



## Updating the Regulatory Settings for Distribution Networks

*I ōrea te tuatara ka puta ki waho  
(A problem is solved by continuing to find solutions)*

I welcome the opportunity to comment on the Electricity Authority (the Authority) discussion paper: 'Updating the Regulatory Settings for Distribution Networks'. I am the principal of Lone Wolf Enterprises, a business providing consultancy services to the New Zealand energy sector. A current focus is on helping companies develop new capability in a changing sector.

I am also Chair of Waipa Networks, a Director of Network Waitaki, and independent Chair of the Electricity Networks Association's Smart Technology Working Group. The views expressed in this submission are my own and do not represent the views of these organisations.

### INTRODUCTION

The Authority has rightly recognised the pivotal role of electricity networks in helping enable New Zealand's transition to a low carbon economy via increased electrification. It is timely for regulators to look for ways they can support the role of electricity networks as key enablers.

### THE DISCUSSION PAPER IS INACCURATE AND MISLEADING

In its current state the consultation document does not clearly articulate the current and future issues facing the sector. It is full of misrepresentations, inaccuracies, and unsubstantiated assumptions. Further, it lacks context. In my view it would be neglectful for the Authority to proceed with further work in this area based upon the quality of what has been presented for feedback.

To make progress in enabling increased electrification it is important all stakeholders are on the same page. There is time to meet this challenge, but not time to restart having focused on the wrong priorities to begin with.

#### **Recommendation 1**

*I recommend the Authority withdraw the paper and instead embark on a series of visits to all electricity networks to fully understand current issues, plans, and capability. This knowledge gathering exercise must be done alongside other key regulators. The regulatory solutions to assist electricity networks to fulfil their role as enablers are not solely limited to the Authority.*

## **FLEXIBILITY SERVICES**

There is a strong focus on flexibility services in the paper as a cheaper alternative to traditional network investment. This is an area in its infancy globally, not just in New Zealand. The current state of progress in New Zealand is entirely consistent with this position.

All networks I interact with are constantly seeking lowest cost solutions. Most are actively watching and learning from their peers who have made initial forays into seeking non-network alternatives. This collaborative approach is a suitable and effective means of making progress in a resource constrained industry.

However the more pertinent issue is how much priority to give this emerging area. The discussion paper outlines work by Sapere estimating the net benefit from widespread DER deployment (over 30 years) to be \$7.1 billion (of which an arbitrarily determined amount of \$2.3 billion flows through to consumers in terms of lower charges).

On face value this sounds impressive, but in reality, it represents less than 1% of total customer revenue over the same period. Given the analysis relies heavily on a capacity value for networks that is almost certainly overstated the realisable benefits are likely to be far less.

The Authority's statutory objective is to promote competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers. An overinflated estimate of potential savings in the order of 1% from a new, emerging, and as yet untested market is not consistent with this objective.

### **Recommendation 2**

*I recommend the Authority promote and facilitate the sharing of information around flexibility services, including encouraging networks to actively seek alternatives in cases where they are likely to be a viable alternative. This will give a true and accurate picture of the potential value of non-network alternatives before any regulations are developed to support this (if needed).*

## **INNOVATION/SMALL EDBs**

The future pathway to a low carbon future is uncertain. Such times demand innovation and new thinking. It is better to have more parties looking at ways to solve new problems than fewer parties.

The Authority makes a number of erroneous assumptions around innovation in the networks sector, inferring that scale matters above all else. There are many examples of innovation flourishing at small Trust owned networks. In my view one reason for this is that these networks are not as restricted by regulation and so are able to pursue such approaches, for the benefit of their customers and the wider sector. In many cases while some of these networks are small in terms of customer numbers, they are in fact large businesses, having sought to address issues of scale through diversification.

There is no basis to extend the Authority's concern around size and scale to encompass ownership. This is a dangerous area for the Authority to stray into. Trust ownership has been proven to serve its communities and consumers well. Trusts are required to regularly conduct ownership reviews. I am

not personally aware of any of these reviews that can point to a more effective ownership model to deliver electricity lines services.

I support regulators asking the question as to whether networks are able to develop the capability to support a new energy future. However starting this process with a preconceived viewpoint is not the way to address this important question.

### **COMPETITION BIAS**

It is ironic that in a time when innovation is needed more than ever the Authority's default response is to promote competition as the only solution. Maintaining a simplistic binary view that monopolies be regulated and minimised, and all other areas opened to competition limits the range of potential solutions that can be offered.

Networks provide open access platforms for retailers to trade across. They invest capital so consumers do not face the hurdle of high upfront costs. These aspects of network businesses should be leveraged not discriminated against. There is no reason networks could not invest in the widespread provision of smart EV home chargers while allowing access to third parties to operate them as a means of addressing the need in this area. In a similar vein it makes no sense for the authority to promote independent flexibility traders ahead of other industry participants when the clear need is to create controllable load that can be readily accessed by all parties. If there is a compelling need for independence, I would expect this business model to emerge as it has done so in the metering market.

Any efforts to reform regulations to support networks need to be done collectively by all regulators.

### **DATA ACCESS**

Change is occurring at the edges of electricity networks in areas where networks have traditionally had no visibility. The need for improved monitoring is well recognised. Data is the fuel that will enable networks to fulfil their role as enablers of a low carbon future.

It is therefore pleasing to see this recognised in the discussion paper. However this recognition is in stark contrast to the lack of action to date by the Authority. It is especially concerning that the Authority considers it has completed the Electricity Price Review recommendation to ensure distributors have access to smart meter data on reasonable terms. The DDA process provided an opportunity to progress this issue, but distributors' concerns were not addressed. Many of the initiatives the Authority are promoting in the discussion paper are reliant on access to data they have been unable to facilitate. There is clearly a disconnect.

My comments should not be construed as criticism of networks and MEPs and their efforts in this area. In my view there is a willingness to reach agreement to supply data but there are a number of barriers to address. More regulatory support is needed in this area, and it must be given priority.

### **Recommendation 3**

*The Authority set up a data access working group comprising distributors and MEPs and task the group with recommending actions to implement access to smart meter data by mid-2022 (at the latest).*

## **RELIABILITY**

The discussion paper is silent on the important issue of the service expectations of customers in a highly electrified world. While it raises questions around changes to standards, or the need for new standards, these need to be informed by what performance levels the new energy systems of the future must meet.

Cost is far more than the price customers pay for electricity. Poor service reliability carries a cost. The unfortunate event of August 9 is a timely reminder of this.

History shows us that network reliability has evolved (improved) as electricity has powered more areas of customers lives. The transport sector already has a highly reliable energy delivery system that is better than the electricity system. Now is the time to have the debate as to what future performance customers will demand in a low carbon world powered by electricity. The Authority should play a lead role in facilitating this discussion on behalf of the industry. To fail to do so would not be in the best long-term interests of consumers.

### **Recommendation 4**

*The Authority should lead an industrywide debate as to the future reliability levels required from the electricity sector in a low carbon world.*

As noted at the start of this submission the Authority's discussion paper contains a number of inaccuracies and misrepresentations. It is not my intent to provide detailed feedback on each and every one. However I am available and willing to meet with the Authority to discuss any of the points raised in my submission. Please feel free to contact me on 021 306 877.

Electricity networks are enablers of decarbonisation. The best way to deliver New Zealand's decarbonisation goals is to enable the enablers and do so as quickly as possible.

Yours sincerely

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