National Policy Statement for Renewable Electricity Generation

Regulatory Impact Statement

EXECUTIVE SUMMARY

Assuming no change in New Zealand's approach to electricity generation transmission and consumption, electricity-related greenhouse gas (GHG) emissions are projected to rise by 50 per cent by 2030. The government believes this would not only be environmentally irresponsible, but that it would place New Zealand exports at a disadvantage, increase the country's exposure to the cost of imported fossil fuels and threaten New Zealand's reputation as a clean, green tourist destination. As such, the government has adopted a target for renewable electricity generation of 90 per cent by 2025 (based on delivered electricity in an average hydrological year).

In the period from 1991 to mid-2006, however, only 17 per cent of electricity generation capacity consented has been renewable and the total proportion of electricity generated in New Zealand from fossil fuels increased significantly. A key reason for this trend is that the Resource Management Act 1991 (RMA) does not clearly establish the significance of the benefits of renewable electricity generation projects. This has led to increasing uncertainty in the marketplace, which has potentially discouraged investment and has the potential to frustrate development opportunities into the future.

The proposed national policy statement (NPS) will, unlike other alternatives, establish the national significance of the benefits associated with these activities, and will provide a consistent national policy framework for decision-makers considering applications and submissions on renewable electricity generation activities. The objective and policies of the proposed NPS will support an increase in the proportion of electricity generated in New Zealand from renewable energy sources such that 90 per cent of New Zealand's electricity will be generated from renewable sources by 2025. The New Zealand economy will benefit from increased security of electricity supply and reduced costs of compliance with international climate change obligations. Costs will arise as local authorities amend plans and policy statements in order to give effect to the proposed NPS.

ADEQUACY STATEMENT

This is a draft Regulatory Impact Statement for the purpose of consultation. A later Regulatory Impact Statement will be circulated for comment and reviewed for adequacy by the Regulatory Impact Analysis Unit before final policy decisions are sought.

STATUS QUO AND PROBLEM

A secure and reliable system of electricity generation and transmission is a central component of a modern prosperous society. Demand for electricity is increasing as New Zealand's population grows. In simple terms, for New Zealand to meet growth in demand until 2025, around 175 MW of additional generation capacity will need to be constructed per annum.

In New Zealand, fossil-fuel electricity generation has traditionally been used to account for shortfalls in electricity supply during dry years when hydro-generation capacity is constrained. Generating electricity from fossil-fuels releases significant quantities of GHGs into the atmosphere. Assuming no change in New Zealand's approach to electricity generation transmission and consumption, electricity-related GHG emissions are projected to rise by 50 per cent by 2030. The government believes this would not only be environmentally irresponsible, but that it would place New Zealand exports at a disadvantage, increase the country's exposure to the cost of imported fossil fuels and threaten New Zealand's reputation as a clean, green tourist destination.

In addition, New Zealand has also signed and ratified the Kyoto Protocol and by 2012 is obliged to have either reduced GHG emissions to 1990 levels, or to purchase carbon credits to offset post 1990 increases. The government believes that there are obvious and low cost GHG reduction opportunities in the form of renewable electricity generation and seeks to increase the proportion of electricity generated from renewable energy sources in New Zealand in order to meet projected growth in electricity demand without increasing the country's contribution to climate change or exposing the economy to economic risk.

However, in the period from 1991 to mid-2006 only 17 per cent of electricity generation capacity consented was renewable and the total proportion of electricity generated in New Zealand from fossil fuels increased significantly. Factors that have contributed to this trend include:

- the short-term abundance of low-cost fossil fuel sources (particularly Maui gas)
- rising international demand for the services of manufacturers of renewable electricity generation components
- New Zealand's unique renewable energy resource characteristics (particularly wind) requiring tailored design and manufacturing solutions
- the small size of New Zealand's market.

The section 32 evaluation accompanying the proposed NPS identified that market uncertainty created by the lack of clear government direction on the benefits of renewable electricity generation introduces a risk that generators will be unable to develop sufficient capacity to meet the government's renewable electricity targets as expressed in the New Zealand Energy Strategy.

