



## **DOMESTIC ENERGY USERS' NETWORK**

### **Position statement, October 2008**

DEUN (Domestic Energy Users Network) advocates for affordable and sustainable energy services for householders.

#### **ISSUE: Initiatives for household energy efficiency.**

- DEUN commends the government for the \$1 billion Home Energy Fund (HEF). The Fund's purpose is to mitigate the impact of emissions pricing on low and modest income people, but it can only provide full retrofits for about a third of the highest priority half million houses.
- The HEF's \$1 billion equates to \$67 million per year over the 15 year period. A carbon price of \$25/tonne adds 2c/kWh that is, \$260 million a year to domestic power bills, but less than one third of this is contributing to the HEF.
- The Crown already receives more than \$1 billion per year in dividends and tax from electricity.

#### **DEUN RECOMMENDS**

- Valuing the co-benefits of the HEF within a wider framework that includes reduced power bills; warmer homes for all; reducing carbon emissions, making electricity supply more secure.
- A greater proportion of future revenues be allocated to building on the achievements of the HEF, towards the wider co-benefits above.

#### **ISSUE: Households are subsidising electricity to industrial and commercial consumers**

- Rises in domestic electricity prices since 2000 have averaged 5% p.a. faster than inflation, compared to price rises to commerce 1.5% and industry 4%.
- Government says prices must rise because demand growth requires new power stations, but demand growth from commerce and industry has been three times greater than from the domestic sector.
- The energy part of domestic electricity prices is already almost twice what is needed to justify building new power stations and lines.
- "Smart meters" are being managed by suppliers for their own benefit.

#### **DEUN RECOMMENDS**

- An Independent Review, with full consumer input, to determine fair and efficient energy pricing for domestic consumers.
- The Review must consider gas tariffs, inverse step tariffs for electricity, and pricing plans designed to encourage householders to use other fuels when electricity is costly.
- Advanced metering must enable consumers to have real control over their energy bills.

#### **ISSUE: Energy poverty and Health outcomes**

- 24% of NZers are living in fuel poverty, needing to spend more than 10% of their income to maintain temperatures recommended by W.H.O. for health and wellbeing.
- Cold homes are killing people, particularly the very young and the very old.
- It's not the heat pumps or wood burners - "it's how we're using them". Both must be used within their design limitations, or they will waste electricity – or emit smoke.

### **DEUN RECOMMENDS**

- The elimination of fuel poverty as a primary goal of all energy policy, with all relevant legislation to include fuel poverty impact assessment in its development.
- Community led and government funded advice and support on energy efficiency.
- The creation of more affordable, diverse and sustainable household energy by encouraging natural gas where available, and wood where and when air quality is not compromised.
- That all retrofit programmes include a choice of clean heating systems, tailored to both climate and the house itself, so heating to W.H.O. standards will remain affordable in future.
- That local clean heat regulations are flexible enough to retain the primary objective of air quality, but also incorporate affordability, energy security, information and education.

### **ISSUE: Climate Change**

- Climate change poses threats to society which require genuine policy responses, not just pricing to suppress energy use.
- Policies that reduce domestic carbon emissions will generally also reduce household energy expenditures, and improve living conditions, thus reducing inequalities through society.

### **DEUN RECOMMENDS**

- New Zealand policies addressing climate change be based on targets which are in line with the emissions reduction targets of the Intergovernmental Panel on Climate Change.
- The potential to reduce New Zealand's overall energy-related emissions by investing in household energy efficiency be fully recognised.
- Policies addressing climate change have as a key goal the minimising of the burden of basic energy costs on domestic consumers.

### **ISSUE: A Voice for Domestic Consumers**

- Domestic consumers use 33% of the energy, and provide 46% of the revenues of the electricity sector. Yet they have almost no voice on the Electricity Commission.
- A report by the Parliamentary Commissioner for the Environment on the environmental performance of the Electricity Commission criticizes its focus on "electricity efficiency", and its silence on the use of other fuels to reduce electricity demand.
- That report suggests the Electricity Commission might "evolve" into an Energy Commission.

