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Submissions
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CONSULTATION PAPER – UPDATING THE REGULATORY SETTINGS FOR DISTRIBUTION NETWORKS

Network Waitaki welcomes the opportunity to provide comments to the Authority on the consultation paper titled "*Updating the Regulatory settings for Distribution Networks*". We also generally support and agree with the submission by the Electricity Networks Association (ENA) in this regard.

We recognise the ambitious emissions reductions and renewable energy aspirations of Government and the key role that Distributors (EDBs) will play to enable this. We further appreciate and support the Authority's pro-active approach to ensure regulatory settings are in place for innovation to occur and competitive pressures are in place for the benefit of consumers.

Overall, many of the key themes identified that there are opportunities to develop capability as an entire industry (not just distribution networks) – particularly with respect to standardisation, improving information on network operations (e.g. power flow and hosting capacity), development of flexibility services and access to meter data. These are all key enablers to unlock value from DERs for customers and the energy sector and supporting the transition to electrification.

The focus on access to information, the recognition of distributors' need for greater visibility of low-voltage networks and the Authority's openness in considering solutions are especially encouraging. As the Authority rightly puts it information is crucial going forward to manage reliability and make efficient investment decisions in the current and future environment. We are also pleased with the attention been given to address electricity supply standards and the need for consistency and standardisation, while recognising that a more flexible approach rather than mandatory requirements needs to be considered in this dynamic, changing world, we are operating in.

We are concerned though that the report makes several suggestions from section 6 onwards that appear to infer that EDBs in general are not as supportive or capable of this transition as they could be.

Our primary concern is that none of these suggestions are substantiated in any way and leave the reader with an impression that there is a "problem" to be solved with no clarity on the basis for, or the extent of it. We understand that there are uncertainties going into the future and concerns that require attention but would caution against making unsubstantiated comments, such as the following

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- Par. 6.9: "…Many distributors seem to consider the use of flexibility services as difficult…"
- Par. 6.10: "…Although some distributors have made progress…the slow progress to-day may be evidence that further action is needed…"
- Par 8.1: "Having 29 distributors is not necessarily the most efficient way to structure the distribution sector…"
- Par 8.1: "An inability for some distributors to adjust may lead to not all consumers benefiting…"
- Par 8.3: "It is possible that some distributors do not have the capability…"
- Par 8.18: "It is not conclusive about whether economies of scale is an issue and, if it is, what the size of the issue is."

We would like to focus specifically on Section 8. The questions asked by the Authority in relation to Section 8 are valid and we respond to them in Appendix 1. However, we were disappointed by the arguments presented by the Authority, mostly unsubstantiated, aimed at exempt EDBs. Below are a few general comments on Section 8 for the Authority to consider.

Capability and Capacity

We acknowledge the Authority's view that EDBs are at the centre of this transition to a low-carbon environment and thus understands the Authority's interest in EDBs' capability and capability as expressed in Section 8.

It is concerning though that the objectives for Section 8 are set out based on "perceived issues" with no substantive foundation concluding with the "size of the problem" being the 12 exempt EDBs. We also could not discern clear evidence that consumers' voices have been heard when arriving at these perceived issues or that their role is acknowledged as owners of consumer trust owned EDBs.

We have provided a detailed response to questions 18 to 21 (relating to Section 8) which relates to our efficiency and effectiveness but would like to stress our concern about the anecdotal nature of this section. Although there is an effort to present different perspectives, the conclusions are based on little factual evidence.

We note the reference from the International Energy Agency (IEA) report in par. 8.9 about concerns regarding the sector's capacity to harness efficiencies associated with economies of scale, but would argue that this is a selective reference with no foundation as the same IEA report on page 150 observed that

> *"However, no official empirical analysis has been undertaken on economies of scale in New Zealand's distribution businesses, and there is little evidence that small firms are less innovative or perform less well than large ones." The IEA also concluded "In addition, a programme of sponsored amalgamations is likely to be highly contentious" and "likely to be strongly resisted and potentially counterproductive at this time".*

It would appear that the Authority is selectively taking excerpts of previous reports to support one position and not present the full picture. As we cover further in this submission, work was completed by Professor George Yarrow[1] which concluded that size and scale alone was not a determining factor in efficiency.

- ***Investments in non-core assets***

The reference in par. 8.10 to the IEA report's concern regarding investments in non-core assets by "some community-owned trusts and local authority-owned distributors" and that

[1] Yarrow, G. (2018, p. 7, p. 15). Electricity Price Review. Comments on the first report for discussion. Energy Trusts of New Zealand submission on Electricity Price Review First Report.

"these activities potentially expose distributors to substantial business risks which many may be ill-equipped to manage."

It is not clear why it is necessary to speculate about the potential exposure of distributors to business risk and their skills.

