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Tēnā koutou

### **Strengthening the Resilience of Aotearoa New Zealand's Critical Infrastructure System - Discussion Document**

WEL Networks (WEL) appreciates the opportunity to provide feedback on the Department of the Prime Minister and Cabinet (DPMC) discussion document – Strengthening the Resilience of Aotearoa New Zealand's Critical Infrastructure System.

WEL is New Zealand's sixth largest electricity distribution company and is 100% owned by our community through our sole shareholder WEL Energy Trust. Our guiding purpose is to enable our communities to thrive, and we work to ensure that our customers receive reliable, affordable and environmentally sustainable energy.

We recognise that as one of the largest critical infrastructure operators (CIOs) in the Waikato, our community rely on us to ensure that our network and systems are resilient to all manner of hazards and threats, both natural and manmade.

#### **Reform Direction**

New Zealand's reform of resilience regulation does not need to start from scratch. We believe that the systems-based framework implemented in Australia will prove a useful starting point for the DPMC review. Where the Australian framework was pushed through quickly, New Zealand can adopt a more considered approach, learning from Australia's adoption and making improvements where identified. To best leverage learnings from the Australian reform, we believe that it will be critical to engage robustly with all impacted stakeholders.

We believe that a prescriptive set of minimum resilience standards should be discouraged until all other measures to achieve the optimal level of resilience have been exhausted. Prescriptive standards will be difficult to equitably design considering the broad range of critical infrastructures in New Zealand, and various regulatory regimes applied to the many different types of critical infrastructure.

In essence, we are particularly supportive of any approach which focuses on:

- Removing the barriers inhibiting CIOs from enhancing infrastructure resilience;
- Developing principle-based resilience standards;
- Understanding the general public's desire for improving resilience where they are required to fund it;
- Improving communication and collaboration between providers and government agencies;
- Optimising data capture and sharing; and
- Learning from, and improving on, developments in other jurisdictions.





### **Shared Understanding**

Recent severe weather events have shown the difficulties in adequately responding to widespread challenges when interdependent critical infrastructures are affected. These situations demonstrate the increasing importance of collaboration and joined up thinking between CIOs. Often CIOs face common threats and hazards but may differ in their assessments and mitigation strategies. We believe that expanding the shared understanding of common risks is a ‘least regrets’ approach the DPMC should pursue. This would enhance resilience across CIOs, increasing the ability to mitigate adverse effects ahead of time, or reduce the time taken to recover from them after an event.

### **Affordability**

We support the DPMC’s aspiration to achieve enhanced resilience at *“the least cost to businesses, consumers, and government”*. As regulated entities operating within the scope of Part 4 of the Commerce Act 1986, electricity distribution companies are able to pass-through or otherwise recover costs from customers. However, as we are owned by the community, WEL is keenly aware of the responsibility we have to ensure that the households and businesses of the Waikato continue to have access to affordable electricity lines services. We believe that, as the costs of enhancing resilience are to be paid by those who benefit from it, regard must be given to users’ ability to pay for investments which improve resilience. Additionally, consideration should be given to the flow-on impact resilience related costs could have on New Zealand’s other ambitions. Increasing electricity lines service pricing to recover resilience related investments could hinder electrification and decarbonisation efforts, impeding New Zealand’s ability to achieve a net-zero economy by 2050.

### **Regulatory Settings**

Effective coordination of regulatory activity across the various regulatory bodies and government agencies will be critical – this will underpin the success of any strategy to improve New Zealand’s infrastructure resilience. Electricity distribution companies are already subject to extensive regulatory oversight and disclosure requirements. We believe that to ensure optimal outcomes, any resilience-related regulatory reform must be designed to complement, and build on, existing regulatory frameworks.

We support the DPMC raising awareness of trends and factors which are putting pressure on CIOs ability to deliver resilient outcomes for New Zealand. Ideally, this awareness will translate into practical support for improvement in areas currently inhibiting CIOs from improving their resilience. Cyclone Dovi and Gabrielle (as well as many other recent severe weather events) have shown that vegetation that is located outside of the limits of the current regulation has the largest impact on the resilience of electricity distribution networks. This results in extended (unnecessary) outages and necessitating costly repairs. As climate change is predicted to increase the frequency and severity of such weather events, consideration must be given to enhancing current regulation (such as ‘Electricity (Hazards from Trees) Regulations 2003’) inhibiting CIOs from adequately addressing the root causes of resilience issues.

Should you require clarification on any part of this submission please do not hesitate to contact me.

Otherwise, we look forward to continuing to engage with the DPMC and other stakeholders to *“ensure Aotearoa New Zealand has a secure platform for a productive, sustainable, and inclusive economy”*.





Ngā mihi nui

A handwritten signature in black ink, appearing to read 'Mat O'Neill'.

Mat O'Neill

**General Manager - Asset Management**