### **DEUN RECOMMENDS**

- The impacts on domestic energy users must be considered in all policy development and implementation by all relevant agencies.
- Restructuring the Electricity Commission as an Energy Commission, with a scope including all demand-side activities, and with full representation of domestic energy consumers.

DEUN is an umbrella group of national organisations of householders with shared interests in the energy sector.

DEUN's membership to June 2008 comprises:-

- Grey Power Federation;
- Royal New Zealand Returned and Services Association;
- Rural Women New Zealand;
- Age Concern New Zealand;
- Public Health Association;
- Child Poverty Action Group

DEUN supports the principles of the Treaty of Waitangi.

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**Numbers of houses reached by “full retrofits”, from I. McChesney (pers. comm)**

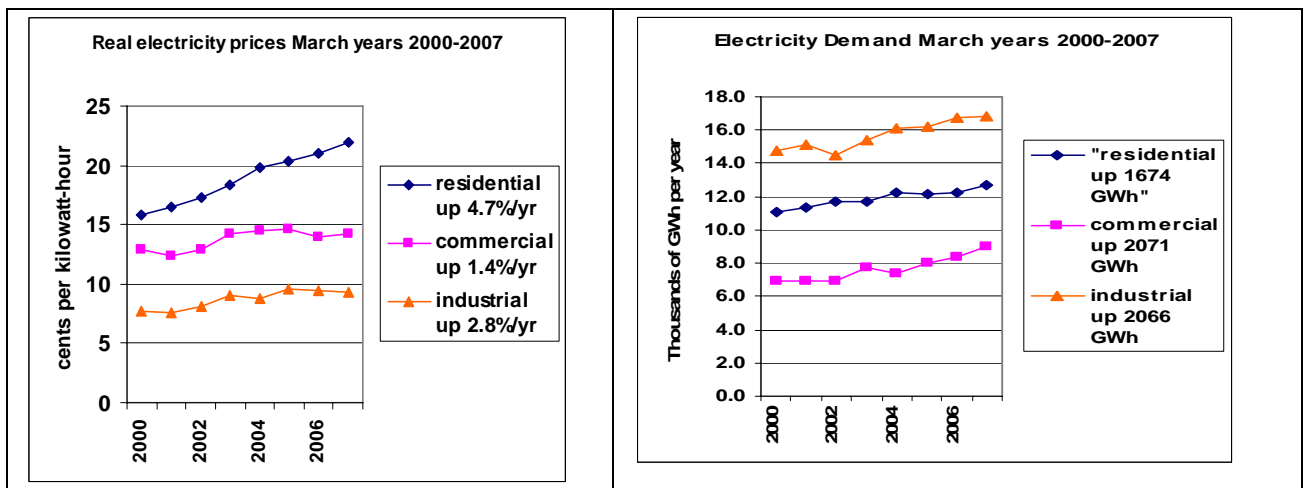
- cost of insulating floor + ceiling of house 90-120 m<sup>2</sup>: ranges from \$2500-3600, say \$3000
- cost of heater: heat pump \$2500, log burner \$2000-3500, pellet burner more; say \$3000 average
- There are 1,500,000 NZ houses. Around 500,000 are uninsulated or poorly insulated.
- \$6000/house for full retrofit, times 500,000 houses = \$3 billion would be needed.

**Domestic prices rising faster, commercial and industrial demand growing more**

The energy component of the domestic electricity price is around twice the cost of new energy supply.