Renewable electricity projects will in almost all instances require council officers and decision-makers to balance competing section 6 and 7 matters (nationally important matters and matters to which decision-makers must have particular regard) throughout the resource consent process. Within a regulatory framework that does not clearly articulate the benefits of renewable electricity generation, or provide clear guidance on how to balance national versus local effects, these judgements are complicated and can take time for a responsible decision-maker to make. The compounding effect of this will have a significant bearing on the time it takes to gain resource consent.

It is considered that this pattern has emerged primarily because:

- There is the potential for inconsistent recognition through the RMA decision making process of the nationally significant benefits of renewable electricity generation activities.
- Local authorities have, in general, been slow to develop specific policy to address renewable electricity generation. The government believes that the amendments made to the RMA in 2004 relating to the effects of climate change and the benefits to be derived from the use and development of renewable energy sources need to be reflected in statutory RMA plans in order for these benefits to be given appropriate weight in the judgments of RMA decision-makers.
- There is a lack of policy guidance across much of New Zealand in relation to renewable electricity generation, which can hinder innovation.

- Disproportionate costs associated with acquiring resource consents for small-scale projects can discourage investment in these projects, which due to their limited scale will have limited adverse environmental effects.
- The process of gaining consent for existing renewable generation activities can be unnecessarily onerous. While it is necessary to re-evaluate the appropriateness of a project at the expiry of consent, this re-evaluation should perhaps emphasise efforts to improve environmental performance, and increase efficiency and the effective use of resources.
- Projects may be becoming increasingly difficult to consent. Renewable electricity generation projects consented and developed to date are likely to have been the most economically attractive projects and those that have been 'easier' to consent. Demand for electricity will continue to increase, and as the store of more easily 'consentable' projects diminishes, more complex balancing decisions will be required.

The problem with the status quo, therefore, is that the RMA does not clearly establish the significance of the benefits of renewable electricity generation projects, which by their nature can compete with other environmental values and are often felt at the national level. This has led to increasing uncertainty in the marketplace, which has potentially discouraged investment in some instances, and has the potential to frustrate development opportunities into the future.

OBJECTIVES

To support achievement of the New Zealand Energy Strategy's target for renewable electricity generation of 90 per cent by 2025 (based on delivered electricity in an average hydrological year) by recognising the national significance of renewable electricity generation activities in order to facilitate:

- the operation, maintenance, and upgrading of existing renewable electricity generation activities; and
- the development of new renewable electricity generation activities.

ALTERNATIVE OPTIONS

A range of alternative options for addressing the problem identified with the status quo were identified and assessed against their ability to:

- help promote the sustainable management of natural and physical resources
- establish the national significance of renewable electricity generation activities
- establish a nationally consistent policy framework
- be implemented in a reasonable timeframe and at a reasonable cost.

<u>Non-regulatory options</u>

Non-statutory guidance

Non-statutory guidance could potentially support achievement of the objective by:

- guiding councils on how to appropriately respond to sections 7(i) and 7(j) of the RMA which require decision-makers to have particular regard to the effects of climate change and the benefits to be derived from the use and development of renewable energy.
- identifying the matters relevant to decision-makers' consideration of proposals to use and develop renewable energy resources.

- guiding applicants and decision-makers on appropriate assessment methodologies and standards.
- guiding councils decisions as to the appropriate consent status for particular activities and appropriate assessment criteria.

Depending on its scope, non-statutory guidance could be difficult, costly and time-consuming to develop, particularly if it sought to provide guidance on how to weigh potentially competing matters of national importance such as the protection of outstanding natural features and landscapes from inappropriate subdivision, use and development. Also, because it has no statutory weight, non-statutory guidance alone can not be relied upon to effectively address the problem identified with the status quo. As such, non-statutory guidance cannot be relied upon to establish a consistent policy framework and it may not be able to be implemented in a timely and cost-effective manner.

Nevertheless, non-statutory guidance could compliment a NPS by helping to reduce council implementation costs and also by helping to promote the consistent interpretation and implementation of its policies.

