

# **Electricity Industry (Small-Scale Renewable Distributed Generation) Amendment Bill**

Member's Bill

## **Explanatory note**

### **General policy statement**

This Bill is intended to break down existing barriers and provide a fair regime for small-scale renewable electricity generators to encourage greater renewable distributed generation and to help New Zealand in meeting the goal of 90% renewable electricity by 2025.

The Bill will complement the existing Act by increasing the security of New Zealand's electricity supply, decreasing transmission losses, and promoting economic development. The principle behind the Bill is that it will be fair and transparent and provide certainty for participants while not requiring public subsidies or increasing electricity costs for consumers.

To achieve this, the Bill amends the Electricity Industry Act 2010, instructing the Electricity Authority to update the Electricity Industry Participation Code to establish and provide a regime to encourage fair and reasonable power purchase agreements, including setting a per kilowatt hour payment rate for surplus electricity exported from installations under 10 kilowatts by the small-scale renewable distributed generator and by the electricity retailer. The purpose is to provide certainty for investors looking to generate small quantities of renewable electricity from, for example, solar photovoltaics, wind, biomass, and micro-hydro for their own use with the surplus fed into the electricity grid.

The Bill aims to address the current unbalanced situation where surplus electricity from small-scale renewable distributed generators is fed into the electricity grid under a contract in which conditions, including the contract term and unit price, are set by electricity companies with little power for the small-scale generator.

The Bill modifies the objective and functions of the Electricity Authority and includes new provisions in the Act containing the detail on how to unblock the existing barri-

ers discouraging small-scale renewable distributed generation. The new provisions outline an electricity purchase agreement term of not less than 10 years and require a fair and reasonable price to be paid by retailers to be set and reviewed by the Electricity Authority, as well as providing subsidiary rules to administer renewable installations under 10 kilowatts.

Small-scale renewable distributed generation can improve security of supply by creating a diversity of technology types and locations and, where appropriately sited, help reduce the need for transmission and distribution upgrades. This renewable energy source could play an increasingly important role in meeting electricity demand, as the cost of smaller-scale technologies declines and the price of electricity rises.

### Clause by clause analysis

*Clause 1* contains the Bill's title.

*Clause 2* states the Bill's commencement date.

*Clause 3* provides that the Electricity Industry Act 2010 (**EIA**) is the Act being amended.

*Clause 4* amends the interpretation section of the EIA to insert necessary definitions.

*Clause 5* amends the section of the EIA dealing with the objective of the Electricity Authority to include reference to renewable distribution generation.

*Clause 6* amends the section of the EIA dealing with the functions of the Electricity Authority to add a function related to small-scale renewable distribution generation.

*Clause 7* inserts *new sections 43A and 43B* in the EIA. The new sections require the Electricity Authority to include in the Electricity Industry Participation Code matters related to a standardised contract for the purchase of electricity provided by small-scale renewable distribution generation. If the Authority does not include matters in the Code, it must report to the Minister. The Minister may include the matters.

*Clause 8* inserts *new section 44A* in the EIA. The new section provides that the standardised contract runs with the land.

*Gareth Hughes*

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### **The Parliament of New Zealand enacts as follows:**

#### **1 Title**

This Act is the Electricity Industry (Small-Scale Renewable Distributed Generation) Amendment Act **2015**.

#### **2 Commencement**

This Act comes into force on the day after the date on which it receives the Royal assent.

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**3 Principal Act**

This Act amends the Electricity Industry Act 2010 (the **principal Act**).

**4 Section 5 amended (Interpretation)**

In section 5, insert in their appropriate alphabetical order:

**distributed generation** has the meaning given to it in the Code 5

**small-scale** means under 10 kilowatts

**SSRDG** means small-scale renewable distributed generation

**SSRDG electricity** means electricity generated by SSRDG

**SSRDG electricity purchase agreement** means a standard contract for the 10  
purchase of SSRDG electricity

**5 Section 15 amended (Objective of Authority)**

In section 15, after “reliable supply by,”, insert “greater use of renewable energy, including from distributed generation sources, in,”.

**6 Section 16 amended (Functions of Authority)**

After section 16(1)(h), insert: 15

(ha) to prepare, and monitor the use of, the SSRDG electricity purchase agreement:

**7 New sections 43A and 43B inserted**

After section 43, insert:

**43A Specific new matters about SSRDG to be in Code** 20

(1) Before the date that is 1 year after this section comes into force, the Authority must have—

(a) amended the Code so that it includes all the new matters described in **subsection (2)**; or

(b) if the Code does not include all the new matters, provided the Minister with a report as described in **subsection (3)**. 25

(2) The new matters are as follows:

(a) an SSRDG electricity purchase agreement prepared by the Authority that does the following:

(i) defines the roles of the parties to the agreement; and 30

(ii) provides a minimum term of 10 years; and

(iii) sets a fair and reasonable minimum rate, which must be greater than the wholesale electricity price and less than the retail electricity price, that retailers must pay for SSRDG electricity; and

- (iv) provides mechanisms for the Authority to make an annual adjustment of the rate for new installations; and
  - (v) provides a process of connection for retailers and distributors that is simple, standard, consistent, and New Zealand-wide; and
  - (vi) provides for electricity distributors to ensure safe and on-going connections to their networks, including but not limited to compliance with AUS/NZ 5033; and 5
  - (vii) provides a process for SSRDG account reconciliation that is simple, standard, consistent, and New Zealand-wide; and
  - (viii) minimises administration and transactional costs; and 10
  - (ix) provides for the parties to vary the SSRDG electricity purchase agreement prepared by the Authority on terms that are more favourable to the seller of SSRDG electricity than those of the agreement:
  - (x) provides for any other matters relevant to establishing a fair regime for SSRDG: 15
- (b) a requirement for consumers, retailers, and distributors to use, in situations to which it applies, the SSRDG electricity purchase agreement, or the agreement as modified under **subsection (1)(a)(ix)** (as the case may be): 20
  - (c) a requirement for the Authority to monitor use of the SSRDG electricity purchase agreement.
- (3) A report provided under **subsection (1)(b)** must—
- (a) identify which new matters are not included in the Code; and
  - (b) explain why the Authority has not amended the Code to include those matters; and 25
  - (c) suggest alternative methods by which the matters are or may be provided for; and
  - (d) set out if, when, and how the Authority proposes to provide for the matters. 30
- 43B Minister may amend Code to include new matters about SSRDG**
- (1) The Minister may amend the Code by including provisions for any of the new matters identified in **section 43A(2)** if—
- (a) the Minister considers that the Code’s provisions for a new matter are not satisfactory; or 35
  - (b) the Minister considers that, in light of the Authority’s report given under **section 43A(1)(b)**, it is necessary or desirable for the Minister to amend the Code to include provisions for the matter in the Code.

- (2) The Minister may amend the Code as if he or she were the Authority, and sections 37 to 40 apply accordingly.
- (3) Before amending the Code, the Minister must—
- (a) consult with the Authority (in addition to any consultation required under section 39); and
  - (b) be satisfied that the amendments will achieve the Authority’s objective in section 15.
- (4) The power given by this section may not be exercised earlier than 1 year after, and not more than 3 years after, the date on which this section comes into force.
- 8 New section 44A inserted (SSRDG electricity purchase agreements bind subsequent landowners)**
- After section 44, insert:
- 44A SSRDG electricity purchase agreements bind subsequent landowners**
- A SSRDG electricity purchase agreement runs with the land until the agreement’s term ends.