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30 October 2008

The Chairperson
The Board of Inquiry
National Policy Statement on Renewable Electricity Generation
c/- P O Box 10362
WELLINGTON

Dear Sir/Madam

Submission on the proposed National Policy Statement on Renewable Electricity Generation

Enclosed is a copy of Transpower's submission on the Proposed National Policy Statement on Renewable Electricity Generation under the Resource Management Act 1991 (RMA).

Transpower welcomes and supports the development of the National Policy Statement, and is pleased to have the opportunity to comment on this critical document.

Transpower New Zealand Limited does wish to be heard in support of this submission.

Yours sincerely

Mike Carter
General Manager Grid Projects

TRANSPOWER

TO: The Chairperson

Board of Inquiry

National Policy Statement for Renewable Electricity Generation

c/- P O Box 10362

Wellington

Name: **Transpower New Zealand Limited (Transpower)**

Address: PO Box 1021, Wellington

This is a submission on the Proposed National Policy Statement for Renewable Electricity Generation under the Resource Management Act 1991.

1 **The specific provisions of the proposed national policy statement that this submission relates to are as follows:**

The entire proposed national policy statement.

2 **Transpower submits that:**

It supports the proposed national policy statement in principle; however has a number of comments to make on both its policy direction and implementation.

3 **Transpower seeks the following decision from the Board of Inquiry:**

Transpower seeks that the Board considers Transpower's views in finalising the national policy statement. In summary:

- Policy 2 should be clarified to ensure that co-optimisation of transmission and generation investment should not disadvantage renewable generation proposals due to limitations on transmission or distribution.

- That the NPS recognise the need for connection to the transmission network and clarify how this NPS works with the NPS on Electricity Transmission.

- Policy 3 is inappropriate as reversibility of adverse environmental effects is likely to create a barrier to some forms of renewable electricity and does not fit with the case-by-case RMA approach.

- That the NPS provide some guidance on how to balance competing interests e.g by guidance on how to achieve a consistent approach to identification of environmental effects and parameters that might guide the assessment of effects within a particular landscape of context.

- That the NPS could better assist consistent local implementation of the NPS by providing guidance that bridges the gap between high-level objectives and effective local implementation.

- That the NPS recognises *specifically* that the adverse impacts of proposals must also be managed.

4 Transpower does wish to be heard in support of its submission.

5 If others make a similar submission, Transpower would be prepared to consider presenting a joint case with them at any hearing.

DATED at Wellington this 31st day of October 2007.

Mike Carter
General Manager Grid Projects

For, and on behalf of, Transpower New Zealand Limited

Address for Service:

Steven Taylor
Acting Environment Manager
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INTRODUCTION

1 Transpower New Zealand Limited (Transpower) is the owner and operator of the National Grid (the Grid).

2 Transpower welcomes and supports in principle the development of a National Policy Statement (NPS) on Renewable Energy Generation. It is pleased to have this opportunity to comment on this important document.

3 This NPS is a critical opportunity to provide relevant and meaningful direction to Resource Management Act (RMA) decision makers on how to enable the sustainable management of renewable electricity generation under the RMA.

4 While Transpower supports the development of this document in principal, it has a number of comments to make on the policy direction taken, and on the implementation of the NPS in achieving its stated end. Transpower's comments on the implementation of the document are drawn particularly from its own experience as a key stakeholder in the implementation of the National Policy Statement on Electricity Transmission.

5 Transpower is a key stakeholder in the recently gazetted National Policy Statement on Electricity Transmission under the RMA. Transpower played an important role in the *development* of that NPS, and is currently playing, and will continue to play an important role in the *implementation* of this NPS at the local and regional government level (in collaboration with the Ministry for the Environment and Local Government New Zealand).

6 Through this experience in both these important stages of an NPS, Transpower has learnt a number of critical lessons which could be a useful source of information for the Board.

