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New Zealand REZ Consultation Submissions  
Transpower  
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**Channel Infrastructure NZ Limited (formerly The New Zealand Refining Company Limited) - Submission on Renewable Energy Zones - Consultation Papers**

Dear REZ Team

Thank-you for the opportunity to comment on Transpower's "Renewable Energy Zones National Consultation 2022".

Channel Infrastructure, based at Marsden Point in Northland, is New Zealand's leading fuel infrastructure company. Channel Infrastructure owns critical infrastructure, supplying the Northland and Auckland markets, which make up 40% of New Zealand's fuel demand and all of the jet fuel to the Auckland International Airport. Utilising the deep-water harbour and jetty infrastructure at Marsden Point, as well as 280-million litres of storage tanks, and the 170-kilometre pipeline from Marsden Point to Auckland we receive, store, test and distribute fuel owned by our customers. Channel Infrastructure's wholly-owned subsidiary, Independent Petroleum Laboratories, provides quality fuel testing services at Marsden Point and around New Zealand.

Channel Infrastructure remains concerned that electricity costs in New Zealand are uncompetitive and unaffordable, and while the ambition remains to move to renewable sources, the current market is not functioning effectively to deliver competitively priced electricity. Current regulation and industry structure are not incentivising market participants to deliver the affordable, reliable, and lower carbon energy that Aotearoa needs.

In the case of transmission and distribution costs, current models of socialising these costs do not incentivise providers to drive the costs down. Large users face an unaffordable cost burden and over time this is likely to force their exit.

In our case, high electricity costs were a key factor in our decision to close the Marsden Point refinery. Energy costs remain our single largest operating cost as a terminal, with transmission and distribution costs increasing significantly as a result of proposed TPM and allocation methodology changes. These costs are currently the key impediment to us proceeding with development of our previously announced solar farm, Maranga Ra. These issues and costs lead us to consider off-grid options for our electricity supply. However, whilst a rational decision for Channel Infrastructure, this will only spread the increased costs across a smaller base of remaining users, which in Northland is predominantly local households and the community.

With this context in mind, we are strong supporters of the Renewable Energy Zone concept to support the most efficient development of the renewable energy generation that is required to support New Zealand's decarbonisation goals. In Northland in particular, it is logical that the region be self-sufficient, and potentially an

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exporter of electricity to the Auckland region, rather than the inefficient existing arrangements which have electricity supply coming great distances from the south of New Zealand at high cost and with high transmission losses.

Sharing infrastructure makes common sense wherever it is possible to do so. Given the existing high energy costs for consumers we do not believe that they should be burdened with any further implementation costs or risks associated with the development of renewable generation to support New Zealand's climate change objectives. We believe that to encourage the required investment in renewable electricity generation, both to enable the decarbonisation of New Zealand's economy through electrification and to make electricity affordable, there will need to be a contribution from Government to support the infrastructure investment required, which could be funded by proceeds from the Emissions Trading Scheme.

We note that we are not making a separate submission on the proposed Northland Pilot consultation as we have made mention of it throughout this submission. We are however a party to the joint Northland Business Group Submission and support and recommend that joint submission and the proposal for a Northland pilot.

Our specific further responses to this consultation are outlined below:

**Q1. Do you agree that the first mover disadvantage and high connection costs can be challenges for connecting new renewable generation and/or large electricity loads to the electricity network?**

While we have no direct experience in new generation connections, we can imagine that high connection costs would very likely be a barrier for investment and any opportunity to lower these costs would enable more rapid development of renewable generation, as well as impacting the ongoing viability of a generation asset.

As an example, we currently experience very high connection costs due to historically oversized connection assets and this places undue financial pressure on our business. High connection costs in our area are also a likely impediment to new industrial load connections at Marsden Point and highlight the risk of overbuilding infrastructure if this risk is to be carried by the consumer.

**Q2. Do you think the concept of a Renewable Energy Zone could be beneficial in a New Zealand context?**

Given New Zealand's ambitious renewable generation targets we would support mechanisms such as Renewable Energy Zones that promote rapid and efficient renewable generation development that should also drive to more affordable energy costs over time.

Wherever practical REZs should strive to first make use of existing infrastructure and corridors to reduce overall implementation and operational costs and to optimise overall costs versus benefits to consumers.

**Q3. What region(s) do you think would be suited to Renewable Energy Zones?**

Regions should be targeted that have a high level of renewable resources and that are located close to major load centres. Northland would appear to be an ideal location given its high wind and solar potential and its proximity to Auckland, while it is also the most distant to existing South Island hydro generation. It would also provide Transpower with the opportunity to utilise the excess capacity sitting in transmission lines into the region, a

legacy issue, where excess capacity has further increased following the cessation of refinery operations at Marsden Point.