There is information available in the public domain that does provide factual information on the activities and performance of EDBs, to enable either a fact based concern or a fact-based non-concern. Published annual results and disclosures by EDBs contain information about the efficiency and effectiveness or not of an EDB's governance quality. The Controller and Auditor-General, as an independent oversight body, can and does perform ad hoc investigations into EDB performance and has also provided an overview of EDB audit results in the past. For example, regarding performance it has done an evaluation of the. asset management practices of some EDBs[2] and it also conducted a detailed inquiry into the investment by Delta[3], one of the examples used in par. 8.11 to illustrate non-core investments by EDBs. This lengthy inquiry identified some positive aspects and some deficiencies on the part of the holding company and the Council who did the investment. It also identified valuable lessons for other local authorities. The point is that it should be possible for the Authority to be more definitive in their assessment of EDB exposure with the information available to them than what is portrayed here using the IEA report from several years ago.

The Authority has been very selective in providing examples of investments in non-core assets in what can only be taken as an attempt to portray EDB non-core investments in a negative light. We note under par. 8.11 the Authority refers to the trading activities of Delta Utility Services (Delta) and incorrectly states it as a "business unit of Aurora Energy". This is not correct, as Delta is a contracting subsidiary of Dunedin City Holdings Limited (a CCO) whose commercial strategies and risk appetite is beyond the scope of which the Authority should be commenting on in relation to EDB regulatory settings.

We contend that providing selective examples do not provide a holistic picture of investment in non-core assets and the success or not thereof. There are also numerous examples of EDB investments in non-core business areas that were and are successful – we note the Authority makes no mention of these and is presenting a very one-sided position.

The investment examples in the report do not support par. 8.17 which in effect limits the size of the problem to exempt EDBs.

- ***Efficiency***

Section 8 starts off with a statement that "having 29 distributors is not necessarily the most efficient way to structure the distribution sector in New Zealand." There is no reason provided for why it is not "necessarily the most efficient" but instead continues in the next sentence to say that "This potential inefficiency may become pronounced as distributors have to adjust to network transformation due to the complexities of integrating DER and the electrification of the economy."

We found this introduction to the section puzzling as we can only assume that the "potential inefficiency" relates to the "number" of EDBs and that the "number" might potentially be too high. If our assumption is correct then it is not clear what the benchmark is that was used to identify this "potential inefficiency". Prof. Yarrow[4] in his report refers to the Nordic countries being an appropriate comparator group for New Zealand and much more fragmented (17.5

[2]Controller and Auditor-General. (2017). Managing the assets that distribute electricity. https://oag.parliament.nz/2017/electricity-distribution/part3.htm

[3]Controller and Auditor-General. (2014). Inquiry into property investments by Delta Utility Services Limited at Luggate and Jacks Point. https://oag.parliament.nz/2014/delta

[4]Yarrow, G. (2018, p. 11). The International Energy Agency's 2017 Review of New Zealand.

small EDBs for every large EDB) than the New Zealand Distribution sector (8.7 small EDBs for every large EDB). In aggregate the ratio of "small" to "large" EDBs in Europe is 11.7 small EDBs for every large EDB[5] - large EDBs being those with more than 100,000 connections. Considering these comparisons New Zealand does not have an extraordinarily large number of EDBs and is then "potentially efficient".

Much research has been done on the subject of EDB scale efficiency across the world. No definitive conclusions have been arrived at as yet, that we are aware of, regarding the optimal size of these businesses. In fact, where some research found that there is a case for consolidation to achieve scale efficiency, e.g. in the case of the electricity distribution industry in Ontario[6], another research study argued that diseconomies of scale[7] existed in larger distribution businesses there.

We agree with the Authority in par. 8.18 that it is not clear whether this is an issue and, in our view, more evidence is required before any conclusions can be made about economies of scale in the industry. As Prof Yarrow[8] and others have shown and argued customer density (economies of density) more so than size (economies of scale) drives an EDB's asset operating cost, i.e. the actual cost to service customers are mostly the same regardless of size of the EDB. Customer density is an external factor that cannot be changed irrespective of the size of the company.

- ***Customer impact***

Regarding "parties impacted" paragraphs 8.15 and 8.16 state that this "problem" is "most likely" to impact consumers…and that these consumers would "potentially" have higher distribution costs than consumers in other regions due to inefficient investments. Also, consumers "are likely to have less options to own DER…"

We are of the view that it is important when assessing the impact on consumers to consider the drivers of different ownership structures including from the following perspectives:

- The legal and fiduciary responsibilities and duties of consumer owned EDBs.

  In Network Waitaki's case as per the Trust Deed of Waitaki Power Trust, Trustees are required to periodically review the ownership structure of Network Waitaki. A review of the ownership structure is currently underway.

