

16 March, 2009

Electricity Group  
Energy & Communications Branch  
Ministry of Economic Development  
33 Bowen Street  
Wellington  
New Zealand

To whom it may concern

**Draft Government Policy Statement on Electricity Governance (February 2009)**

Thank you for your invitation to comment on the above document. The Sustainable Future Institute is a non-partisan think tank specialising in research and policy analysis. For more information on our organisation, contact us or visit our website at [www.sustainablefuture.info](http://www.sustainablefuture.info).

We thank you for this opportunity to provide feedback on the drafting of such an important document. We wish to continue to support the use of Government Policy Statements (GPSs) as a way of outlining the government's activities, plans and intentions on specific issues of national importance. In our view, Government Policy Statements should be high-level strategic documents outlining the planned way forward on a specific issue. We understand there are specific requirements for this GPS under the Electricity Act 1992. In particular, we appreciate the requirement for consistency between the objectives of the GPS and the functions of the Electricity Commission (s172ZK-ZL), as well as the importance of measurement and reporting for robust and transparent governance.

On this basis, our more general comments on the Draft GPS are:

1. **New Zealand government requires an overarching, strategic document.**  
New Zealand does not have an overarching strategy, something Sustainable Future calls a National Strategy, or the United Nations calls a National Sustainable Development Strategy. Such a document could provide integrated and meaningful planning across government – it could perhaps be titled 'The Government Policy Statement 2009' – and could become part of New Zealand's obligations to develop an overarching, national sustainable development strategy, under which more specific issues can then be addressed.<sup>1</sup>

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<sup>1</sup> New Zealand committed itself to create such a document in 1997, with Cabinet agreeing in 2001 to produce an NSDS, though this never occurred. Sustainable Future's Report 1: *A National Sustainable Development Strategy*, [www.sustainablefuture.info/Site/Publications/Project\\_Reports.aspx](http://www.sustainablefuture.info/Site/Publications/Project_Reports.aspx).

2. **GPSs should be vertically and horizontally integrated in government.** The policy statement should form an integral part of the reporting and strategy development and should be linked within each strategy within the energy sector. Sustainable Future's research recommends that meaningful vertical and horizontal integration of strategy is important for robust government policy making.<sup>2</sup>
3. **It is necessary that GPSs are designed with an emphasis on best interests of all New Zealanders.** Electricity generation and transmission is a significant element for creating and maintaining a high quality, sustainable and reliable infrastructure network. Any changes to a GPS should be backed up by evidence of the work that has gone into making decisions on these changes. It is unclear how the Government has reached the conclusions contained in the Draft GPS.
4. **Lack of clarity on how energy policy interrelates.** In light of the requirement for measurable outcomes and objectives, the Electricity Governance GPS must give provide clear objectives for the Electricity Commission to report against (Electricity Act 1992, s172KZ). It is currently unclear how the GPS and other policy documents, including the National Policy Statement on Electricity Transmission and the Draft National Policy Statement on Renewable Electricity Generation, integrate, and wherein lies the role of the Commission. Looking forward, the Government must ensure that there is transparent integration of all policies relating to energy.

Given the many issues driving energy decision-making, we consider that the changes the Government currently proposes to the GPS on Electricity Governance are not in New Zealand's long-term interest. We believe that serious rethinking needs to occur, particularly over the removal of the 90% renewable electricity target by 2025, a target that was reached after considerable consultation and participation by many different sectors of society in the development of the New Zealand Energy Strategy.

Our specific issues with the Draft GPS on Electricity Governance are:

1. Sustainable Future opposes the removal of the 90% renewables target for 2025. The removal of this goal (p18) means the loss of a key management target. This target (as well the earlier Government-scrapped ban on thermal generation) provides a level of certainty for industry investment. Removing this will take away such certainty. Furthermore, getting rid of the 90% target is counterproductive to meeting New Zealand's obligation to reduce GHGs under the Kyoto Protocol, as well as to the social and ecological imperative to prevent run-away climate change.

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<sup>2</sup> Report 2: *New Zealand's Central Government Strategies – Reviewing the Landscape 1997-2007*. Available at [www.sustainablefuture.info/Site/Publications/Project\\_Reports.aspx](http://www.sustainablefuture.info/Site/Publications/Project_Reports.aspx).

2. Sustainable Future does not agree with the removal of all references to the New Zealand Energy Strategy (NZES) and New Zealand Energy Efficiency and Conservation Strategy (NZECS) (p2, 8, 16-18) as this implies a move away from strategic policy making with regard to New Zealand's energy future. Though acknowledging the likelihood of review of these documents later in 2009, we believe the continued use of both of these strategies is vital for ensuring integration of goals across government, society and industry. Considering electricity issues outside a wider energy framework risks creating silos out of different policy issues. Sustainable Future suggests that the GPS retains the connections with the NZES and NZECS.
3. Given the prioritising of security of supply issues in the Draft GPS, it appears that the Government sees a risk inherent in renewable electricity generation. However, security of supply is not assisted by the proposed removal of the clause for the Electricity Commission to investigate how hydro and wind generation are integrated (p18). If the Government is concerned with security of supply, it should consider this issue in a more holistic manner. Otherwise such a move appears to loosen regulation with the presumption that the market will provide best for security of supply and environmental outcomes, which Sustainable Future believes it will not.
4. The removal of references to 'advisory groups' (p6) is an additional backward step. This is a country of New Zealanders for New Zealanders. The government will lose an opportunity to gain both innovative thinking and public buy-in by closing down this avenue.
5. The changes that are proposed in the Draft GPS largely comprise removing environmental protections and mechanisms for policy integration. It is not sufficient to argue that these changes need to come about because of security of supply concerns. Sustainable Future believes that the Government must endeavour to aim for both a sustainable electricity system as well as a secure one, and not focus on security at the expense of the environment. We urge the Government to reconsider the Draft GPS so that sustainability is a major focus, sitting alongside security of supply.

Thank you for making the government's political activities, plans and intentions transparent. If there is an opportunity to talk further on this submission and the Government's energy governance plans, we would warmly welcome it.

Kind regards

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