Submissions made by the Minister solely or on behalf of the Crown

Submissions made by the Minister solely or on behalf of the Crown on particular applications and/or plan changes have the potential to assist decision-makers in the process of determining the national interest of a particular project. There are, however, two main factors that undermine the effectiveness of this alternative:

- all of government submissions are ultimately considered alongside other submissions without being afforded additional weight
- all of government submissions could not be relied upon to address the lack of clarity within the decision-making framework as to the appropriate amount of weight that should be afforded to the benefits renewable electricity generation.

In isolation, all these submissions would not establish a nationally consistent policy framework and cannot be relied upon as an alternative for addressing the problem identified with the status quo. However, in some instances they may assist the implementation of an NPS.

Regulatory options

Amending the RMA

Two approaches to amending the RMA were considered:

- Amending the RMA to elevate the importance of renewable electricity generation into section 6 of the Act

  This would require decision-makers to consider the benefits of renewable electricity generation as a matter of national importance and would increase the weight decision-makers give to the benefits of renewable electricity generation. However, Section 6 of the RMA currently has an environmental preservation and protection emphasis. Inserting a 'resource use and development' emphasis into section 6 would challenge the established structure of the RMA and could require decision-makers to dramatically re-evaluate their interpretation of the purpose of the Act. There could be no guarantee that the judgements of decision-makers would be consistent on this point. It is conceivable that such a re-evaluation would result in case law that could be applied broadly in support of proposals to use and develop natural resources in general and it is unclear whether such an outcome would promote the sustainable management of New Zealand's natural and physical environment.

- Amending section 166 of the RMA to include electricity generators, thereby enabling them to issue notices of requirement for designations

Requiring authorities are those bodies empowered under section 166 of the RMA to notify councils of their requirement for changes to be made to district plans to provide for specific works to be undertaken.

Although electricity generators are currently excluded from applying for requiring authority status there are options available under the RMA and the Electricity Act 1992 for generators to seek requiring authority status if they consider this appropriate or helpful. These options are complex, remain largely untested and are constrained in scope. By providing generators with the ability to designate resources for the purposes of renewable electricity generation, the government would be sending a strong signal in support of the use and development of New Zealand's renewable energy resources. Despite this, the public is able to submit on the decisions of a requiring authority; decisions that would be made within the existing framework of the RMA and would be subject to appeal to the Environment Court. In this context it is not possible to conclude that amending the RMA to enable generators to designate resources for the purposes of renewable electricity generation would either address the problem identified with the status quo or promote the sustainable management of natural and physical resources. It is also unlikely that this alternative would be able to implemented in a reasonable timeframe and at a reasonable cost. However, amending section 166 to enable generators to issue notices of requirement for designations may serve to complement other mechanisms for addressing the problem with the status quo and should be considered in light of the performance of the NPS in achieving the Objective.

Ministerial call-in process

Another option considered was to specify a generation capacity threshold above which all renewable electricity proposals would be called in. Amending the RMA to set a call-in threshold would increase the level of certainty that national issues would be considered in decisions made on applications to use and develop natural and physical resources for the purpose of renewable electricity generation. However, such a decision:

- would undermine the Minister's ability to decide when call-in is or is not appropriate
- would, if set too low, dramatically increase the volume of projects required to be processed by the Ministry.
- Could, if set too high, impede proposals to develop small-scale and distributed generation by effectively sending a signal that the contributions of this form of development are not nationally significant.
- could build expectation that the government will move towards automatic call-in of other nationally significant activities

Importantly, decisions on projects called in by the Minister are still made under the existing RMA decision-making framework and subject to the existing requirement to promote the sustainable management of natural and physical resources. There is no guarantee, however, that decisions made under a modified call-in process would address the problem identified with the status quo. It is also uncertain what effect this approach would have on processing timeframes and costs.

