

## CEN Comments on EPR Options Paper

22 March 2019

The Community Energy Network applauds the intent of this review and strongly supports a range of the recommended actions discussed in the Options Paper. We also thank the EPR Advisory Panel for the many opportunities to actively and openly engage in the process of this review.

In the introduction to the Options Paper, one of the elements to focus on was described as “the consumer’s point of view and their say in the direction of the sector”. There is a subtle but very important change in wording required to make this meaningful – our view is that the energy sector needs to understand our *communities* and get their say in the direction of our sector. ‘Communities’ describe more than just individual consumers or connection points. This slight shift in viewpoint means that issues like energy hardship are seen in a more accurate and complex context. Through this lens, a wider and richer set of opportunities can also be explored.

### Section A

This section is aimed at rectifying the profound producer-push orientation of the whole sector. It would be more effective to instil customer-pull and customer care perspectives in distributors (where people are perceived as ‘connection points’) and retailers (people are ‘consumers/bill payers’).

The key message we are making is that the people on this Council should be genuinely representative of people in our communities. If this means that representatives need to be given training on how the energy sector works, then so be it.

### Section B

**B1:** Strongly support this recommendation - CEN would like to be considered as a potential member. This group should be chaired by an independent chair (someone from the EPR Panel?) that has experience in ensuring a broad cross section of opinions are fairly heard. CEN would like to see an emphasis on the NGOs in terms of number of representatives; these groups provide the ‘on the ground’ experience this group will need to be successful. This could include:

- Government representatives - MSD, MoH, TPK, Energy, MBIE
- One or two sector representatives – ERANZ, ENA, BRANZ
- NGOs – Salvation Army, Community Energy Network, Community Housing Aotearoa, Habitat for Humanity, Wise Group, FinCap

Aside from an independent chair, CEN would be open to exploring how this group could be led. It may be that we can establish a partnership with other community-based NGOs that can take on this type of responsibility provided appropriate resourcing. We will be investigating this opportunity over the next few weeks.

**B2:** This is a critical issue to get right as it will have a significant impact on the success of all proceeding funding and policy decisions. Understood that this will need to be considered within the Living Standards Framework used for the Wellbeing Budget. For that reason, the success of the recommended Energy Hardship Group would be measured against this definition and so should be given urgent priority.

**B3:** Strongly support. However, the recommended approach is focused more on providing *support* rather than *fixing*. Both are needed but it is better to fix the problem so that less support is

needed. In this case fixing is about education as much as it is about technical requirements of making a home more efficient, warmer and drier. Should be well aligned with funding strategy.

As an overarching statement, CEN supports this approach while highlighting the need for the appropriate funding to be allocated to increase capacity of these networks. This is not just about coordinating what services are already available to be more efficient. Many of these organisations and their staff are already stretched, making the most of often very limited resources.

**B4:** Strongly support. CEN believes the funding recommendations in B4 and B5 should be combined.

Key points include:

- Energy efficiency is only part of the solution to energy hardship. Successful outcomes will be highest where there is an assessment of needs, appropriate education and ongoing monitoring of impact – this wouldn't be just a fund for funding a specific type of retrofit.
- As discussed at the workshop, the measures of success for this fund should consider that more efficient homes will not necessarily mean lower energy costs as most people experiencing energy hardship have a set/limited budget for energy. This set amount of money will often still be spent, but the result would now be a warm, dry and healthy home.
- CEN believes that while it may be administratively efficient for an agency such as EECA to operate the fund, the Energy Hardship Group should have some form of oversight on how the fund is set up and distributed. Noted that this approach could lead to conflicts of interest so decisions on specific funding allocations should not be made by this group.

**B5:** As mentioned above, CEN believes these two funds could be merged. There should be a hierarchy to the interventions though – fixing the technical and education issues first, and then following up with a programme to reduce energy cost. This programme would be focussed on those that still require a direct subsidy (for those who have gone through the retrofit and education stage and are still unable to adequately heat their homes). CEN holds the view that while the Winter Fuel Payment may be useful now, this targeted intervention that includes retrofits and education before providing a direct subsidy will mean that those that genuinely need this support will receive it. The network established under B3 could be used to provide the assessments for qualifying for this energy cost reduction subsidy.

