

## **Submission to the Commerce Select Committee on the Electricity Industry Reform Amendment Bill**

NCWNZ is an umbrella organisation representing 46 Nationally Organised Societies and National Members. It has 28 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's functions are to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

### **Introduction**

NCWNZ has had an interest in the subject of climate change and the provision of energy since 1988. In 1989, NCWNZ passed a resolution (4.1.2) "urging the Government to ensure that the public of New Zealand retain in perpetuity the ownership and control of the energy resources of New Zealand".

NCWNZ welcomes the opportunity to comment on the Electricity Industry Reform Amendment Bill, though we have concerns that this is the third amendment to the Electricity Industry Bill, since its inception in 2001. This submission has been prepared by the Environment Standing Committee in conjunction with the Economics Standing Committee, following consultation with the wider membership.

New Zealand has a population of 4.25 million, i.e. about half the population of an average sized American city. This means that several electricity companies have to establish and maintain infrastructure over a large area, but serving a comparatively small number of consumers. In this case, prices will obviously have to be excessive. For example, Wanganui Gas & Electricity, in spite of the highest prices in town, is unable to pay dividends this year; they have a customer base of only 6,000.

New Zealand is now one of the most expensive countries in the world in areas such as housing, food and energy. This adversely affects the resident population.

The result of any Government action must be to reduce Greenhouse gases, which is clearly not the case with this amended Bill. With its complexity and restrictions it is likely to continue the present trend against generation of renewable electricity. Generation of renewable electricity still has to be given an exemption to proceed under this Amendment Bill (Clause 4(2) new (2)(c)).

A survey by the Carbon Equity Project for Friends of the Earth Australia, January 2007, titled "Avoiding Catastrophe" contains up to date information which is extremely urgent. It also discusses measures being undertaken by Britain and Europe for carbon rationing to be implemented. It is the view of many scientists that the time available to make drastic global changes may be only ten years, or less. There has been a great deal of publicity on climate change for some time and most people are very aware of the seriousness of the problem. The public perception is that there are no national governments instigating relevant policies with any sense of urgency.

Therefore, NCWNZ would like to recommend to the Government that with the coming of climate change and peak oil they establish far more control of the electricity industry; and re-nationalise those parts currently owned by private enterprise.

It is only the Government that can afford to maintain the national grid. The use of competition in this area has obviously failed to achieve the expected outcome. There is a need to prepare the public to adopt a change in lifestyle away from fossil fuels, and nationalisation is one of the measures that could be implemented.

### **Specific comments:**

#### ***Part 1, Amendments to principal Act,***

#### ***Clause 4, Purpose***

The Explanatory Notes to this Bill informed that, since 1998, even with encouraging Amendments to the original legislation, there has been very little investment in generation. Reasons given include difficulties with compliance, restrictions on the use of hedging and financial instruments, and that seeking exemptions is an uncertain process.

There is support for the proposed amendments to the purpose of the Act that:

- “(1) (a) costs and prices in the electricity industry are subject to sustained downward pressure: and
- (b) the benefits of efficient electricity price flow through to all classes of consumers; and
  - (c) barriers to new investment in generation from renewable energy sources are limited.”

and also that the separation of lines and supply is:

- “(2) (a) to prohibit certain involvements in electricity lines and electricity generation and retail that may create incentives or opportunities -
- (i) to inhibit competition in the electricity industry; or
  - (ii) to cross-subsidise generation or retail activities from electricity lines; and
- (b) to restrict relationships between businesses that have involvements in electricity lines and electricity generation or retail that otherwise may not be at arm's-length; and
- (c) to provide specified exemptions for new investment in generation from renewable sources.”

The amendments sound good, but our members believe that they can achieve little if it is not a publicly owned facility.

Daniel Quinn, in his book “Beyond Civilization – Humanity's next great Adventure”, says:

1. *“Old minds think: if it didn't work last year, let's do MORE of it this year.*
2. *New minds think: if it didn't work last year, let's do something ELSE this year.”*

It was universally agreed by members of NCWNZ that the production and supply of electricity is a 'public good', which should be controlled on a national basis and should not be profit driven.

### **Wording changes to Clause 4**

Our members suggest that the word “better” be removed from the proposed new subsection (1) “The purpose of this Act is to better ensure ...”

Without “better”, the purpose would be 100% commitment to the outcome. By including it the suggestion could well be that any improvement, however minimal, would satisfy the letter of the Act. This was not acceptable to the members.

Our members also disagree with the use of the word “limited” in the proposed new subsection (1)(c) and would prefer this to be replaced with “eliminated”.

- c) “barriers to new investment in generation from renewable energy sources are limited”

If the Government is to ensure the provision of power, which is basic to the country's economy, it must make investment in maintenance and development mandatory. It is not satisfactory that these essential factors are driven by shareholders' requirement. As stated above, competing companies cannot afford to invest in generation.

There is also room for improving facilities whereby small providers could add their surplus to the National Grid. This is happening in a few instances.

**Conclusion:**

NCWNZ considers that the Electricity Industry will be pivotal to New Zealand's future.

NCWNZ would like to suggest that now is the time to put into practice the theme that New Zealand children have been taught - **Co-operation** – rather than competition.

Thank you for the opportunity to comment on this Bill.

Christine Low  
**National President**

Sara Dickon  
**Convener, Environment Standing Committee**