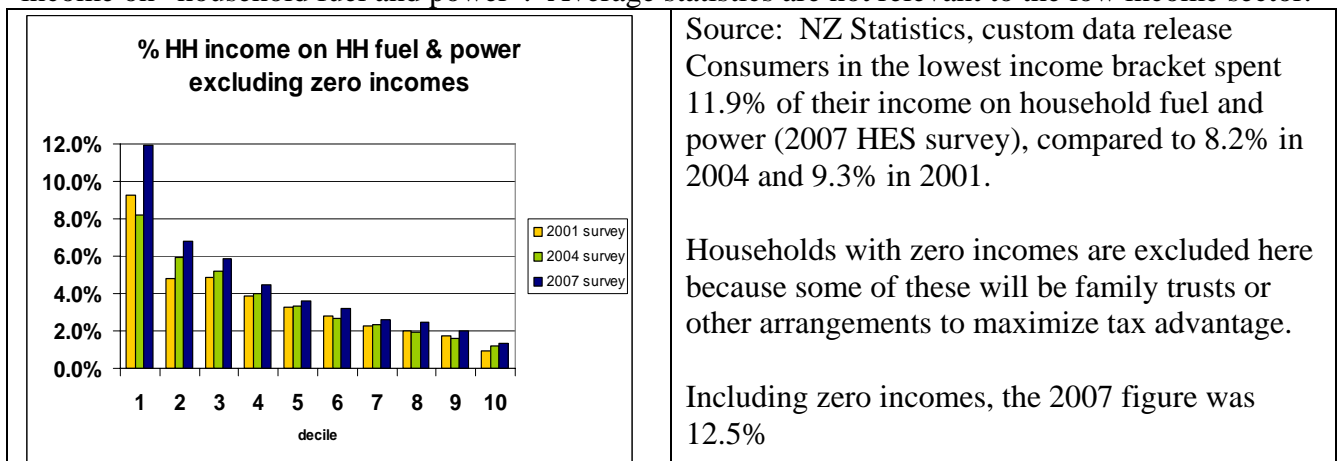
<sup>1</sup> This makes nonsense of the assertion by electricity companies and government that prices must rise to enable new power stations to be built to meet growing demand - that otherwise electricity will be wasted.<sup>2</sup> The other assertion by many is that prices must rise so that electricity will not be wasted.<sup>3</sup> What is actually being wasted is health, because of energy poverty.

The graphs below, from the Energy Data File 2007, show that it is residential prices that are rising fastest – while commercial and industrial demand are growing faster.<sup>4</sup>