  The last review in 2011 concluded that Trust ownership was the most appropriate ownership structure mainly because of the performance of the company (minimal supply interruptions, low lines charges, benefits to local customers through discounts, scholarships, sponsorships and meeting demand while facilitating economic growth, customer surveys overwhelmingly in favour and stability of consumer-owned EDBs). Essentially Trust ownership was considered to best support the desires of the community that Network Waitaki serves.

  The current review in 2021, completed by Deloitte, found in summary that Network Waitaki from a financial and operating performance perspective performed well and from a community perspective played an equally vital role, which includes being a local employer of choice, provided discounts, maintained low lines charges, provided community sponsorships, scholarships, and engagement on energy initiatives. A recent consumer survey confirms overall customer satisfaction with the service we deliver.

[5]Eurelectric (2013, p. 18). Power Distribution in Europe. https://www3.eurelectric.org/powerdistributionineurope/
[6]Davidson, R. (2013). New Zealand electricity distribution sector consolidation – lessons from Canada
[7]Cronin, F.J., & Motluk, S.A. (2007). How effective are M&As in distribution? Evaluating the government's policy of using mergers and amalgamations to drive efficiencies into Ontario's LDCs.
[8]Yarrow, G. (2018, p. 7, p. 15). Electricity Price Review. Comments on the first report for discussion. Energy Trusts of New Zealand submission on Electricity Price Review First Report.

This begs the question then as to whether the consumer voice is perhaps not good enough?

- What do consumers really want? Have consumers expressed concerns about the governance of exempt EDBs? The voice of the consumer is essential and should not be ignored.

- Why has there been very little natural consolidation of exempt EDBs with other EDBs up to now if there is an obvious case of a lack of capacity and capability?

- The benefit of having a diverse group of EDBs and recognising the opportunities smaller size EDBs have to be agile, flexible and adaptable while also being more "in touch and connected" with consumers' needs.

- Trust owned EDBs generally redistribute profits within the community or amongst the customer base or retain them for re-investment in the network or other productive investments. This has a significant positive regional impact when compared to investor-owned or local authority owned businesses who generally seek to make a commercial return and pay a dividend to shareholders.

- ***Size of the problem***

In defining the size of the problem, par. 8.17 states that "although these distributors (referring to exempt distributors) have incentives to keep local consumers happy, they *may* be reluctant to innovate". There is no reason or evidence provided for that inference. In the case of Network Waitaki innovation is a key part of our strategic focus as we show in our response to question 18. We also note several exempt EDBs have been very innovative, including Westpower with the development of the award-winning Power Pilot devices and Counties Energy with its focus on future energy technology including the award-winning work on Smart Meter applications and analytics. There is more evidence to suggest exempt EDBs are innovative than to suggest they aren't.

Paragraph 8.18 (also relating to the size of the problem) states that there is no conclusive evidence about whether economies of scale is an issue - we question as to why it is then posed in the report as if it is an issue. We agree with the concluding sentence in this paragraph that there are benefits in standardisation. We are fully supportive of standardisation of processes where practical and of the necessity to build capacity and capability, but we contend that this applies to all EDBs, not only exempt EDBs.

In summary, we would like to stress that Network Waitaki recognises, supports, and takes very seriously our role in the transition of New Zealand to a low emissions economy. In this regard we are continuously working, in delivering on our strategy and through ongoing collaboration with other EDBs, to ensure we are well-equipped to play our part and provide our customers with the services they require.

Our invitation

Given the Authority seeks to understand more about distribution networks as it looks to ensure the regulatory settings are fit for purpose, we invite you to get out and visit us (and our peers) to discuss and understand our strategy, plans and actions in transitioning from the current environment towards supporting an electrified low carbon economy. I would also be very happy to meet with you in Wellington in the near future as you consider submissions on this consultation paper.

Our response to each of the Authority's question follows in Appendix 1.

For any questions or clarifications please contact our Regulatory Manager, Cornel van Basten or myself.

Sincerely

Geoff Douch
Chief Executive

Appendix 1

1. Have you experienced issues relating to a lack of information or uneven access to information?

Further to the ENA response, we have only very recently used Appendix C of the Default Distributor Agreement for the first time to request data from one of the retailers on our network. The experience has been positive overall with data supplied to us within a few days. Network Waitaki understands the importance of data security but find the stringent requirements as stipulated in Appendix C quite inhibiting and cumbersome.

Our concern on access to information relates to the unfortunate situation that real-time data is not available to us and we expand on this in the response to question 2. In addition, Appendix C of the Default Distributor Agreement provides for a frequency of access to data of no more than once every six months, unless otherwise agreed by the parties. Although we understand that Traders do not want to be inundated with data requests Appendix C does not necessarily make it easy to access information.

