Bridges confident industry can manage Huntly closure

Felicity Wolfe - Thu, 17 Mar 2016

Any capacity issues arising from the possible closure of Genesis Energy's Huntly coal units will be resolved by the electricity industry, Energy and Resources Minister Simon Bridges says.

Speaking at the Asia Pacific Energy Leaders' Summit in Wellington this morning Bridges said that he is "confident" the industry will make whatever situation eventuates work.

"Without wanting to sound too flippant, I don't care what happens."

He says that is consistent with the New Zealand government's overall approach of standing back and allowing the market to decide what generation plant is needed and when.

The government has left increasing New Zealand's renewable energy to the market, "and market has delivered."

He notes that in 2008 about 64 per cent of the country's generation was renewable. Last year it reached 80.7 percent.

But he also says "clever nudges along the way", such as the establishment of the Smart Grid Forum in 2013 and the planned extension of energy targets, help signal government intent.

He also believes it's in the interest of electricity providers to adopt technological innovations, including energy storage and smart networks to stay ahead of global changes to the industry.

Bridges was speaking as part of a panel discussion on creating resilience at the BusinessNZ Energy Council-hosted event.

He says the energy sector needs to adapt to change to be resilient against either natural disasters or new technology.

While there are "limits to what we can do to limit" extreme events or technological change, increasing the resilience of networks can reduce the impacts. Examples in New Zealand include the national grid upgrades in recent years and the rebuild of Otago's electricity network following the 2010 Canterbury earthquakes, Bridges says.

Initiatives such as the Smart Grid Forum are "giving things a nudge" rather than turning to "hard edged regulation".

Building to demand

The summit has brought together about 200 government and regional policymakers and businesses from across the Asia Pacific region and Europe.

Its core theme is building energy resilience in the face of the threats posed by climate change, the need to balance energy with other resource demands, such as food production, and growing concerns around cyber security. As well as identifying issues, BEC hopes the event will give different groups an opportunity to discuss solutions.

Meridian Energy chief executive Mark Binns agrees that the market will provide more renewable energy plant, "when the price is right".

Binns says that demand will drive further renewable builds here. He believes gas peakers will likely be the next plants to be constructed in New Zealand "given what is happening". But bigger capacity installations will be wind and geothermal.

He says that it is important to meet demand, but not to overbuild and also cautions against expecting that 100 per cent renewable is possible.

As well as being very costly many more wind farms would be required.

While renewables are increasing their share of the country’s output, Genesis Energy’s Huntly coal units are still being used 24 per cent of the time, he says. He notes that highly variable renewable loads are causing difficulties in countries including Germany and Australia. New Zealand also needs "something for when it is dry", during times of low hydro storage.

"We shouldn’t think renewables are the answer to all the situations."

New technology take up

Bridges told delegates that the changes to technology need to be adopted by the electricity industry and noted that these will mean that "traditional revenue streams may well, over time, become unsustainable."

He says New Zealand, which has a renewable advantage conferred by its geography, gives it expertise which he hopes will increasingly be "exported".

Since 2013 the government has spent about $100 million on renewable energy aid projects in the pacific and the Caribbean. Hopefully the skills and expertise will also begin generating income, he says.

There could be greater collaboration with Australia – both commercially and politically, Bridges says.

There could be ways "we could both help each other", he says.

"There is scope for more lateral thinking between our policy setting."
Eventually, there may be ways that New Zealand can directly export “raw energy” as well as renewable energy skills, Bridges says.

Binns noted that the Pacific Aluminium smelter expects that “one day” it will be able to command premium prices for aluminium produced with New Zealand’s “green electrons”.

Political stability
Binns says Australia’s recent political swings is a big factor in holding up funding needed to build renewables in that country.

Meridian has two wind farms in Australia, as well as the Powershop retail brand.

Binns said on a recent trip to the US, financiers there had expressed concern about the number of prime minister changes in recent years, describing the country as “the Italy of the south”.

“It has had five prime ministers in the time that New Zealand has had one.”

He says this is stalling public private partnerships and banks not keen to “stand up” and provide finance.

“That sort of climate is trumping the policy.”

Steven Kennedy, the executive of Australia’s Department of Industry, Innovation, Climate Change, Science and Tertiary Education says there is cross party understanding of the importance of renewables.

He says that policy stability is the most important ingredient to ensure changes happen in any country.

“Innovation happens in all forms, if you want to drive a transformation to low emissions, you will drive it through policy.”

Governance, market design
Kennedy believes it is important to have a good mix of governance and market design for Australia to meet its climate change targets. This includes making sure the country’s electricity delivery systems can cope with the fluctuations in renewable technologies. He notes that wind can at times contribute 30 per cent of the electricity market’s production, and some regions have “the highest penetration of solar in the world”.

He says the Australian government is “working to deal with that future” and that renewables could be used to much greater extent than is currently thought possible.

The Australian transformation is “not atypical” with other countries also facing a similar “adjustment” from fossil fuel-dominated generation.

But Kennedy says Australia’s abundance of coal does give it a different perspective on the need to transition to renewable energy than other countries in the region.

“We don’t need to move to renewables for an energy security situation”.

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