

NEW ZEALAND: NOTABLE ENERGY DEVELOPMENTS FROM SEPTEMBER 2001 TO MAY 2002

The National Energy Efficiency and Conservation Strategy: released on 27 September 2001

1 New Zealand's first National Energy Efficiency and Conservation Strategy (NEECS), prepared as a requirement of the Energy Efficiency and Conservation Act 2000, was released in September 2001. The Strategy's purpose is to promote energy efficiency, energy conservation, and renewable energy, and to move New Zealand towards a sustainable energy future.

2 The Strategy promotes practical ways to find energy efficiency, energy conservation, and renewable energy mainstream solutions, and is organised around policies, objectives, and targets. Five action plans for government, energy supply, industry, buildings and appliances, and transport will help achieve the Strategy targets. The Strategy will be reviewed within five years.

3 The Strategy's two main targets are:

- a 20% improvement in New Zealand's energy efficiency by 2012; and
- an increase of between 19% and 42% (25-55 PJ) in energy from renewable sources by 2012.

4 There are a number of measures being put in place to achieve the energy efficiency target. These include the introduction of energy performance labelling, and minimum energy performance standards (MEPS) for appliances (please see item below). The renewables target is not yet firm. Appropriate mechanisms for increasing the use of renewables are being reviewed with decisions being made and firm targets being set by June 2002.

5 A full copy of the Strategy, and the five accompanying action plans, can be viewed on New Zealand's Energy Efficiency and Conservation Authority's website (www.eeca.govt.nz).

Gas Review: report released on 6 November 2001

6 In March 2001 the Government announced a review of the Gas sector. A consulting firm was appointed to examine whether the gas sector was meeting the Government's objective that natural gas be delivered to users in an efficient, fair, reliable and sustainable manner. The resulting report (released on 6 November 2001) reviews the current regulatory regime for gas companies in the light of the review's findings. The consultancy found that the gas wholesale market, although adequate for the present, will be less suitable in the future as the Maui gas field (New Zealand's largest gas field providing approximately 80% of total production) declines. It also concluded that there might be monopoly pricing in gas transmission and distribution.

7 The consulting firm's report was released as a discussion paper and submissions on it were received. From February 2002, cross-submissions have been received, and officials are expected to report to Government by the end of May

2002, including, if appropriate, recommendations for any changes to the regulatory regime that might be required.

Post Winter Review: announced in September 2001

8 Between September and December 2001 the Government carried out a review of the way New Zealand's electricity system functioned over the winter of 2001. The reason for the review was electricity supply shortages experienced by New Zealand during the 2001 cold and dry winter.

9 The purpose of the review was to consider whether changes might be required to improve the functioning of the system, particularly in dry years when less hydro is available.

10 The review was conducted as an open process of calling for submissions, posting them on a public website, and inviting cross-submissions. Opinion in the submissions was divided on whether the wholesale electricity market had responded effectively to an extraordinarily dry winter, but a majority took the view that the market was more effective than past arrangements at signalling and managing constrained supply and increased demand. Government considered what further changes were required to the electricity arrangements and announced these in December.

11 The announcements included the Government taking steps to accelerate the implementation of the Power Package reforms (a comprehensive policy package announced in October 2000 and designed to deliver fairness and transparency for electricity consumers. It followed a major Inquiry into the Electricity Industry carried out during 2000 - detailed information on both the Power Package and the Inquiry are available on www.med.govt.nz/ers/electric/package2000 and www.electricityinquiry.govt.nz. The Power Package Reforms included a Government Policy Statement).

12 Other changes as a result of the Post Winter Review are designed to make the wholesale electricity market more transparent and electricity retailers compete more effectively. The Government has established milestones for market improvements (specified in a revised Government Policy Statement) to be implemented before next winter. These improvements will include:

- projections of system adequacy;
- disclosure of forward hedge prices;
- disclosure of generator offer prices into the market;
- development of real time spot market pricing and promotion of demand-side participation;
- arrangements for agreeing on and paying for new transmission investments to relieve constraints; and
- development of financial instruments to manage transmission risk.

13 The Government has also amended its Government Policy Statement to require public disclosure of generator offers into the wholesale market after 2 weeks instead of 3 months. This will give consumers and other interested parties an early

opportunity to seek explanations from generators if questions arise about offer behaviour and prices.

Introduction of Minimum Energy Performance Standards (MEPS): promulgated on 5 February 2002

14 On 5 February 2002 the *Energy Efficiency (Energy Using Products) Regulations* were promulgated. These Regulations introduce:

- Minimum Energy Performance Standards (MEPS); and
- Mandatory Energy Performance Labelling.

15 The purpose of the MEPS is to prevent products that do not meet the minimum standard from coming onto the New Zealand market.

16 MEPS will become mandatory from 1 July 2002 for fluorescent tubes and ballasts, domestic refrigerators and freezers, three-phase cage induction motors, and packaged air conditioning units. MEPS for domestic electric storage water heaters are expected to take effect from 1 February 2003.

17 The purpose of introducing a requirement for Energy Performance Labelling is to allow consumers to compare the energy use of competing appliances. The labels on various products show how much energy each appliance uses in a year of 'normal' service, and therefore allows consumers to work out appliance running costs. A system of 'stars' provide a quick reference to compare the energy efficiency of similar models.

18 On 1 April 2002, Energy Performance Labelling will become mandatory for refrigerators and freezers, dishwashers, clothes dryers, clothes washers and household-sized air conditioners.

19 More information is available on Minimum Energy Performance Standards and Mandatory Energy Performance Labelling on the website www.eeca.govt.nz.

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