National environmental standard (NES)

Standardised assessment methodologies, effects thresholds and consent status could help reduce consent processing times and costs. However, the diversity of technologies, resources, environments and communities involved would require the development of a range of separate standards and the process of developing these standards would be complex, contentious, time-consuming and costly. Given that rapid action is required to address the problem identified with the status quo, a lengthy process is not desirable. Furthermore:

- decisions made in accordance with national standards are, in any case, likely to be challenged on the basis of site-specific information by both project proponents and opponents.
- in developing specific standards, the Ministry for the Environment could risk undermining the momentum that is building through case law towards the development of Court tested and approved methods and thresholds. Such an approach may in fact delay certainty and may not improve upon the existing situation.
- decision making at the local level is a fundamental aspect of the RMA and until such time as a very clear need for national standardisation is identified an approach that challenged this principle would not be appropriate.

An NES or NESs could help promote the sustainable management of natural and physical resources by setting nationally consistent standards and effect thresholds. However, even once NESs had been developed, all applications and submissions would be subject to assessment against the sustainability purpose of the RMA in the absence of a nationally consistent policy framework around renewable electricity generation and there could be no guarantee that an NES or NESs would address the problem identified with the status quo. In addition, the costs and time associated with the development of an NES or NESs are likely to be significant.

However, as the effect of the proposed NPS on decision-making becomes clear, it may be appropriate to consider whether a NES (or NESs) is necessary to support achievement of the objective.

Summary assessment of alternative options

Ability to meet main assessment criteria	Guidance	Call-in threshold	All of government submissions	Amend section 166 of RMA	Amend section 6 of RMA	NES	NPS
Promote the sustainable management of natural and physical resources	✓	-	-	-	x	✓	✓
Establish the national significance of renewable electricity generation activities	x	x	x	x	✓	x	✓
Establish a nationally consistent policy framework	x	✓	x	x	x	x	✓
Be implemented in a reasonable timeframe and at a reasonable cost.	x	-	-	x	x	x	✓

PREFERRED OPTION – NATIONAL POLICY STATEMENT

A NPS can provide RMA decision-makers with guidance on resource management issues of national significance. Importantly, local authorities are required to amend their policy statements and/or plans to "give effect to" the objectives and policies of an NPS. The primary differences between an NPS and the alternatives assessed are that an NPS can:

- ascribe national significance to the benefits of renewable electricity generation.
- require that decision-makers have regard to the benefits of renewable electricity generation when considering applications and submissions on renewable electricity generation activities.

- have an effect on RMA decision making without requiring local authorities to amend plans.

As such, an NPS can have an immediate and wide reaching effect on the RMA decision-making framework.

The proposed NPS has been drafted to focus policy guidance at the decision-making level in order to preserve the ability of decision-makers to build a 'fine-grained' analysis of the local situation into their judgements. This will also reduce the time it takes for the proposed NPS to have an effect on the status quo and will minimise costs to local authorities. Importantly, requiring decision-makers to consider the benefits of renewable electricity generation as a matter of national significance will provide an overarching consistency to the manner in which decision-makers address applications to develop renewable electricity generation capacity throughout New Zealand.

Nevertheless, some changes to the plans and policy statements of local authorities will be required and this will add to the stock of existing regulation. It is noted, however, that the plan review process is an accepted component of the status quo and that the timeline for changes has been set to coincide with complementary changes required by the NPS for Electricity Transmission. This should increase the efficiency of the plan change process and limit associated costs for local authorities and public submitters.

The proposed NPS contains one objective and five policies. The objective of the proposed NPS is:

> *To recognise the national significance of renewable electricity generation by promoting the development, upgrading, maintenance and operation of new and existing renewable electricity generation activities, such that 90 per cent of New Zealand's electricity will be generated from renewable sources by 2025 (based on delivered electricity in an average hydrological year).*

Policy 1 ascribes national significance to the benefits of renewable electricity generation, irrespective of scale, and provides a non-exclusive list of benefits to guide decision-makers' consideration of applications and submissions. This list addresses the contribution of renewable electricity generation projects to: increasing New Zealand's electricity generation capacity, avoiding reducing or displacing green house gas emissions and increasing security of supply. This policy sends a clear signal as to how government views the benefits of renewable electricity generation and should clarify the importance of these benefits in the minds of council officers and decision-makers.