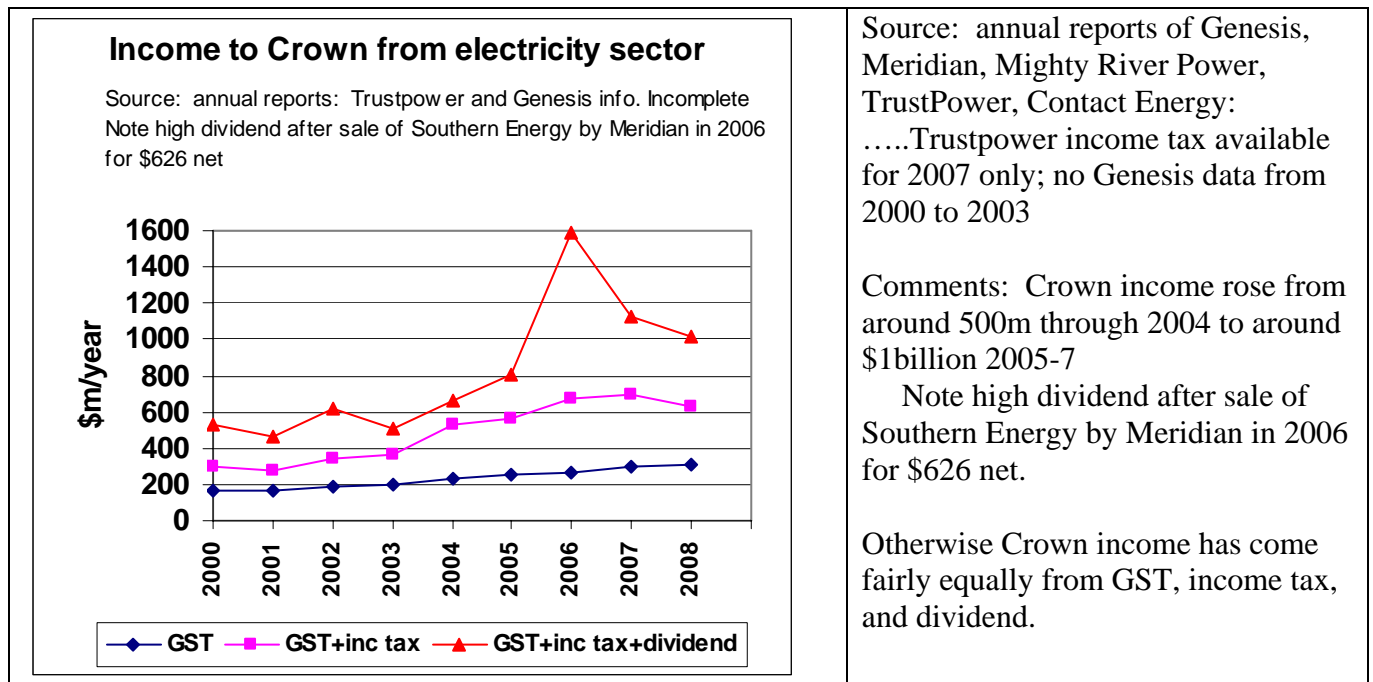
**Energy Poverty**

Household Economic Surveys show low income people are paying by far the highest proportion of income on “household fuel and power”. Average statistics are not relevant to the low income sector.



<sup>1</sup> <http://www.electricitycommission.govt.nz/pdfs/opdev/wholesale/market-design/presentation-MDR-BriefingSession-12Aug08.pdf> slide 11  
<sup>2</sup> “Pricing in the NZ Electricity Market and its economic impact”, <http://www.med.govt.nz/upload/45603/pricing-part1.pdf>, pp. 3-4.  
<sup>3</sup> From “The Switching Hour, Sunday Star-times June 1, 2008: “We asked three power companies - Meridian, Contact Energy and TrustPower, ‘Why are prices going up?’ The unanimous response was that demand has increased and power generation hasn’t kept up.”  
<sup>4</sup> <http://www.electricitycommission.govt.nz/pdfs/submissions/pdfswholesale/mdr-options/DEUN%20Final.pdf>

**Electricity price rise from emissions trading:** Retail cents/GWh price increase over “business as usual” = 2c/kWh. “Framework for a NZ Emissions Trading Scheme”, NZ Government, p. 111



**From the report by the Parliamentary Commission for the Environment, A review of the environmental performance of the Electricity Commission 1 July 2006 - 30 June 2007,** [http://www.pce.govt.nz/reports/allreports/EC\\_annual\\_review.shtml](http://www.pce.govt.nz/reports/allreports/EC_annual_review.shtml)

“The EC has carried out a considerable amount of work developing programmes to improve efficiency of electricity use by households, businesses and industry, and is to be commended for this.

“There is, however, a significant issue that needs examination when considering the EC's role in improving electricity efficiency. Focusing solely on electricity may not give the best environmental result. In some instances switching from electricity to gas or wood may give greater environmental (and economic) benefits than improving end-use electricity efficiency. In particular, residential space heating is a key driver of winter peak demand, and what some have called the “electrification of space heating” may well increase the height and duration of those peaks. Peak power is largely generated by burning fossil fuels.

“This in turn raises the wider issue of the scope of the EC's functions. What may be best from an environmental perspective for electricity may not be best across the whole energy sector. In short, is there a case for the Electricity Commission to evolve into an Energy Commission? In other jurisdictions, energy governance agencies are usually responsible for both electricity and gas.”

From the full report of the PCE: [http://www.pce.govt.nz/reports/allreports/EC\\_annual\\_review.pdf](http://www.pce.govt.nz/reports/allreports/EC_annual_review.pdf)

“... it is important that residential projects that are more cost-effective than transmission and generation investment are provided with sufficient funding to proceed. As EECA has different goals, expertise, and funding, it may not always be in a position to justify funding and running all projects that fit this criteria. Further, the EC has a mandate under the GPS to ensure such projects proceed and has funding available for this purpose. Therefore, the EC should maintain a shared responsibility for residential projects with EECA, and ensure that beneficial projects in this sector are not overlooked.”