

Another area of priority that EEA suggests EECA should consider as means to better manage electricity peak demand is battery storage. As the country moves towards electrification and more of the current traditional dispatchable generation plants are withdrawn from the system, battery storage systems (both customer owned and utility scale) will become crucial in providing an alternative in covering some of the gap.

Transpower's Discussion Document entitled Battery Storage in New Zealand, published in September 2017, provides an analysis of the potential value of battery storage and the role it can play for energy consumers. Its findings indicated that *"the greatest value in storage is when it is located close to end consumers"*. This is due to the wider range of services that batteries can provide from being directly used by local consumers. Battery storage is also a critical new tool to assist electricity networks in managing electricity supply security and reliability and providing system stability.

However, currently in New Zealand there are a number of barriers to battery storage uptake including poor independent customer information on various battery technologies available and the lack of clear market signals for consumers. EECA could provide support in educating consumers and raising awareness on the potential value provided by battery storage in efficient electricity management. Just like for photovoltaics and EVs, we would see benefit in EECA developing a calculator for consumers considering investing in battery technology. This could be part of EECA's "innovative and efficient household energy use" output class (as presented in EECA's current work programme).

#### 3. Micro-grids

The third area that EEA think could be an opportunity for EECA to explore is in micro-grid solutions for rural or independent communities. In the remoter areas of New Zealand micro-grids could provide a cost effective solution to the provision of a secure power source in areas where the main grid is currently unreliable or expensive.

Small remote communities create cost efficiency challenges for distribution companies, as the location and the number of customers in these communities do not necessarily economically justify the maintenance of an ageing local network, or the investment in new connections. However, the establishment of self-sufficient localised grids in these areas could offer all the benefits of connection to a larger grid while granting communities energy autonomy, flexibility, and resilience.

A number of generation and distribution companies are now trialling this concept (e.g. Contact Energy and Wellington Electricity in some neighbourhoods in Wellington), with the objective to evaluate the effectiveness of these projects compared to traditional infrastructure investments.

Micro-grid projects also align well with initiatives to promote the uptake of battery storage, and directly relate to the strategic objective in the NZEECS to lead individuals, households, and communities to make greater use of renewable energy and choose energy efficient technologies. EEA consider that EECA's involvement in this sector could be beneficial in the provision of information, advice and technical assistance to relevant communities on micro-grid technologies.

#### 4. Support New Zealand's involvement in international electrotechnology standards

The final area that EEA considers that EECA should continue and possibly broaden its current involvement in, is to support New Zealand's involvement in international electrotechnology standards. Increasing New Zealand involvement and commitment to the international product and technology standards process will be an important component of the efficient adoption and safe implementation of new and energy efficient electrical products and technology as part of the energy transition.

This is because they are a powerful tool for disseminating new technologies and good practices, developing global markets, and supporting the harmonisation of government policies on energy efficiency and renewable sources.

The key international standards bodies of IEC, ISO and ITU are jointly or individually writing international standards for the safe design, application and use of various electrotechnologies including battery technology, EVs, renewable remote area power supply and a wide range of consumer technologies. These organisations also provide recognised quality management systems for products, and as such these systems offer consumer quality assurance in these areas. We believe that EECA has a key role in participating in the development, review, recognition and implementation of these standards as fit for purpose in New Zealand. EEA recommends that provision be made within the 2018/19 levy expenditure budgets to increase support for EECA work with stakeholders and Standards New Zealand.

#### **CONCLUSION**

Electricity is essential to the everyday lives of New Zealanders; powering everything from heating, cooking, and lighting, to transport and communications. However, the requirement for electricity is only going to grow as the country moves to decarbonise including to full electrification.

Therefore, to ensure that Aotearoa's electricity infrastructure can meet these growing needs, the future power system must transform to become a sophisticated and intelligent network that that will enable new and diverse technologies and services; increasingly dynamic markets and access to third parties; more active customer choice and control; and potentially establish new business models.

EEA is therefore highly supportive of EECAs levy funding proposal as it considers that it is critical for EECA to continue supporting the transition to low carbon technologies. However, as identified in this submission, EEA considers that EECA could potentially look at a number of new opportunities to support the energy transition, such as: FlexTalk, batteries, micro-grids and increasing New Zealand's involvement in international electrotechnology standards.

#### Contact

The EEA's contact person for this submission are Peter Berry, CEO (<u>Peter@eea.co.nz</u> or 027 4383824) or Stuart Johnston, Lead Advisor Engineering & Technical (<u>stuart@eea.co.nz</u> or 021 11986535).

## Appendix A

#### Introducing EEA

Founded in 1927 the EEA is the national organisation for engineering, technical and health and safety matters within the New Zealand Electricity Supply Industry (ESI).

Our members include over 70 Corporate Members (companies) and 600 Individual Members from all engineering disciplines and sectors of the electricity supply industry including generation, electricity networks (transmission and distribution), contractors (operation/maintenance), engineering consultancies and equipment suppliers.