**Q4. What benefits do you think should be considered in the decision-making process for Renewable Energy Zones in New Zealand?**

We support the benefits discussed within the consultation paper including the ability to unlock further renewables generation, increasing system resilience and reliability through more diversified generation and locations, and especially the potential to lower regional electricity prices for consumers. The latter point has specific importance for us given the current very high cost of energy in our region and also for Northland as a whole given the energy poverty experienced.

Additionally, the benefit to overall electricity system resilience and reliability should also be considered especially with respect to their ability to support major economic centres such as Auckland.

The paper highlights the potential improved regional socio-economic outcomes through supporting regional development and job creation including new generation construction and operation as well as supporting new industry. We further support consideration of this likely benefit in terms of the broader benefits to a region, especially for the likes of Northland that is dealing with a transition through the loss of a large industrial user that will have an impact on both the local and regional economy. Rapid development of new renewable generation and potentially new load may further serve to retain existing skills and develop new skillsets within the region.

**Q5. Do you agree with the proposed guiding principles? Are there any that you would change or add?**

We support the papers proposed guiding principles including:

- o Ability to unlock renewable energy resource
- o Customer driven and where clear generation/load demand exists
- o Local consumers should be no worse off
- o Partnership and collaborative approach
- o Deliver net benefits
- o Use transparent processes
- o Require minimal changes to regulatory framework

We believe that Northland has high potential to support and unlock additional renewables generation given its natural resources and strong developer interest, and support the proposed customer driven guiding principles.

We are strongly of the view that northern consumers that are already experiencing very high pricing should be no worse off from REZ development when considering total system costs (energy, transmission and distribution), through both any transitional development period as well as post development.

**Q6. Do you agree with the proposed criteria for selecting suitable regions for REZ development? Are there any that you would change or add?**

We support the papers proposed selection criteria including:

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- o Generation developer demand
- o Economic efficiency via existing processes
- o Existing network capacity
- o Renewable resource capacity
- o Wider grid benefits
- o Additional economic and social benefits

In addition, we would suggest including proximity to major load centres such as Auckland if this is not already considered as part of wider grid benefits.

Noting the need for accelerated implementation of renewable generation, priority and focus should be afforded to those regions that are most certain and likely to get generation build underway.

We also note that developed interest for a Renewable Energy Industrial Cluster (REIC) could include both new generation and new load. Marsden Point for instance, could be an ideal location to pilot the Renewable Energy Industrial Cluster concept given its port access, existing electrical and gas connections, current renewable generation interest and current and potential for future industrial loads. The Maranga Ra solar farm project could be a valuable contribution to a REIC at Marsden Point, being a fully consented and shovel ready project.

**Q7. Do you agree with using a tender process for committing projects in a REZ? Are there alternative processes that could be considered?**

No comment

**Q8. Who should be involved with co-ordinating and undertaking the various steps within a REZ development process?**

No comment

**Q9. Do you agree with the proposed project criteria? Are there any that you would change or add?**

We support the papers proposed selection criteria including:

- o Land secured
- o Financing progress
- o Design progress
- o Stakeholder engagement
- o Consenting progress
- o Network connection assessment progress

Again, noting the need for accelerated implementation of renewable generation, priority and focus should be afforded to those projects that are most certain and can most demonstrate alignment with relevant environmental resource planning instruments and that also have strong stakeholder support.

**Q10. Do you agree with the challenges we have identified?**

We agree with the key challenges mentioned within the consultation document including firm capacity rights access, funding and cost recovery and environmental approvals.

Coordinated consenting of multiple projects within the same REZ area remains a significant risk that will need to be addressed through mechanisms such as changes to the RMA processes. This will be necessary to reduce development cost and risk as well as enabling more fast-tracked rapid implementation of new renewable generation.

Funding remains a concern for us if it comes at any additional cost for consumers either through any transitional development phase and/or post development.

**Q11. What are some of the ways to overcome these challenges and who should be involved?**

We believe that central government likely has a significant role to play to underwrite risk and incentivise and attract new development as well as accelerating its implementation, potentially funding new supporting infrastructure ahead of demand.

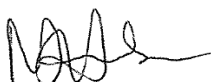
**Q12. Do you see any other potential challenges that need to be considered?**

Further challenges may be in how to ensure that we build the right sized generation, in the right place and at the right time, as well as how to manage the commitments required from generators before capacity is built. It is important that there is a process to do this upfront, so developers understand their life of project commitments.

In conclusion we support the Renewable Energy Zone concept and Northland as an ideal location to pilot its implementation. Renewable Energy Zones are a step in the right direction however we believe more can be done within the electricity market to provide long-term affordable, reliable and lower carbon energy for consumers while also providing better economic outcomes for the country.

Finally, we thank Transpower for the opportunity to offer submissions on the proposed Renewable Energy Zone concept are willing to discuss further as required.

Yours sincerely



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