



28 September 2020

Electricity Authority
Via email: submissions@ea.govt.nz

Discussion Paper – UPDATING THE REGULATORY SETTINGS FOR DISTRIBUTION NETWORKS

Intellihub would like to thank the Electricity Authority for the opportunity to comment on the proposal and considerations regarding this discussion paper.

As a MEP, Intellihub acknowledges the importance of the Electricity Authority reviewing current regulatory settings to test whether they will encourage distribution networks to take steps to ensure they can withstand more generation and connection points, due to increased use of distributed energy resources and New Zealand's transition to a low emissions economy.

Intellihub is happy to work with the Electricity Authority if it this needs further consideration.

Yours sincerely

Lindsay Cowley
CEO

INTELLIHUB'S SUBMISSION ON THE ELECTRICITY AUTHORITY'S DISCUSSION PAPER ON "UPDATING THE REGULATORY SETTINGS FOR DISTRIBUTION NETWORKS" ("PAPER")

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Introduction and overview

1. Intellihub NZ Limited ("**Intellihub**") acknowledges the importance of the Electricity Authority ("**EA**") reviewing current regulatory settings to test whether they will encourage distribution networks to take steps to ensure they can withstand more generation and connection points, due to increased use of distributed energy resources ("**DER**") and New Zealand's transition to a low emissions economy.
2. We favour a collaborative industry approach to finding solutions wherever possible, which is evidenced by the proactive role Intellihub plays with the Electricity Network Association ("**ENA**"). Regulatory intervention should be a last resort, as there is a risk of "regulatory error" in circumstances where markets and technology will rapidly evolve – we agree with the EA's view that "regulation of distribution networks is increasingly complex due to changes in technology and business models".¹
3. We support the EA's efforts to follow "good regulatory practice", with the discussion paper being a good first step to seek evidence of whether there are problems and, if so, the extent of them. A regulatory system should deliver, over time, a stream of benefits or positive outcomes in excess of its costs or negative outcomes. New regulation should not be introduced unless the EA can evidence that it will deliver net benefits.² The EA is aware of these requirements, but they deserve particular emphasis in this case:
 - (a) Any amendments made to the Electricity Industry Participation Code 2010 ("**Code**") must meet the EA's statutory objectives under the Electricity Industry Act 2010 ("**Act**"), that is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.³
 - (b) The promoting efficiency objective is particularly relevant, and we expect the EA will be keen to avoid any negative impact on innovation, industry-led solutions and competition.
 - (c) Cost/benefit analysis is important, and any regulation should be proportionate. Again, we support the EA's approach of seeking to establish the scale of any problem before deciding whether a regulatory response is appropriate.
4. We agree that it will be important to make available data that allows consumers, distributors and other participants to adapt efficient and innovative ways to manage the forecast growth in electricity demand. New Zealand is in a fortunate position because of its relatively high penetration of smart meters due to the industry led rollout, and the EA has already established a competitive metering market by putting in place a sound regulatory framework for metering equipment providers ("**MEP**"). Therefore, the regulatory settings applied overseas may not be necessary in the New Zealand context.

¹ Paper, at pg iv.

² New Zealand Government *Government Expectations for Good Regulatory Practice* (April 2017) at pg 2 <<https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf>>.

³ Electricity Industry Act 2010, s 15.

5. Historically smart meters were installed to deliver services to retailers, which has primarily been consumption data. Intellihub's systems and processes are designed for this purpose, to meet our commercial commitments. We have developed these systems and processes collaboratively with retailers over the last 15 years. The consumption data is used for billing and reconciliation purposes, which already has sound regulatory and market arrangements in place to ensure that consumers and relevant industry participants can access it.
6. Intellihub smart meters can and do collect other types of data, of which distributors also either currently or are now showing an interest in receiving. This is discussed in the Paper, as well as the potential cost of obtaining such data. What isn't referenced, however, is the fact that this data also needs to be managed to support distributor (and flexibility trader) services. New systems and processes will likely need to be developed, depending on the requirements of distributors and flexibility traders, to deliver and support the new services.
7. Against that background, this submission comments on the following two aspects of the EA's Paper:⁴
 - (a) *Chapter 4 of the Paper:* Intellihub does not consider there is a problem regarding data access for distributors and flexibility traders. It believes market arrangements will facilitate access to data and the development of support systems on reasonable terms. Accordingly, it does not consider that regulatory intervention is required (at the very least, it would be premature at this stage). Intervention may in fact be counterproductive to the EA's statutory objectives.
 - (b) *Chapter 6 of the Paper:* Intellihub agrees that competition in the market for flexibility services is important and that this maybe an area where regulation might become appropriate to ensure outcomes consistent with workably competitive markets.