Matters for submitters to consider in relation to Policy 1:

The decision has been taken to focus Policy 1 on the three core benefits associated with renewable electricity generation. Submitters may wish to provide information to assist the Board of Inquiry to establish whether a wider list of benefits would further clarify the regulatory framework within which applications are considered.

Submitters may wish to provide information to help the Board of inquiry clarify the effect that this policy will have on the 'consentability' of renewable electricity generation projects.

Policy 2 guides decision-makers' consideration of proposals to avoid, remedy or mitigate the potential adverse environmental effects of renewable electricity generation projects. In doing so it requires decision-makers to recognise that the location of the energy resource or the practical technical constraints imposed by the generation technology itself will determine aspects of project design and site selection, and may constrain the ability of developers to avoid or mitigate effects. In some instances, decisions that require modifications to project design, or that set additional mitigation requirements, may threaten the viability of proposed projects. While such requirements may be necessary to promote the purpose of the RMA, this policy will ensure that decision-makers consider the implications of these decisions and

recognise that in some instances the emphasis will need to be on mitigating rather than avoiding effects if projects of this kind are to be developed.

Matters for submitters to consider in relation to Policy 2:

Submitters may like to provide information to assist the Board of Inquiry to more accurately determine the potential consenting benefits and environmental costs of the proposed policy.

Policy 3 seeks to ensure that the relative degree of reversibility of different generation technologies is recognised by developers when designing projects, and that it is considered by decision-makers when considering applications for resource consent and submissions received. By doing so, it supports development that minimises the potential for decisions made now to foreclose on potential future options for the use and development of natural and physical resources.

Matters for submitters to consider in relation to Policy 3:

Submitters may like to provide information to assist the Board of Inquiry to more accurately determine the potential effect of this policy on the 'consentability' of hydro-generation proposals and/or the security of electricity supply.

Policy four requires local authorities to enable research and investigation in the field of renewable electricity generation. There are two main aspects to this: the assessment of potential sites and energy sources for renewable electricity generation; and research scale investigation into alternative renewable electricity generation technologies and methods. Removing unnecessary regulatory barriers such as varied consent status and assessment criteria is a necessary step if generators are to obtain the necessary information to enable them to take advantage of new opportunities and emerging technologies as they seek to meet the government's target of 90 per cent renewable electricity generation by 2025.

Matters for submitters to consider in relation to Policy 4:

Submitters may like to provide information that will assist the Board of Inquiry to evaluate the benefit that this policy will have for generators when compared to the cost associated with the local government processes required to give effect to it.

Policy five seeks to address the disproportionately high consenting costs associated with small and community-scale renewable electricity generation projects with limited environmental effects. In doing so, the aim is to remove regulatory barriers that are currently acting to prevent small-scale developers from entering into the renewable electricity generation market.

Matters for submitters to consider in relation to Policy 5:
Submitters may wish to provide information to assist the Board of Inquiry to determine the appropriateness of the proposed 4 MW threshold. Other legislation has been amended to define small-scale generation as up to 10 MW installed capacity and legislative consistency is desirable where appropriate. In this regard, further information may aid consideration of whether a threshold of 10 MW would be appropriate in this instance.

Submitters may also wish to provide further information to enable the Board of Inquiry to more clearly establish the scale of effects that could be expected to be associated with a marine generation project of less than 4 MW installed capacity.

Expected benefits and costs of the preferred option

Benefits

The proposed NPS will promote an increase in the proportion of electricity generated in New Zealand from renewable sources. This will support the development of a diverse and resilient electricity generation sector, which will, in turn, increase security of electricity supply. A reduced dependence on fossil-fuel generation will minimise New Zealand's exposure to international fluctuations in resource (oil and gas) prices. The proposed NPS will support other government initiatives seeking to reduce GHG emissions and to address climate change. Importantly, the proposed NPS will limit the extent of New Zealand's potential economic liabilities on the international carbon market deriving from its climate change obligations. It is difficult to quantify these economic benefits, but they are expected to be significant.

Clear statutory recognition of the national benefits of renewable electricity generation will provide developers with a degree of certainty that decision-makers will give appropriate consideration to these benefits when considering plan provisions and applications.