The EEA works collaboratively with industry, government, and other stakeholders to provide expertise, advice, and holds or contributes to significant bodies of knowledge on engineering/ technical and safety issues relating to the electricity supply industry in New Zealand. All EEA guides and publications are publicly available.

A key focus of our work is enabling engineering and technology understanding and solutions to support decarbonisation and ensure the safe, reliable, and secure delivery of electricity to our communities.

#### Our functions include

- Production and ongoing stewardship of 'bodies of knowledge' including engineering, technical, asset management and safety publications (e.g., guides, Standards, industry reports, and links to relevant legislation and international information).
- Representing the New Zealand electricity supply industry in national and international Standard development and facilitation of benchmarking in safety, technology, and asset management (e.g., IEC, AS/NZS, NZS Standards).
- Providing and supporting engineering and technical professional development and competency for our engineers/technical staff.
- Providing a web-based knowledge hub on safety, engineering, asset management, emerging technology and professional development including information services, notifications, newsletters, guidelines and support documents, events, and infrastructure engineering careers information.



24 January 2024

Energy Efficiency & Conservation Authority 44 the Terrace Wellington 6011

Via email: levyconsultation@eeca.govt.nz

#### EECA 2024/25 LEVY CONSULTATION SUBMISSION

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the EECA consultation document, 2024/25 energy levies funding proposal and related work programme.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

#### Submission points

Overall, ERANZ supports the EECA's proposed levy allocations for the 2024/25 financial year and the work programme it partially funds.

ERANZ appreciates the fact that EECA is seeking to hold the levy steady from 2023/24 given the high inflationary environment customers are experiencing. This will provide some relief for households and businesses alike.

Within EECA's work programme, we encourage EECA to continue its work on equipment and appliance standards, particularly in-home electric vehicle chargers. Given these appliances are new, but about to become ubiquitous, now is the opportunity to ensure New Zealand's standards will serve us well into the future.

For example, electric vehicle charging will become a significant use for our electricity supply, so mandating these appliances must be "smart" will ensure that these devices are most useful to the owner and able to unlock system-wide benefits. Spill over benefits can flow to any aspect of the supply chain depending on how the device is used. For example, smart devices could be deployed as reserves, used to help cap retailers' charges, and help the system operator.

ERANZ also notes the recent Market Development Advisory Group ('MDAG') final report on improving our renewables-based electricity system. The report contains a number of recommendations for improvements including recommendation 20 for "increasing consumer awareness of the opportunities for providing demand side flexibility to the wholesale market". This recommendation specifically notes the role EECA could play by educating customers and their advisors on how the future electricity market can operate and how they might take advantage of that.

ERANZ supports EECA taking a greater role in educating consumers about how they might actively participate in, and benefit from, the electricity market of the future. EECA has a trusted brand which is well-known as a repository of efficiency advice, this can be easily extended to include "flexibility" advice.

EECA does not have to undertake all education in this area, commercial providers and advisors will compete to give customers an easy and compelling experience, including education. However, EECA can provide entry-level information as well as continually evaluating that the resulting consumer products, such as electric vehicle chargers, are fit-for-purpose.

Finally, ERANZ reinforces the value of the Warm-up New Zealand insulation and heat pump programme for low-income households. From our industry view, this consumer care and affordable energy initiative is something we would like to see continue because it effectively helps to address energy hardship.

#### Conclusion

ERANZ would like to thank EECA for its work on promoting energy efficiency. We are happy to provide any further information on this submission as needed.

Yours sincerely

Kenny Clark Policy Consultant

Promoting a robust electricity market



24 January 2024

Dr Marcos Pelenur Chief Executive Energy Efficiency and Conservation Authority (EECA) Level 8, 44 The Terrace WELLINGTON 6011

Sent via email: <a href="mailto:levyconsultation@eeca.govt.nz">levyconsultation@eeca.govt.nz</a>

Dear Marcos

## 2024/25 energy levies funding proposal and work programme

- 1. This is a submission from the Major Electricity Users' Group (MEUG) on the Energy Efficiency and Conservation Authority's (EECA) consultation paper "2024/25 energy levies funding proposal and related work programme"<sup>1</sup> ("Issues Paper") published for consultation on 8 January 2024.
- 2. MEUG members have been consulted on the approach to this submission. Members may lodge separate submissions. This submission does not contain any confidential information and can be published on EECA's website unaltered.

