Entrust
Majority shareholder of Vector

18 July 2018

Entrust supports initiatives to promote sustainable growth and better outcomes for our communities

Entrust considers that the proposed Zero Carbon Bill, and legislation providing for emission targets, could help provide certainty and enhance the credibility of the Government's commitment to move to a low emissions economy.

Summary of Entrust's views

- Consumers, lines companies, electricity retailers, technology providers and industry regulators all have a role in transitioning to a low emissions economy.
- Entrust is involved in many projects which support initiatives to lower emissions and, as 75.1% shareholder in Vector, supports their focus on sustainability.
- Attempts, by some large electricity retailers, to limit lines companies from innovating and engaging in new technologies could interfere with emissions reductions and should be rejected.
- Industry regulators, such as the Commerce Commission and Electricity Authority, should be required to take into account emissions and other environmental impacts in their decisions. We don't see why they should make a distinction between the environmental costs and benefits of their decisions and any other economic costs and benefits.

Entrust is involved in initiatives that promote lower emissions and benefit our local community

Entrust gets involved in many projects and initiatives each year which support emission reductions.

For example, we have an agreement which commits Vector to spend $10.5 million per year on projects in the Entrust district. One initiative, in our Energy Solutions Programme, is the installation of solar panels and battery packs on some of Vector's zone substations to reduce the energy consumption from the grid.

We have also been involved in initiatives to trial solar and energy efficiency solutions to schools and households in our community.

Lines companies have an important role to play in lowering emissions

As owner of a significant and important investment in Vector, Entrust supports Vector's focus on sustainability. This includes promotion of new technologies, and related initiatives, such as home energy solutions (HRV, solar PV, battery storage etc), electric vehicle (EV) charging infrastructure and smart metering.

The technology solutions Vector is providing and developing, to promote the use of renewable energy, is consistent with the Labour and Green Parties' energy policies which recognise "Lines companies can have a positive role to play in local energy solutions" and should be encouraged to "use new technology".

The emergence of new technologies, such as uptake of EVs, will impact the operation of lines, including future investment needs. This is illustrated by Vector's EV Green Paper which examines the potential long-term network impact and capacity requirements of widespread EV charging.[1]

Attempts to limit lines companies from innovating and engaging in new technologies need to be resisted so lines can play an active role in enabling the energy sector's transition to a low emissions economy.

Some of the large incumbent electricity retailers have been lobbying the Commerce Commission, the Electricity Authority, the Ministry of Business, Innovation & Employment, and, now, the Electricity Price Review for restrictions on lines company activities. The incumbent retailer position simply reflects vested self-interest.

The incumbent electricity retailers basically want to protect their cosy vertically-integrated oligopoly status, and limit competition from alternative providers. While this would help the incumbent retailers retain their high profitability it would be harmful for achieving improved environmental outcomes. Consumers deserve the right to choose who delivers energy solutions, such as solar PV and battery storage solutions, to their homes.

Industry regulators should take into account emissions and other environmental impacts in their decision-making

The Commerce Commission and Electricity Authority's operation of industry regulation can directly impact on current and future emission levels.

If the objective of substantially reducing emissions is to be met sector regulation needs to work in step with the Zero Carbon Bill. We are concerned about the Electricity Authority's position that environmental impacts, including emissions, are outside of its statutory objective:[2]

> … the Authority does not consider the promotion of efficiency for the long-term benefit of consumers to cover all matters that may deliver long-term benefits to consumers. … For example, carbon emissions … are being addressed by the Government's environmental policies, including its emissions trading scheme.

Industry regulators should be required to take into account environmental impacts in the same way they consider other costs and benefits when making decisions.

Concluding remarks

Entrust, as guardian of Vector, is required to act in the interests of its beneficiaries, including over 327,000 households and businesses in Auckland, Manukau, and parts of Papakura and eastern Franklin. This can include supporting initiatives that promote a more sustainable future.

The electricity sector cannot afford to rest on its laurels simply because a large proportion of New Zealand's electricity generation is renewable (less than two-thirds of which is actually carbon-free).

Consumers, lines companies, electricity retailers, technology providers and industry regulators all have a role in supporting the objectives of the proposed Zero Carbon Bill, and in transitioning to a low emissions economy.

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[1] https://www.vector.co.nz/articles/ev-network-integration

[2] Electricity Authority, Interpretation of the Authority's statutory objective, 14 February 2011.

For further information, contact:
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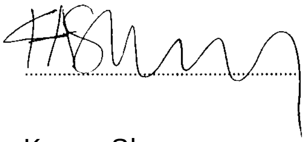
Kind Regards



Karen Sherry
Chair Regulation & Strategy sub-committee