

**Before Hearing Commissioners at Waikato Regional Council in  
Hamilton**

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*under:* The Resource Management Act 1991

*in the matter  
of:* Submissions on Proposed Plan Change 1  
to the Waikato Regional Plan

*between:* **King Country Energy Limited**  
*Submitter*

*and:* **Waikato Regional Council**  
*Respondent*

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**Statement of evidence of David Christopher Fincham for King Country  
Energy Limited**

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Dated 15<sup>th</sup> of February 2019

## INTRODUCTION

1. My name is David Christopher Fincham. I am the General Manager for King Country Energy Limited (hereafter referred to as '**KCE**' or the '**Company**') and a Chartered Electrical Engineer with 22 years experience in the Power Industry. I have been in my current role since July 2018, and with KCE since 2002. My role includes responsibility for managing KCE's wholesale energy supply, business development initiatives and major projects.
2. KCE is a publicly owned renewable electricity generation company, with its two largest shareholders being Trustpower Limited (75.0 percent) and the King Country Electric Power Trust (25.0 percent).
3. KCE lodged submissions<sup>1</sup> and further submissions to Proposed Plan Change 1 to the Waikato Regional Plan (hereafter referred to as '**PC1**').
4. For completeness, I confirm that I am authorised to present this evidence on behalf of KCE. I am not presenting technical expert evidence, and as such, this brief should be read as "company evidence" expressing the position of KCE.

## SCOPE OF MY EVIDENCE

5. In my evidence, in order to provide context to the submission points and relief sought by KCE, and to provide context to the expert evidence presented on the Company's behalf, I:
  - a. set out a summary of KCE and its operations; and
  - b. briefly address the key operational implications of the proposed Plan Change on the Company and its shareholders.

## BACKGROUND: THE COMPANY

6. KCE was incorporated in 1991, taking over the business of the King Country Electric Power Board and was subsequently restructured as a consequence of the Electricity Industry Reforms Act 1998 creating a generator/retailer business. In 2018 KCE sold its retail business creating the business in its current form, as a generation only business.
7. KCE's head office is located in Taumarunui. The Company owns and operates three hydroelectric power generation schemes (hereafter referred to as '**Schemes**' or '**HEPS**') in the Waikato Region. These Schemes include Kuratau (6MW, 28GWh), Mokauiti (1.7MW, 7GWh) and Wairere (4.6MW, 18GWh). In addition, KCE owns the Piriaka Scheme (1.3MW, 7GWh) in the Ruapehu District and the Mangahao Scheme (36MW, 131GWh) near Shannon in the Manawatu, which is operated by Trustpower Limited. These

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<sup>1</sup> Submitter ID: 60693

Schemes provide security of a renewable supply of electricity to approximately 18,000 properties (homes, farms, businesses and essential services) in the King Country and Central North Island areas, as well as an efficient supply by reducing transmission losses compared to sourcing electricity from further afield. Consequently, the on-going operation of the Schemes is particularly important to the supply of electricity to these areas.

8. KCE is committed to sustainable generation and maintains its assets for the long term safe, reliable and responsible use of its resources.
9. As identified in the Company's submission, whilst the Company's assets are not located in the area applicable to Plan Change 1, KCE has a significant interest in any measures to improve water quality. As such, the Company has been, and continues to be, involved with plan and policy changes which seek to improve water quality, including lodging submissions to National, Regional and District plan and policy documents. Such involvement has resulted in KCE commissioning water quality and aquatic ecology experts, at significant costs, to determine the water quality at each of its Schemes. KCE's involvement in plan and policy changes to freshwater management to date, demonstrate KCE's continued support for ongoing improvements to water quality. However, the Company considers that the rate of change and timeframes applied to implementation need to be appropriate, so as to ensure that adverse social and economic effects do not outweigh any potential environmental benefits.

## **OBJECTIVE 1**

10. As identified in its submission<sup>2</sup>, KCE generally supports Plan Change 1, and accepts that, on the basis of the information available, the 80-year timeframe for achieving the identified water quality attributes is realistic. In that regard, the Company is of the opinion that this timeframe recognises that achieving the water quality attributes will be challenging and come at a cost to the community. Further, as identified in paragraph 333 of the s42A Officers Report, *'the information available at the time PC1 was prepared indicates that significant change will need to occur to meet the long-term goals, where future changes in land use and technologies mean that the full extent of that change is currently unknown'*. The Company interprets this statement to mean that new technologies and practices will be needed that are not currently available or economically feasible in order for the outcomes to be met. The Company considers that such a statement identifies that the viability of the outcomes of the Plan Change are uncertain. Such uncertainty

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<sup>2</sup> Submission Point ID: PC1-7802

does not, in the Company's opinion, support any reduction in timeframes.