Costs

The total present value cost of the proposed NPS is estimated to be $23.5 million. Tables detailing estimated costs and the assumptions behind these estimates are included in Appendix A. A discussion of specific costs associated with the project is set out below:

Government costs

The government will incur costs associated with the preparation of non-statutory guidance and explanatory workshops to support consistent interpretation and implementation of the proposed NPS - $260,000 undiscounted cost in the first year following approval. Further costs could result if Crown submissions are required in relation to specific applications and/or plan changes.

Local Authority (territorial authorities, unitary authority and regional councils) costs

A majority of costs associated with the proposed NPS will fall on local authorities, which will be responsible for notifying and processing plan changes. It is estimated that staff training/upskilling, and the process of plan change notification and hearings (assuming one plan change process per regional council, unitary authority and territorial authorities, and excluding the potential for synergy with other related plan changes) required to give effect to the proposed NPS will result in a cost to local government of $19.9 million (undiscounted cost spread over year's two to five following approval). An additional $3.1 million (undiscounted cost spread over 20 years following approval) has been estimated to allow regional councils and unitary authorities to implement public education and advocacy in support of appropriate renewable electricity generation opportunities.

Generator costs

It is expected that generators will monitor plan changes made in response to the proposed NPS. It is likely that generators will lodge submissions on plan changes in areas where they have a commercial interest and a cost of $7.3 million (undiscounted cost spread over year's two to five following approval) has been estimated to account for generator advocacy (one FTE per major generator plus $50,000 per plan).

Local community stakeholders and NGO costs

It is likely that the proposed NPS will stimulate an increased level of community involvement in plan advocacy. A cost of $3.4 million (undiscounted cost spread over year's two to five following approval) has been estimated to account for public submissions.

Summary table of benefits and costs

Group/resource	*Explanation*	*Cost/benefit*
Benefits		
Environment	Achieving increased generation capacity while avoiding or minimising GHG emissions.	Complements other initiatives to reduce GHG emissions and address climate change. Potential benefits cannot be properly costed, but are expected to be significant.
Generators	Increased regulatory certainty leads to greater market certainty.	More attractive and certain marketplace for investment. Potential benefits cannot be properly costed, but have the potential to be significant.
Local authorities	Increased regulatory certainty.	Clarified regulatory framework. Potential benefits cannot be properly costed, but have the potential to be significant.
Consumers	Increased security and resilience of electricity supply. Increased energy security.	Fosters a resilient economy and economic development; safeguards well-being. Potential benefits cannot be properly costed, but are expected to be significant.
Costs		
Environment	The proposed NPS supports renewable electricity generation activities.	This may lead to an increase in the use and development of renewable energy sources, with associated effects on the local environment.
Central government	Some costs associated with the development of non-statutory guidance and all-of-government submissions.	Around $260,000 for non statutory guidance. Costs associated with all-of-government submissions are uncertain, but are not expected to be significant.
Local authorities	Potential for significant increase in costs associated with the need to change plans and policy statements. Costs will be more significant for councils that have yet to introduce renewable energy-related policies following the 2004 amendment to the RMA.	Potential costs of $23 million.
Generators	Increased costs associated with monitoring and advocacy in plan change processes.	Potential costs of $7.3 million.
Local community	Increased costs associated with monitoring and advocacy in plan change processes.	Potential costs of $3.4 million.

Risks

The primary risks and means of mitigation are set out in the table below:

Risks	*Means of mitigation*
Lack of local and/or regional action and uncertainty about how best to give effect to proposed NPS could lead to delays / litigation. Some councils may argue that their plans already meet the requirements of the proposed NPS, and therefore no further change is necessary. This may lead to potential confrontation, and possibly litigation between the Ministry, generators and local authorities.	Ongoing consultation and discussion between the Ministry and local authorities to ensure all parties clearly understand the Minister's intentions. Non-statutory guidance will also have a role to play in mitigating this risk.
Underestimation of the costs and time it will take to put required changes in place.	The need to act quickly is largely addressed by targeting key policies to decision-making process without requiring plan changes. Plan changes required by the proposed NPS are kept to a minimum and relate to matters that will assume relevance over the medium term. The implementation timeframe set by the proposed NPS should provide enough time for councils to put changes in place in time to address market need and should enable councils to reduce costs by 'dovetailing' changes with other similar changes required by the NPS for electricity transmission.
The proposed NPS will require councils to undertake additional investigative, monitoring and policy development work. An estimate of these costs is provided in Appendix A of this report. One key risk to delivering on the proposed NPS is a lack of "professional" resources at regional and district councils. A further possibility is that the NPS could result in the resources of regional and district councils being diverted away from the processing of consents for renewable electricity generation projects towards policy development, or away from other high-priority programs.	This risk has been mitigated by targeting the decision-making process as much as possible, minimising the number of plan changes required and aligning timelines with those set by the related national policy statement for electricity transmission.
Policy requiring decision-makers to have regard to the relative 'reversibility' of effects of different technology types could potentially introduce a regulatory bias against investment in 'non-reversible' technologies such as hydro generation.	The requirement for decision-makers to consider 'reversibility' provides an additional point of argument for wind and marine projects (in particular) but takes nothing away form the arguments that may be marshalled to support a hydro development. In any case, policy support for other established renewable electricity generation technologies such as wind and geothermal should increase their share of generation capacity in the short term, and policy support for research and innovation will provide alternatives (such as marine energy) in the medium to longer term. Therefore, even if the policy does contribute towards in a long term shift term in emphasis towards the use of such renewable resources at the expense of further hydro development, there would not seem to be significant negative implications in terms of the ability to meet the renewable energy target.
Environmental effects. The proposed NPS could promote development in some areas where it would not have happened under the status quo.	The proposed NPS retains the existing environmental protection emphasis of section 6 of the RMA and does not alter the need for decisions to promote the sustainable management of natural and physical resources.

IMPLEMENTATION AND REVIEW

The proposed NPS is a work in progress. Before it is finalised it will have undergone a public Board of Inquiry and two evaluations of alternatives, benefits and costs under section 32 of the RMA. It will also be subject to a second Regulatory Impact Assessment. The information and findings coming out of the inquiry, and submissions to it, will inform future steps and refinements of the proposed NPS before it is finalised.

Section 53 of the RMA provides the Minister with the flexibility to review, change, or revoke a NPS at his or her discretion. The government will need to monitor the effect of the approved NPS on decisions made under the RMA and will need to consider amendments to some or all of the policies if it fails to address the problem identified with the status quo as expected. Given the implementation timeline of 13 March 2012 for plan changes, it is unlikely that the approved NPS would be subject to a full review prior to 2014.

CONSULTATION

In October 2007, in accordance with section 46 of the RMA, the Minister for the Environment sought comments from relevant iwi authorities and a range of stakeholders on the notion of an NPS for renewable electricity generation.

In March 2008 consultation workshops and meetings were held with representatives of local government, the generators and other key stakeholders. The purpose of this consultation was to gather feedback on the potential scope and detail of the proposed NPS. The feedback received during this consultation led to a major change in policy direction, away from targets and policy aimed at particular generation types towards a framework focusing more generally on the benefits of renewable electricity generation.

Consultation was undertaken with departments in May and June of 2008 and the draft NPS was refined to increase clarity and to introduce explicit support for small and community scale renewable electricity generation.

During the section 32 evaluation process, representatives of generation companies and particularly relevant district and regional councils were consulted on the likely effect of the draft NPS. The results of this consultation were used to refine the policies and to inform the evaluation of costs and benefits associated with the proposed NPS.

Agencies consulted by the Ministry for the Environment were: Department of Building and Housing, New Zealand Defence Force, Department of Internal Affairs, Department of Conservation, Land Information New Zealand, Ministry of Agriculture and Forestry, Ministry of Economic Development, Ministry of Health, Te Puni Kōkiri, Treasury, Ministry of Justice, Energy Efficiency and Conservation Authority, Ministry of Transport and the Ministry of Women's Affairs. The Department of the Prime Minister and Cabinet was informed of the policy development process associated with this NPS.