Chapter 4: Information on power flows and hosting capacity

8. Intellihub agrees that consumption and network capacity data is useful for distributors and flexibility traders, and that access will become increasingly important. By way of example, Intellihub works collaboratively with distributors to develop and deliver services that benefit and support their networks. We also work in partnership with the ENA and distributors as a group, as well as with other distributors directly, on gaining access to data and developing these services to an agreed standard.
9. The Papers expresses concern that distributors face barriers to access. While not expressly stated, it appears that the EA's problem definition is that distributors are refused data or not provided it on an economic basis. This is not the case in Intellihub's experience.
10. The EA has already taken steps to remove any perceived barriers to distributors' and third parties' access to meter data.
11. Distributors (and flexibility traders) are therefore not prevented from requesting access to data they require for their purposes. MEPs, such as Intellihub, have a commercial incentive to provide this and additional non-consumption data, such as network data, to maximise their infrastructure investment:

⁴ Electricity Authority *Updating the Regulatory Settings for Distribution Networks – improving competition and supporting a low emissions economy Discussion paper* (July 2021) at pgs 26-32 and 43-54.

- (a) Intellihub already invests in partnerships with distributors to create additional data services. However, this has not yet led to formal pricing discussions with distributors, in respect to the services.
 - (b) Dialogue between distributors and MEPs should be encouraged, as the data distributors seek for their network management purposes can be captured by smart meters already installed. Support systems and data processing will need to be tailored to suit the different requirements of distributors (in comparison to traders). Having distributors build and install their own monitoring infrastructure and support systems, especially if smart meters can provide data, is inefficient as it adds costs for consumers.
 - (c) Intellihub works constructively with distributors and key industry bodies to facilitate access to data. We support distributors accessing data to help facilitate the ENA's Network Transformation Roadmap, aimed at supporting distributors when setting strategies and planning for significant changes in the electricity sector as consumers adopt new technologies.
12. It is not clear to Intellihub why distributors (and others) have, to this point, not shown a greater degree of interest in obtaining access to data services that Intellihub would be happy to provide. However, we do think that evolving technology, increased demand on distribution networks (due to both DER and consumption), and establishment of new business models will lead to greater demand for the data services we are willing to provide.
13. Accordingly, at this stage there is no evidence that access to data will be a problem in the future that could justify regulatory intervention. The market arrangements already establish a workable framework facilitating access to data, so it is difficult to see how regulation could facilitate better access to data.
14. Further, as discussed above, development of data processing and support systems will be key to providing distributors and flexibility traders with information that effectively meets their needs. Again, Intellihub believes the market will develop solutions to address such needs and sees any regulatory intervention (or the prospect of it) as a risk to the innovation and investment that is required.
15. We therefore ask that the EA provides regulatory certainty by taking intervention off the table at this stage. As the EA rightly identifies, if and when a market failure problem is identified, a cost / benefit analysis would still be required to ensure that the costs of any solution proposed do not outweigh any potential incremental benefit.
16. The EA should be mindful of the different conditions in New Zealand when looking at the Australian precedent, which points to a different, and much less interventionist, regulatory response required for New Zealand.
17. The Paper proposes a few options to address the perceived issues, depending on the scale of the issue. If the EA considers the issues to be significant, we understand that it will consider implementing either a central meter data store or an application programming interface to share data. Intellihub does not consider that there is any evidence that there are significant issues that need to be addressed by regulation, and therefore does not support either of these proposals. The proposals are significant and complex and would be unjustifiably onerous for the parties involved, for no clear benefit. We also consider that the proposals will have the unintended consequence of stifling innovation.

18. In conclusion, our view is that the issue is "minor", and we would support the options in the Paper of:
- (a) informing and educating consumers on how to request their consumption data (so, for example, they can provide it to flexibility traders); and
 - (b) Encouraging distributors to collaborate in finding the most efficient way of capturing and publishing utilisation data. We believe that the EA should focus on effectively promoting innovation and collaboration for the best outcomes for the industry and the consumers, and this is best achieved at the moment by allowing the industry to come up with solutions.

Chapter 6: Market settings for equal access

19. Intellihub supports initiatives which ensure contestability in flexibility services by providing equal access to distribution networks. We are willing to work with all parties who are looking to develop and build services that deliver benefits to the end consumer.
20. Distributors and Intellihub have been working together collaboratively in both New Zealand and Australia to deliver different and innovative services in an efficient way. This is important given that Intellihub has the technological capacity and knowledge of the infrastructure.
21. We note the introduction of the Electricity Industry Amendment Bill, which would allow the EA to use the Code, if necessary, to promote competition, to regulate how distributors can participate in competitive markets on their networks (the current rules in the Act apply to generation and retail markets only). We support this change. Although we do not see a case for intervention at this stage, it will provide the EA with tools to promote competition in flexibility services if problems arise.