

9 April 2009

Freepost 178
Draft LTCCP
Christchurch City Council
PO Box 237
Christchurch

Dear Sir/Madam,

Orion New Zealand Limited (Orion) owns and operates the electricity distribution network in central Canterbury. We supply electricity to approximately 180,000 customers.

We submit on the proposal for the establishment of the Christchurch Agency for Energy (the 'Agency').

We are very supportive of this proposal and congratulate the CCC for being the first Council in New Zealand to look to establish such an agency. We believe the establishment of the Agency is a logical and positive step on the path to the implementation of the Sustainable Energy Strategy for Christchurch 2008-18 (the 'Energy Strategy'). Orion supports the CCC in its efforts to undertake this Energy Strategy and encourage the uptake of energy efficiency in our city.

Currently there are a host of organisations around the city with an interest in electricity efficiency. However these bodies tend to act independently of each other and have their own budgets. By combining budgets and ideas in the Agency we believe it likely that more "bang for your buck" will be achieved and a sustainable city reached sooner. Working as a team will likely result in greater achievements than if we remain individual players.

The formation of the Agency will result in the strengths and knowledge of each of the organisations represented in the Agency, being accessed. It is likely that all of the participating organisations will each bring something different to the table and that diversity will bring strength.

With regard to the Agency, besides our overall support for the concept, we have the following comments:

- 1) The Agency needs to be action focussed. The means to achieving energy efficiencies in the city lies in getting on with and undertaking projects – it does not lie in discussing how such projects would make a difference. Consequently the Agency needs to be established with clear guidelines and targets on what it will do. Such targets need to be based around the actual undertaking of projects.

The targets for the Agency should detail what the Agency will achieve each year. Then if the Agency fails to achieve such targets, the performance of, and the continued existence of, the Agency should be questioned. The Agency must result in energy efficiency in our community – if it does not then the respective organisations in the Agency need to ask "what will work better?".

- 2) The draft LTCCP proposes that the Agency be a Council Controlled Organisation (CCO). Given the amount of funds the CCC proposes to inject into the Agency and the Energy Strategy, the requirement for control is entirely reasonable and understandable.

However we would ask the CCC to consider a structure that would allow each organisation that is a member of the Agency to have an equal vote on the operation and direction of the Agency. If "outside" organisations are to join the Agency they need to be confident that they can have equal voice around the table. Also, only by having an equal voice, will these organisations put effort into the Agency. Without a say on how it operates, few organisations will be willing to apply funding/time/effort to the Agency.

We therefore believe that the Agency needs to be established in such a manner that the CCC has ultimate control, however the direction of the Agency is more democratically managed. This type of structure would, in a worse case situation, still allow the CCC to "take control of the Agency" should the CCC be unhappy with its progress.

- 3) Prior to organisations actually "signing up" to the Agency it will be necessary to invite likely participants together to develop the purpose of the Agency, its objectives and its "rules". To be successful the Agency needs to be collaborative in its approach and the key organisations involved with the Agency all need to be comfortable with its direction and purpose. By involving these organisations at "the first stage" it is much more likely to get these organisations buy in, on a long term basis, to the value of the Agency. Consequently we believe that all key organisations need to be involved in the initial development of the Agencies workings.
- 4) By involving key organisations from the start it may be that one of these organisations contributes another target for the Agency that is not in the existing Energy Strategy. The Energy Strategy is a great starting point for the Agency. However the Agency needs to be flexible and welcome to new ideas that may not necessarily be in the existing Energy Strategy.

Developments and ideas progress with time and the Agency needs to be adaptable to this and not be too "locked in".

- 5) The composition of the Agency needs to be carefully considered. It is important that the organisations belonging to the Agency bring a wide breadth of experience, sector interest and skills. For this reason we believe that in some instances organisations should be invited to belong to the Agency even if they are unable to contribute financially to the Agency. For instance we believe both Environment Canterbury and Community Energy Action are obvious members. However neither party may be able to contribute much financially to the cause. Their expertise, marketing ability and community perspectives will however be invaluable.
- 6) To be most effective and to minimise costs the Agency should look to draw on the strengths of the various existing bodies in Christchurch that have expertise in the energy efficiency environment. The Agency should not look to try and "reinvent the wheel". For instance, Community Energy Action has, over its 15 year existence, established itself as a leader in providing energy efficiency advice and in managing insulation installation projects. There is a clear benefit in using organisations such as Community Energy Action in the implementation of some of the goals of the Energy Strategy. It would be wasteful and unproductive of the Agency not to.

- 7) Both the CCC and Orion have a long history of supporting and implementing energy efficiency initiatives. Historically however, the efficiency initiatives both organisations have implemented have tended to be "relatively safe" initiatives where there has been a high degree of certainty over a positive outcome. This has been necessary given our respective organisations ownership and requirement for public accountability.

However to achieve large gains in energy efficiency in the future it is likely that a more adventurous and risky approach to promotion of efficiency will be needed. Quite simply most "low hanging fruit" energy efficiency measures have been implemented. The efficiency gains that remain will be more difficult to achieve and will require innovative approaches. With innovation comes risk, and the possibility of failure. Also it may be that to gain public attention on efficiency ideas, an adventurous and novel approach to marketing may be needed.

The ability to take risks and to try novel marketing approaches probably sits easier with an agency made up of numerous organisations around the table, than it would do with either the CCC or Orion as individual organisations. The 'separation' of the Agency from the CCC in terms of perception by the public, and the strength gained by having numerous parties around the decision making table, allows for a more adventurous approach to be taken.

Consequently it is likely than the Agency can achieve more in capturing potential efficiencies than the CCC or Orion, or any other individual organisation, could do in isolation.

- 8) In relation to trustees of the Agency, and its staff, it is important that a variety of skills are attained. An Agency that is made up of solely, say, persons with technical skills, or solely persons with marketing skills, will not be effective.

The goals of the Energy Strategy will only be achieved through a combination of technical expertise and the ability to capture the hearts and minds of the city.

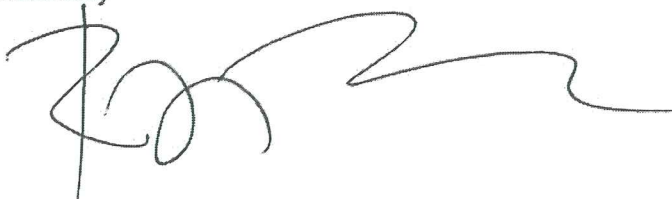
Concluding remarks

We congratulate the CCC on developing a strategy around energy sustainability and the proposal for the Christchurch Agency for Energy. We believe, like the CCC, that energy sustainability is a goal that our community should be pursuing. Not only economically does it make good sense; it makes good sense for the communities' wellbeing and health.

Thank you for the opportunity to make this submission. No part of this submission is confidential. If you have any questions, please contact Roger Sutton (Chief Executive Officer), DDI 03 363 9846, email Roger.Sutton@oriongroup.co.nz.

I do not wish to discuss my submission at the hearing.

Yours sincerely



Roger Sutton
Chief Executive Officer

