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Submissions  
Electricity Authority  
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### ***Removal of South Island-only Official Conservation Campaigns survey***

Genesis welcomes the opportunity to provide feedback on the Electricity Authority's (**Authority**) survey on the proposed removal of South Island-only Official Conservation Campaigns (**OCCs**) from the Electricity Industry Participation Code (**Code**). The Authority has indicated that, depending on the feedback received, it may amend the Code to remove the South Island OCC without further consultation pursuant to section 39(3) of the Electricity Industry Act on the basis that the proposal has widespread support and/or there has been adequate consultation.

Changes to the Code should be evidence based and, in this case, focussed on a clearly defined problem with the status quo and the material harm or risk with retaining that status quo.

The survey does not provide this and, accordingly, Genesis does not support the proposed change. For the reasons set out below, flexibility is useful and should be preferred unless there is a demonstrable material harm or risk in retaining it.

We comment below on the reasons put forward by the Authority for the proposed change:

### **Consumer perceptions**

The Authority's hypothesis is that a negative consumer perception of a South Island-only OCC could undermine its perceived legitimacy, weaken its effectiveness, damage long-term confidence in the electricity industry and affect the durability of the OCC and CCS arrangements. Four reasons that could give rise to this perception are set out in the survey. However, no evidence has been

provided to support of these reasons. Further, we consider that concerns around confusion and fairness can be dealt with through an effective communications campaign.

We also note the Authority's reference to the Security and Reliability Council's statement that:

“there are circumstances in which a South Island-only official conservation campaign could be warranted (such as major HVDC limitations), but that there are substantial risks if a South Island-only campaign couldn't be explained to the satisfaction of the public.”

We question why it couldn't be so explained, and what other measures might be put in place to address these risks rather than simply removing the South Island-only OCC.

### **Improved transfer of energy from the North to the South Island**

We agree that changes to transmission infrastructure, among other factors, have improved the ability to transfer energy from the North Island to the South Island. However, where this ability is fully or partially impaired, a South Island-only OCC may still be a useful tool in the regulator's armoury to manage storage in a targeted and proportionate manner.

We note, as have others, that the inability to transfer energy south may arise from transmission or other constraints separate from HVDC issues. Accordingly, a South Island-only OCC may be warranted notwithstanding the improvements to the HVDC. In any event, the current OCC regime has yet to be tested and so it is difficult to conclude that changes are necessary.

### **Flexibility and ability to adapt**

We find it curious that the Authority would remove a tool from its armoury to deal with a low probability but high consequence event on the basis that it could amend the Code as a matter of urgency to reinstate the option. By their very nature, these events are unexpected and material. Adding an urgent Code amendment to the process of dealing with the implications of such an event increases the risk of uncertainty and confusion, and at a point when resources and time at both retailers and the Authority are likely to be in extremely high demand.

While some of the scenarios that could give rise to the need for a South Island-only OCC are low probability events, what is proposed removes the flexibility to deal with such scenarios in a proportionate and targeted manner. To use a crude analogy, what is proposed is akin to moving the fire extinguisher to another room on the basis that if the sprinkler system doesn't go off, we can get to the fire extinguisher and back in time.

## **Sufficiency of analysis**

No persuasive evidence or analysis has been presented in the survey demonstrating that:

- (a) Maintaining the status quo gives rise to a material harm or risk.
- (b) The proposal is preferable to other options such as sub-national / regional OCCs, which was raised by several respondents in submissions to the Authority's 11 December 2018 OCC consultation paper.
- (c) The significant cost that would be incurred by retailers with an exclusive or predominantly North Island customer base in a scenario which would have merited a South Island-only OCC, would be outweighed by the benefits of the proposal. While the Authority notes that the duration of a national campaign could be "slightly" longer than a South Island-only campaign, there is no certainty that this would be the case. Further, the cost of a national campaign to such retailers, even for a week, is not insignificant and unfairly disadvantages them relative to retailers with an exclusive or predominantly South Island customer base, where a South Island-only OCC was appropriate.

In summary:

- (a) The OCC regime has not yet been tested and it is difficult to conclude that changes are necessary.
- (b) The flexibility provided by the South Island-only OCC should be retained unless there are good evidence-based reasons not to do so.
- (c) We do not believe that the case has been made for the proposed change.

If you wish to discuss any of these matters further, please contact me on 09 951 9299 or [warwick.williams@genesisenergy.co.nz](mailto:warwick.williams@genesisenergy.co.nz).

Yours sincerely



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