APPENDIX A: PRELIMINARY ESTIMATE OF COSTS

Table 1: Assumptions for the preliminary cost assessment

Regional Councils (12)	**Unit rate**	**Assumptions**
Training/upskilling/new staff	$75,000	0.5 FTE* per RC
Notify plan change/hearings	$300,000	per change (includes coastal plan if needed)
Consents / appeals	uncertain	
Innovation	$10,000	per annum per RC for continued education / encouragement
Territorial Authorities (68)		
Training/upskilling/new staff	N/A	
Notify plan change/hearings	$150,000	per change
Consents / appeals	uncertain	
Innovation	N/A	
Unitary Authorities (5)		
Training/upskilling/new staff	$75,000	0.5 FTE per UA
Notify plan change/hearings	$200,000	per change
Consents / appeals	uncertain	
Innovation	$10,000	per annum per council
Central government		
Guidance preparation	$210,000	1FTE plus standard QP cost
HVA methodology dev and testing	N/A	Removed from proposal
Workshops	$50,000	0.2FTE plus $20k for venue hire, travel, materials, etc.
Submitting on plans	uncertain	
Generators (5)		
Pre-consent preparation	uncertain	
Consents/appeals	uncertain	
Plan advocacy	$200,000	1 FTE per annum + $50k per plan for years 2 to 5. FTE's for 5 main generators.
Local community stakeholders		
Consents/appeals	uncertain	
Plan advocacy	$20,000	$20k per plan for experts, submissions, etc.
NGOs		
Plan advocacy	$20,000	$20k per plan for experts, submissions, etc.
* 1 FTE = $150,000		

Table 2: Preliminary estimate of costs

		Year and cost ($m)																			
Stakeholder/cost source	Unit assumption	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
Regional Councils (12)																					
Training/upskilling/new staff	$75,000		$0.9	$0.9	$0.9	$0.9															$3.6
Notify plan change/hearings	$300,000			$1.8	$1.8																$3.6
Consents / appeals	uncertain																				$0
Sensitive areas assessment	N/A																				$0
Innovation	$10,000		$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.12	$0.12	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$2.2
Territorial Authorities (68)																					
Training/upskilling/new staff	N/A																				$0
Notify plan change/hearings	$150,000			$5.1	$5.1																$10.2
Consents / appeals	uncertain																				$0
Sensitive areas assessment	N/A																				$0
Innovation	N/A																				$0
Unitary Authorities (5)																					
Training/upskilling/new staff	$75,000		$0.4	$0.4	$0.4	$0.4															$1.5
Notify plan change/hearings	$200,000			$0.4	$0.6																$1.0
Consents / appeals	uncertain																				$0
Sensitive areas assessment	N/A																				$0
Innovation	$10,000		$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$01	$01	$0.1	$0.1	$0.1	$0.15	$0.1	$01	$01	$01	$0.1	$01	$0.9
Central government																					
Guidance preparation	$210,000	$0.2																			$0.2
HVA methodology dev and testing	N/A																				
Workshops	$50,000	$0.1																			$0.1
Submitting on plans	uncertain																				$0
Generators (5)																					

Pre-consent preparation	uncertain																				$0
Consents/appeals	uncertain																				$0
Plan advocacy	$200,000		$1.9	$1.8	$1.8	$1.8															$7.3
Local community stakeholders																					
Consents/appeals	uncertain																				$0
Plan advocacy	$20,000		$0.4	$0.4	$0.4	$0.4															$1.7
NGOs																					
Plan advocacy	$20,000		$0.4	$0.4	$0.4	$0.4															$1.7
Total (undiscounted)		$0.3	$4.2	$11.4	$11.6	$4.1	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$02	$33.9
Discount rate	10.0%																				
Discount factor		0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42	0.39	0.35	0.32	0.29	0.26	0.24	0.22	0.20	0.18	0.16	
Discounted cost		$0.3	$3.5	$8.6	$7.9	$2.5	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$23.5 m
Present value cost (20 years)	**$23.5m**																				