**B6:** This is sensible. Should/could be linked to the two funds mentioned above – the vulnerable tagged here are immediately eligible and given priority for the above funding.

**B7:** We would favour the position taken by the EPR Committee. From the perspective of the customer, prompt payment discounts represent an unnecessary complexity and an opportunity for the vulnerable to be unfairly impacted.

**B8:** CEN supports this recommendation. Could the establishment of bulk purchasing arrangements be expanded to include registered NGOs who are providing wrap around support for vulnerable people (from B3)? This could be added to the services such as the winter fuel payment and provided through 'certification' from one or more of the NGOs tasked with working with these members of the community.

## Sections C and D

In general, CEN supports the intent to improve the competitive performance of the current generation/wholesaling/retailing system. However, it largely downplays future changes in the

system due to DERs (Distributed Energy Resources), virtual power plants, and associated changes in distribution and retailing – including the need for specialist aggregator functions. This will change the nature of competition. At present, the system has limits/barriers to entry DERs and VPPs, which is stifling competition from these new entrants.

The report assumes that expansion of DER activity will be motivated only by encouragement of renewables as part of the transition to zero-carbon. Some DER-based systems are already competitive, without the zero-carbon pressure being applied, with some applications and will become much more competitive in many applications in the quite near future.

These two sections should include discussion on the many questions for competition policy that arise from DER developments. An immediate issue that needs to be addressed is the way in which entry of small-scale DERs and small specialist retailer/aggregator operators is deterred by the present regulatory environment.

### **Section E**

As discussed above, there is little recognition in this section of the future changes in these functions that will be essential as distributed generation becomes substantial. Hence, this section also needs additions that address these changes.

**Comment:** This is an example of *communities* being disconnected from their energy sector. We strongly recommend that where the Trust structure is in place, that the Trust deed should include a specific reference to actively encouraging solutions that come from their communities, whether this be through innovative approaches to technical or social issues/opportunities.

### **Section G**

**G1:** Strongly support the establishment of this fund. However, Innovation should be seen as mainstream, not restricted to low-carbon initiatives. Accepted that there are already other options for funding. Maybe the PGF could add further criteria to encourage community energy focused transition to low carbon projects.

**G2:** CEN supports this. However, assessments of resilience should include risks to transmission lines due to severe weather events caused by climate change.

**G4:** Strongly support – this should be given some urgency. This is a great example of the issue mentioned in the introduction. Resilience of infrastructure through energy efficiency also has a massive implication on the energy hardship issue(s). The impacts on health and general wellbeing are considerable and need to be included in this discussion – this is a cross agency discussion. In short, this is not ‘just’ a low-carbon initiative.

### **Note on Comment (page 36)**

CEN, alongside partners, represent a collection of organisations that work closely to the people in their communities and that are also wanting to engage closely in the energy sector.

We believe that issues like the one described in this section will not be easily solved if there is an ongoing emphasis on the top down, usually technical centred and highly complex solutions that tend to be favoured by incumbent stakeholders. Instead CEN believes the sector needs to be structured to support the communities themselves to develop and own the solutions (probably an original intention when establishing Trusts to oversee distribution).

This should be done alongside the discussion around navigating the incorporation of new technical/hardware systems such as DERs and VPPs.

In this regard, we have been interested in the discussion about how the national scale 'enduring grid' responds to the transition to an increasingly distributed energy system, mostly through residential PV installations and related infrastructure. For example, and in simplistic terms, there seems to be an assumption that one of the issues is based on the risk of the relatively wealthy 'self-interested individual' going off grid through installation of a residential PV and storage system. Much of the headache and technical issues this causes may be resolved if these 'self-interested individuals' are organised around and within a community scaled system instead.

This self-organisation approach would enable the distribution organisations the opportunity to ensure that the DERs, at community scale, are appropriate and compatible with their other infrastructure and are therefore much more likely to unlock significant investment offsets over a long timeframe. It could also provide a mechanism for these communities to own their specific/place-based solutions to energy hardship (including self-funding healthy home retrofits).

We strongly recommend that the EPR consider this need for a culture shift in how the sector works with the communities it is there to serve when finalising the recommendations.

CEN will make itself available to the Advisory Panel if any of the above comments need further clarification or discussion.

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