

Executive Summary

A recent amendment to the Electricity Act 1992 requires the Parliamentary Commissioner for the Environment (PCE) to examine the extent to which the recently appointed Electricity Commission is meeting the Government's environmental objectives for electricity. This document summarises the submissions, which were received on the PCE's *Proposed Assessment Framework*.

In total, 40 submissions were received, from a variety of parties. A range of topics were covered, including: the terms of reference and scope of the proposed framework; its conceptual basis; the underlying environmental priorities; the proposed indicators and targets for the assessment; and a range of focused investigations, which the PCE might conduct to supplement the assessment.

The PCE proposes to broaden the assessment by utilising his powers and functions under the Environment Act 1986. This enables the PCE to assess the environmental performance of the broader electricity sector. Of the submissions which expressed a preference, three-quarters were supportive of this approach, mainly on the grounds that it is consistent with taking an integrated approach to environmental sustainability.

Some qualified this support by stressing that a broader assessment should still endeavour to clearly identify and clarify the influence of the EC on the environmental performance of the electricity sector. This would make the PCE's assessment more transparent. It was also noted that the PCE should take into consideration that the EC has only recently been established and is still in the process of sorting out its tasks and that the Government's Policy Statement (GPS) for electricity has yet to be finalised. Ideally, the PCE should make its expectations of the EC clear.

Of those who expressed concern at a wider assessment, the main reasons cited were that the PCE's resources would be stretched and that the respective mandates under the two pieces of legislation were not sufficiently compatible. It was generally seen as desirable that the PCE's assessments should be produced in an efficient, cost-effective and timely manner.

A list of environmental priorities was identified by the PCE, to underpin the proposed assessment. Just under half of the submissions commented on these priorities, and a clear majority broadly agreed with the list. The priorities were seen as being soundly based, logically ordered, and clearly linked. It was recognised that the main focus should be on the underlying drivers of the environmental impacts associated with the electricity sector.

Some concern was expressed that the areas of overlap between the priorities could make it difficult to partition causality, so there was a need to clearly link them to the proposed indicators. It was also noted that the priorities could vary according to the timeframes under consideration and that the justification for their ordering could be made more explicit.

While there was a good degree of support for the assessment giving a high priority to demand side management, it was argued by some that there was insufficient recognition of the possibility that demand will have to rise to support economic growth.

The promotion of renewable energy was strongly lauded, including the desirability of facilitating new renewable technologies. This support came with the caveats that new sources

of power should still be environmentally sustainable and should not diminish the reliability of the system. A small number of submissions indicated that fossil fuel based generation would still be needed to underpin the system and that this has implications in terms of minimising emissions of carbon dioxide.

The PCE discussion document introduced a conceptual framework to guide the assessment. This framework combines elements of Performance Based Regulation (PBR) with a Pressure-State-Response (PSR) model, to produce a series of environmental indicators. This elicited a number of views, ranging from those who thought this was a risky, complicated and unproven method of assessment, to those who viewed it as an innovative and useful approach.

It was noted that the framework could be made more robust and detailed, in particular clarifying how the environmental priorities produce the proposed set of indicators. Again it was stressed that the framework should be designed in a way that teases out causes and effects. It was noted that the data requirements for the model should be carefully considered, in particular its availability and cost. This was linked to comments that the PCE should liaise closely with the relevant agencies. Ideally the more robust and complete the data set is, the less uncertainty and ambiguity there is likely to be.

Some submissions commented that the scope of the proposed indicators was particularly wide. In this respect, it was seen as useful that they be prioritised. The need to consider any possible trade-offs between the indicators was also highlighted. In terms of the targets for the indicators, it was seen as desirable that these are realistic and achievable and set against clearly defined benchmarks. And it should be made explicit exactly which organisations are being assessed and upon what basis.

The PCE raised the possibility of undertaking interim focused investigations while the EC is being established. This included the suggestion that an assessment might be made of the Triple Bottom Line (TBL) reports of some sector participants. While some submissions saw TBL assessments as being useful, some noted other areas where the PCE could be more effective.

A wide range of suggestions were offered for focused investigations including demand side topics, realising opportunities for new renewable technologies and distributed generation, assessing the effectiveness of the RMA in facilitating environmental sustainability and exploring issues surrounding the provision of reserve generation.