11. KCE is required to monitor and maintain water quality, as part of the resource consents held for its Schemes within the Waikato Region. As such, the Company is aware of the time, technology and cost required to monitor, maintain and improve water quality. As a result, the Company is of the opinion that the introduction of regulatory controls to improve water quality need to provide adequate timeframes to facilitate the desired change. The consequences of inadequate timeframes include unsustainable costs, social and economic hardship and potentially the desired environmental outcomes being unable to be achieved.
12. To this end, and as previously identified, KCE is continuously working towards monitoring and maintaining water quality at its Schemes, to ensure that its activities are not adversely affecting existing values. The Company notes that the infrastructure required to operate a HEPS is considerable and has a particularly long life cycle (50 plus years in many cases). As such, the opportunity for, and cost of, adapting or updating this equipment can be extreme or prohibitive. It is for this reason, that the Company considers it critical that the economic implications of regulatory change, including in the freshwater management sphere, are appropriately factored into the overall decision making process. Specifically, consideration of the implementation timeframes.
13. The Company notes that in its submission, the Royal Forest and Bird Protection Society<sup>3</sup>, seek that the timeframes proposed in Objective 1 be significantly reduced, to the year 2050. KCE is of the opinion that such a reduced timeframe is not appropriate, achievable or sustainable. Further, it notes that the submission does not provide a robust analysis of the potential effects of such a change on the social and economic wellbeing of the region.
14. The Company notes that the s42A Reporting Officer recommends a number of amendments to Objective 1, largely to provide, in their assessment, clarification around the timeframe for achieving improved water quality. For completeness, KCE supports the amendments recommended by the Officer, given they retain the overall intent of the objective, being to improve water quality over the long-term.

## **OBJECTIVE 2**

15. As identified in its submission<sup>4</sup>, KCE supports proposed Objective 2, and accepts that water quality plays a vital role in enabling communities to provide for their social economic and cultural

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<sup>3</sup> Submitter ID: 74122

<sup>4</sup> Submission Point ID: PC1-7817

wellbeing. In that regard, the Company is of the opinion that no community should face undue social and economic costs in achieving improved water quality. It is the Company's opinion that the intent of the objective is to enable a balance between environmental improvement and social, economic and cultural well-being.

16. The submission of the Royal Forest and Bird Protection Society<sup>5</sup> seeks amendments to the objective. In the Company's view, the amendments proposed imply that it is the restoration, protection and enhancement of water quality that provides for the social, economic and cultural well-being of the region. Such amendments do not, in the Company's opinion, accurately reflect the wider scope of the Plan Change, and as a result, do not recognise the economic, social and cultural values that are currently provided by the Waikato and Waipa river catchments.
17. As discussed in the preceding paragraphs, KCE support considered measures to improve water quality. However, the Company is of the opinion that, in order to achieve the purpose of the Resource Management Act, a balanced approach to achieving this objective is required. To this end, the Company considers that the relief sought by the Royal Forest and Bird Protection Society does not achieve this balance, in that it does not recognise the existing values that are provided by established activities. As a result, and for the sake of clarity, the Company supports the section 42A Reporting Officers recommended amendments to Objective 2.

### **OBJECTIVE 3**

18. KCE provided a submission in support of proposed Objective 3<sup>6</sup>, with regard to the proposed staging water quality standards through the introduction of short-term improvements in water quality, over 10 years. The Company also supported the recognition in the Plan Change that it may not be possible to directly measure the changes in water quality over this period and that measurement of actions taken on the land may need to serve as a proxy.
19. As identified previously in this evidence, the Company's Schemes rely on significant large scale infrastructure that has long life cycles and high maintenance and replacement costs. The result of this is that the opportunity to upgrade this infrastructure to give effect to incremental water quality improvements is limited, and requires considerable planning and lead in time in order to be undertaken. The Company is of the opinion that the current structure of the Plan Change, in particular the desired 'long-term' water quality outcomes identified in Objective 1 and the staged approach to achieving this as promoted by Objective 3, recognises the constraints and costs of

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<sup>5</sup> Submitter ID: 74122

<sup>6</sup> Submission Point ID: PC1-7819

change for stakeholders such as KCE. As a result, the Company supports this proposed structure, including the amendments proposed by the section 42A Reporting Officer.

20. It is noted however, that some submitters, such as the Royal Forest and Bird Protection Society<sup>7</sup>, have sought amendments to the objective to require the 'short-term' water quality improvements to be achieved immediately. The Company considers that such an approach does not consider the social or economic effects on the Region, or New Zealand, of undertaking the scale of change that is required. Furthermore, it is noted that the submission has not provided a robust and comprehensive assessment of the potential effects such a change would bring. It is the Company's opinion that these effects would be substantial, unsustainable and result in considerable hardship. As a result, the Company is strongly opposed to a reduction in the 10 year timeframe proposed by the Objective.

## **CONCLUSION**

21. As an established generator of electricity in the King Country and Manawatu, KCE is a significant contributor to the economy, providing both direct and in-direct employment.
22. In the Company's experience, change associated with improvements to water quality require considerable lead in time, forethought and adaptability. Such changes need to be made in the context of the environmental gains desired, against the social and economic costs resulting. It is the Company's view that to be successful, such changes need to strike an effective balance between these values and be undertaken over a timeframe that ensures the changes are sustainable.
23. In light of this, the Company considers that the timeframes identified in Objectives 1 and 3, are aspirational, yet provide a balance between environmental, social and economic considerations. To this end, the Company supports the s42A Reporting Officer's proposed amendments to Objective 1, incorporating a timeframe to achieve the water quality attributes no later than 2096 and proposed Objective 3, incorporating a short-term reduction of discharges by 2026.
24. I thank the Commissioners for their consideration of this statement of evidence.

**David Christopher Fincham**  
General Manager, King Country Energy Limited  
15<sup>th</sup> of February 2019

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<sup>7</sup> Submitter ID: 74122