#### Comments on energy levies proposed for 2024/25

- 3. MEUG, on behalf of our 14 members,<sup>2</sup> welcomes the opportunity to review EECA's 2024/25 levy funding proposal and the associated work programme. Our members currently use approximately 28% of all New Zealand's electricity, and therefore pay a large proportion of the levies gathered for EECA's work programme. We appreciate that EECA has kept the funding amount proposed to be recovered from levies consistent with last year (2023/24), while proposing a slight decrease (\$2.29 million) in overall programme costs. A focus on value for money is important, as all consumers continue to face an increase in the cost of living.
- 4. MEUG would like to make the following comments on the assumptions and rationale set out for EECA's 2024/25 proposed work programme:
  - a. As outlined in previous submissions on the levies,<sup>3</sup> MEUG continues to hold the view that most of EECA's proposed work programme should be paid from the Government's general account, not via levies. We remain unconvinced that EECA has undertaken sufficient analysis to determine the exact market failure(s) that it seeks to address through the interventions, nor undertaken robust cost-benefit analysis.

<sup>&</sup>lt;sup>1</sup> https://www.eeca.govt.nz/about/news-and-corporate/news/eeca-consults-on-proposed-energy-levies-for-2024-25/

<sup>&</sup>lt;sup>2</sup> http://www.meug.co.nz/node/1330

<sup>&</sup>lt;sup>3</sup> http://www.meug.co.nz/node/1263 and http://www.meug.co.nz/node/1169 and http://www.meug.co.nz/node/1108



- b. While EECA has attempted to quantify some of the energy savings and carbon emissions reductions achieved by its programmes during 2022/23,<sup>4</sup> there are still many areas such as Sector Decarbonisation and Industry Development where tangible savings cannot yet be illustrated. Given that the price of carbon is known through New Zealand's Emissions Trading Scheme, if EECA is to intervene, it should be targeting programmes where the cost of intervention is demonstrably less than the current carbon price, demonstrating a cost-effective use of levy funds. The figures set out in Appendix 5 of the consultation paper lead us to question whether cost effective reductions are consistently being achieved across programmes.
- c. Consistent with last year's submission,<sup>5</sup> we continue to disagree with EECA's proposal to pool levies gathered from both gas and electricity users.
- d. The consultation paper states that "*in an efficient and competitive market, less energy will be used.*"<sup>6</sup> We do not believe that this statement necessarily holds true in a competitive market, businesses can continue to use the <u>same</u> level of energy and produce more outputs increasing their performance relative to competitors and contributing further to the economy.
- e. EECA states that "switching to renewable energy solutions where possible also reduces our dependence on fossil fuels, increases our energy security and makes us more resilient to fluctuating commodity prices". While there are obvious benefits from using less fossil fuels, there are also risks associated with increased reliance on primarily one energy source – electricity ("all your eggs in one basket"), putting a stronger focus on electricity security standards..

#### Next steps

- 5. We have appreciated our engagement with EECA staff over recent years and would welcome the opportunity to host EECA at an upcoming MEUG meeting during 2024, where we can discuss actions to further support businesses in their decarbonisaton work.
- 6. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at <u>karen@meug.co.nz</u>.

Yours sincerely

Karen Boyes Major Electricity Users' Group

<sup>&</sup>lt;sup>4</sup> Appendix 5 of the consultation paper.

<sup>&</sup>lt;sup>5</sup> <u>http://www.meug.co.nz/node/1263</u>.

<sup>&</sup>lt;sup>6</sup> Page 7 of the consultation paper.



24 January 2024 levyconsultation@eeca.govt.nz

## EECA 2024/25 levy consultation submission

Utilities Disputes Limited | Tautohetohe Whaipainga (UDL) welcomes the opportunity to comment on EECA's *Consultation: 2024/25 energy levies funding proposal and related work programme*.

## About us

UDL is an independent, not-for-profit company that provides fair and independent resolution of complaints and disputes between utilities companies and their customers when they are unable to be resolved between the parties.

UDL operate four dispute resolution schemes: the Government approved Energy Complaints Scheme, Broadband Shared Property Access Disputes Scheme, a voluntary Water Complaints Scheme, and a private Telecommunications Scheme.

## Comment

While we have no specific comment on the formula or amount requested in funding we do wish to comment generally.

UDL's Energy Complaints Scheme considers around 14,000 cases each year, including around 4,500 complaints.

A significant portion of the cases and complaints we receive include issues relating to billing, many of which are from consumers whose bills are higher than they believe they should be but are unable to confirm why this might be the case. UDL assists these consumers to improve their understanding of what can impact their energy usage, as part of resolving these cases and complaints. In doing this work it is clear there is generally low awareness of the relative energy consumption of different appliances, energy efficiency and what can be done to save energy. We recognise the work ECCA does to proactively improve consumers' understanding in these areas and developing minimum standards, as noted in the proposed work programme, and support any future funding increase that will allow this work to be expanded.

## **Next Steps**

If UDL can be of further assistance please contact Paul Moreno, Kaiwhakahaere Rangahau, Pūrongo | Research and Reporting Manager <u>paul@udl.co.nz</u>

Yours sincerely

MIS MM

Neil Mallon Toihau Commissioner Tautohetohe Whaipainga: Utilities Disputes Limited