THE NEED FOR A CLEAR AND CONSISTENT APPROACH TO THE MANAGEMENT OF RENEWABLE ELECTRICITY GENERATION

7 The production and provision of electricity is essential for New Zealand's growth and development as a nation. In particular, renewable energy generation is a key part of the Government's strategy for managing climate change, and long-term energy security. Government has set a target that 90% of its electricity is to be generated from renewable sources by 2025. Accordingly, an effective NPS on renewable energy generation is a fundamentally important tool in achieving this goal.

8 There is a critical need for central government to provide *clear* and *consistent* policy direction to all RMA decision makers to ensure a *consistent approach* to balancing the competing values associated

with the development of New Zealand's energy resources. This need for a *consistent approach* is noted specifically in the Preamble to the Proposed NPS for Renewable Electricity Generation.

COMMENTS ON PROPOSED POLICY DIRECTION

Ensuring RMA decision makers don't seek to co-optimise investment

9 One effect of proposed policy 2, is to expressly link decision making on renewable generation with the location of the distribution and transmission networks.

10 Transpower seeks clarification in the NPS that this link is not intended to allow or encourage RMA decision makers to seek to co-optimise investment in transmission and generation.

11 In addition to this, Transpower is already required to assess transmission investments in a manner that ensures investment is only undertaken where efficient. This assessment looks at a wide range of locations for generation and transmission investment. In order to recover the costs, approval by the Electricity Commission that the investment is economically efficient is required.

12 Another reason to avoid co-optimising investment in transmission and generation is the relative size of the investments. The current transmission proposal to enhance the transmission circuits in Wairakei is a good example of this (see http://www.gridnewzealand.co.nz/n1652.html).

(i) There are firm plans for over 600 MW of geothermal generation in the Wairakei area that will cost between $1b and $2b. It is also not unreasonable to expect a further 500-1000 MW of geothermal in this area

(ii) These investments all rely on adequate transmission to get their product to market and thus deliver a return - they would not be viable unless a significant increment in transmission capacity is provided.

(iii) The cost of the top 4 transmission options to allow these generators to connect are generally less than $100m

(iv) Co-optimising, while theoretically appealing, is not really meaningful when the co-optimisation involves costs that differ by 10-20 times (or more)

13 Therefore, Transpower submits that the extent of the consideration of transmission and distribution networks needs to be clarified to avoid confusion and possible duplication of planning functions. In particular, it needs to be clear that a proposal for renewable generation should not be disadvantaged as a result of possible

transmission or distribution limitations as such issues are addressed through other forums and frameworks.

Recognising transmission as an important component of enabling renewable electricity generation and making links to the existing NPS on Electricity Transmission

14 While proposed policy 2 links decision making to existing transmission or distribution networks, it does so in a very limited sense.

15 Transpower considers the proposed NPS on Renewable Electricity Generation is flawed in that it does not expressly recognise that renewable generation will require connection to either the distribution or transmission network, and that this connection is almost always likely to involve the construction of new circuits.

16 Therefore, if renewable electricity generation is to be enabled, Transpower considers that a clear reference that recognises and enables the need for the connection to the transmission network as well, needs to be made in this NPS. A clear reference should also be made in this NPS to the NPS on Electricity Transmission.

17 It is important that these inter-related NPS documents work in partnership and that this partnership is clearly identified and clarified in the proposed NPS.

Reversibility of adverse effects

18 In Transpower's view, proposed policy 3 creates a barrier for new renewable generation from hydro sources in particular, because the effects of hydro generation proposals by their nature are less amenable to "being reversed". Transpower considers that a barrier in the NPS on the basis of reversibility of effects is not appropriate for three key reasons:

(i) There is a general need to enable *all* forms of renewable electricity generation if the Government's 90% renewable energy target and maintenance of security of supply is to be achieved; and

(ii) It implies a form of cross-project comparison that does not fit the RMA's case-by-case approach where each project is assessed on its own merits.

(iii) Projects are site specific. E.g. sites for hydro and sites for wind are different and the environments cannot be compared. Therefore, comparisons can only be reasonably made within a class of generation e.g. within different types of wind projects or types of hydro projects planned.

