

MINUTES

Meeting number: 4

Venue: Simply Energy, Level 3, Solnet House, 70 The Terrace, Wellington

Time and date: 9:30am to 12:30pm, Thursday, 3 May 2018

Attendees

- John Hancock (Chair)
- Luke Blincoe [joined 9:40am]
- Glenn Coates [joined 10:00am]
- Melanie Lynn
- Allan Miller
- Terry Paddy
- Stephen Peterson
- Rod Snodgrass [joined 9:43am]
- Diego Villalobos Alberú – *Observer* (Principal Economist – Regulation, Commerce Commission)

Apologies

- None

In attendance

- Craig Evans (Manager Retail and Network Markets, Electricity Authority)
- Arik Mordoh (Senior Adviser Retail and Network Markets, Electricity Authority)
- Avi Singh (Administrator Market Design, Electricity Authority)

The meeting opened at 9:31am

1 Meeting administration

1A Apologies

No apologies were received.

1B Interests register

The Chair tabled an updated IPAG interests register including his disclosures upon appointment. There were no other changes from the previous meeting.

1C Minutes of previous meetings

The group confirmed the minutes of the previous meeting on Thursday 22 March 2018 without alteration.

1D Matters arising

There were no matters arising.

1E Action list

The IPAG noted all actions from the previous meeting were ongoing.

2 Equal access

The group continued to discuss the problem definition by:

- confirming its understanding of the five broad themes it identified as requiring further investigation at the 22 March meeting
- considering how to measure the benefits and costs of addressing genuine concerns within each theme.

In particular, the group discussed how any genuine concerns within each theme, if unaddressed, could hinder improving equal access arrangements, having particular regard to the promotion of the Authority's statutory objective:

- 1) **Confidence of network users that terms for access to the network service are equal within a network:** An absence of this confidence could be a barrier to new entrants emerging in the generation, demand response (DR) and retail markets. This could lead to fewer efficient new entrants and higher residual costs.
- 2) **Regulatory incentives to promote efficient network investment:** If these incentives do not work in practice as intended, this could lead to consumers bearing the extra cost of traditional network investments, which could be provided more efficiently by distributed energy resources (DERs) and smart technology.
- 3) **Ability for third parties to supply network support services and non-network services:** If networks' incentives (regulatory or otherwise) encourage them to own and operate non-network DER solutions instead of buying the inputs from a more efficient third party, consumers could bear the additional costs of this inefficiency.
- 4) **Standards between networks:** Where these standards do not exist or are not applied, high transaction costs resulting from operating across different regions with different standards could reduce competition on a national basis.

- 5) **Network operation implications of many and diverse users:** Reliability of supply on transmission and distribution networks could reduce if there was a significant, unconstrained increase in the number of parties using networks. Equally, reliability of supply could reduce if use of the network is constrained.

The IPAG then asked the secretariat to:

- invite relevant Commerce Commission staff to attend the 14 June meeting to describe the incentives for distributors to operate and invest efficiently as established through the price-quality path regime under Part 4 of the Commerce Act 1986 (eg, the incremental rolling incentive scheme (IRIS)), particularly in reference to the incentives on networks to promote efficient network investment and operation (issue 2), and the ability for third parties to supply network support services and non-network services (issue 3)
- obtain expert advice on the network operation implications of many and diverse network users as covered by issue 5 (eg, from uptake of electric vehicles, storage, and solar technology), particularly the challenge of maintaining reliability of supply in the face of a significant increase in the number of parties using networks
- identify and estimate the economic benefits from promoting equal access as set out in the table below:

Considerations for DR and DERs	Impacts within a network to be estimated	Impacts across networks (or markets) to be estimated
Efficiency (including efficiency benefits arising from promoting competition)	<ul style="list-style-type: none"> • The economic efficiency of a network considering DR or DER alternatives, rather than investing in traditional network solutions • The economic efficiency of a network providing the network support service through a contestable framework, rather than using its own DR and DERs 	<ul style="list-style-type: none"> • The economic efficiency from parties participating in other markets (eg, the wholesale market), due to an increased ability to access network support service payments if a contestable framework for obtaining the network support service is established (ie, a potential increase in flexibility) • The economic efficiency of having consistent network standards and practices nationally
Reliability	Impact to be further considered following expert advice on the network operation implications of many and diverse network users	

The group also agreed to consider the potential efficiency benefits of promoting equal access for retail services at a later date.

Action – 4.1: Secretariat to invite relevant Commerce Commission staff to attend the 14 June meeting to describe incentives for distributors to operate and invest efficiently by next IPAG meeting

Action – 4.2: Secretariat to obtain expert advice on the network operation implications of many and diverse network users by 31 July IPAG meeting

Action – 4.3: Secretariat to identify and estimate by the next IPAG meeting the economic benefits associated with:

- a network using its own DERs and demand response to promote the network support service, rather than relying on traditional network solutions
- a network using DERs and demand response procured under a contestable framework to obtain the network support service
- other markets (eg, the wholesale market) arising from the development of a contestable framework for obtaining the network support service.

The group then agreed its approach to the project going forward would involve:

- prioritising opportunities
- identifying options to realise benefits
- evaluating and costing options
- testing preferred options against relevant Electricity Authority objectives and criteria
- making recommendations
- industry input and relevant case studies at any of these stages when the group considered them necessary.

3 Publication of meeting papers

The IPAG confirmed the meeting papers could be published on the Authority's website without alteration.

The meeting closed at 12:27pm

I, John Hancock (IPAG Chair), certify that the minutes recorded disclose all issues discussed at the meeting (date at the top), are recorded truthfully and without bias.

Signature:



Date: Tuesday 5 June 2018 (05.06.2018)