Balancing competing Part 2 (RMA) matters

19 In Transpower's view, one of the most significant challenges for both RMA decision makers and project proponents, in proposing assessing and consenting renewable generation projects, is making judgements between the competing matters set out in Part 2 of the RMA.

20 The RMA doesn't give the NPS a pre-eminent role. The NPS interpretation will still be subject to Section 5 and other matters in Part 2 of the Act (with section 5 taking primacy within Part 2. However, it would be useful if this NPS could provide some guidance on how those judgements are to be made, or, how those matters in Part II are to be assessed, or, at the very least, how the NPS policies fit with Part II matters.

21 Transpower appreciates an NPS cannot, and should not, be prescriptive at a local level, and cannot in itself determine section 5 priorities.

22 It can and should however provide some guidance as to how the competing interests can be weighed. At the very least, it could provide some guidance in how to achieve a consistent approach to the *identification* of environmental effects, or it could provide parameters that *guide the assessment* of the effects within particular landscapes or contexts. Such guidance would also assist local authorities giving effect to the NPS – a point raised below.

Explicit recognition of the need to manage adverse environmental effects of renewable electricity generation projects

23 Transpower supports the general objective of promoting the development of new and existing renewable electricity generation projects. However, in Transpower's view, the NPS needs to explicitly recognise and balance, as it does in the NPS on Electricity Transmission, the need to manage their adverse effects.

24 Without such recognition, Transpower considers the NPS could possibly send signals that the benefits of a particular project override the need for it to be well designed and considered in terms of its environmental impacts.

COMMENTS ON IMPLEMENTATION

Giving effect to the NPS – ease and consistency

25 This NPS will ultimately be given effect to by regional and local authorities in their policy statements and plans under the RMA. In Transpower's view, given our recent experience in working with MfE

and Local Government New Zealand to give effect to the NPS on Electricity Transmission, this is not an easy task.

26 Its success depends entirely upon the clarity of direction provided in the NPS – as the bridge between national policy and local implementation. It is important therefore that in addition to stating its objective of promoting the development, upgrade, maintenance and operation of renewable electricity generation activities (and this is a sound objective), it is very clear on exactly *how* this is to be achieved at a regional and local level.

27 Transpower understands from its recent experience that each region and district will have different issue to address and as such, it is inappropriate for an NPS to be prescriptive.

28 However, the proposed NPS misses an important opportunity to bridge the gap between a high-level objective and effective local implementation by providing meaningful guidance and direction to local government on *how* to implement this objective.

29 Transpower suggests additional thought be given to bridging the gap between the high-level objective and local implementation particularly in the plan change process. This could include, for example, providing guidance on:

(i) The relevant issues that could be considered when, for example, councils change their plans to enable activities associated with identification of sites and energy sources, or the development and operation of small scale distributed renewable electricity generation;

(ii) The type and nature of the issues that could be considered at a regional level (through a Regional Policy Statement) and at a local level (through district plans); and

(iii) Approaches for setting up assessment frameworks in an RPS and district plan for assessing the impacts of particular types of generation proposals on landscape values.

30 If such guidance is not provided, it is likely that the implementation of this NPS by local government will be inconsistent, will result in multiple consideration of the same sets of issues (inefficient use of council resources), and will not ultimately achieve the outcomes sought in an effective and efficient manner.

Timing of Implementation

31 Transpower considers there is room for confusion over the timing for giving effect to this NPS. Policies four and five name a specific date (13 March 2012) by which a plan change must be notified.

However, policies one and three do not name a date, and the explanatory note in the last paragraph implies that the whole of the NPS provisions are to be implemented by 13 March 2012. This needs to be clarified.

CONCLUSION

32 Transpower welcomes and supports in principle the development of a National Policy Statement (NPS) on Renewable Energy Generation. It is pleased to have this opportunity to comment on this important document.

33 Transpower has over the last six months had a unique insight into the issues associated with giving effect to an NPS by local government. Drawing from this experience, Transpower considerers that if this NPS is to achieve its stated outcomes, it must be more directive in its content. It must effectively bridge the gap between a high-level objective and effective local implementation by local government, through meaningful guidance and direction to local government on *how* to implement this objective.