2. What information do you need to make more informed investment and operation decisions?

The ability to monitor voltage and power flows at the consumer premises via real-time smart meter data will be necessary to allow us to manage the loads and Distributed Energy Resources on our network to optimise energy delivery while avoiding constraints and minimising related network investment. This will also be required to provide value signals to flexibility service operators when parts of the network are congested.

We currently have 13,165 active connections on our network of which two-thirds have advanced metering installed, owned by a large national Metering Equipment Provider (MEP).

In previous discussions with this provider, they were unable to provide real time distributor data to us as the meter devices lacked the capability, and their back-office systems could not support it at that time. A large part of the national fleet of advanced meters appears to have been specified for retailer benefits only and presents a huge technical barrier for further applications (e.g. real time distributor and flexibility services use). This is a prime example of inefficient investment (which consumers are paying for) by not having standards in place for advanced metering infrastructure that MEPs need to comply with.

We also have approximately 4,100 legacy meters for which no real time or half hourly data is available and for which Network Waitaki is the MEP. We have the option of investing in smart meters for these ICPs, which may be inefficient as a standalone exercise, or collaborating with an MEP with a larger national presence.

We have found that there has been very low interest from retailers to fund further smart meter deployments in our area which is a barrier to gaining information from these sites.

Therefore, despite having close to 70% smart meter coverage in our area, the information is not easily available to us and we will still have to make assumptions without a comprehensive view of real time demand and power flows, nor regular non-real-time basic half-hour data for planning purposes.

3. What options do you think should be considered to help improve access to information?

We support the ENA response to this question.

4. Have networks experienced issues from the connection or operation of DER?

Network Waitaki has not experienced any issues from the connection or operation of DER.

5. Do the Electrical (Safety) Regulations require review? If so, what changes do you think are needed (a) in the near term and (b) in the longer term?

We support the ENA response to this question.

6. Does Part 6 remain fit for purpose? If not, what changes do you think are needed (a) in the near term and (b) in the longer term?

We support the ENA response to this question.

7. Is there a case to be made for minimum mandatory equipment standards for DER equipment, specifically inverter connected DER?

We support the ENA response to this question.

8. What standards should be considered to help address reliability and connectivity issues?

We support the ENA response to this question.

9. Is there a case to look at connection and operation standards under Part 6 with a view to mandating aspects of these standards?

We support the ENA response to this question.

10. What flexibility services are you pursuing?

We are currently investigating the viability of flexibility services such as Demand Response Management (DRM) of irrigation load and solar/battery systems to reduce our summer maximum demand and defer grid-scale investment as we approach the constraint on the Transpower lines supplying Oamaru.

In due course, and in collaboration with other EBDs we will expand our DRM studies to include load with thermal inertia, such as cool stores and heating systems.

11. Are flexibility services being pursued through a competitive process?

No flexibility services are currently being pursued although we will favour a competitive process when we look to procure these.

Controlled hot water: Payments are made in the form of a discounted fixed component on the consumer's pricing plan. To receive the discount on the fixed component of their plan, consumers must allow us the ability to control their hot water during agreed times of the day.

12. What options should be considered to incentivise non-network solutions?

If value streams are properly considered over appropriate timeframes, non-network solutions should win in a cost-benefit comparison. One way the Authority can assist is to assist to remove barriers so EDBs can get long-term, reliable access to existing non-real-time smart meter data to assist us in our planning and ultimately real-time smart meter data.

13. What options would encourage competitive procurement processes for flexibility services?

Education and guidance at a reasonable cost, i.e. education on competitive procurement and coordination and procurement guidelines. Continued sharing between EDBs and EA on trials and successful flexibility procurement examples.

14. Have you experienced difficulties with negotiating operating agreements for flexibility services?

No, we have not had any enquiries so far.

15. Are the transaction costs of developing contracts a barrier to entering the market for flexibility services?

No, however we support the ENA response to this question.

16. Would an operating agreement help lower transaction costs and level negotiating positions?

No, however we support the ENA response to this question.

17. What kind of operating agreement would address the issues described in this chapter?

A guidance containing best practice terms that allows flexibility to cater for unique circumstances will be helpful. As per the ENA submission, care should be taken that the cost of development does not outweigh the benefits.

18. What are distributors doing to ensure their network can efficiently and effectively manage the transformation of networks?

We have set out our strategy to transform our network in our Strategic Plan and this flows through to our Business Plan, Network Evolution Roadmap, and Asset Management Plan.

We are actively collaborating with other New Zealand EDBs to share knowledge and to ensure we can enable the exciting future of new technologies, while ensuring that the core business of supplying electricity over our network is operating safely, efficiently, and reliably. This is done through various forums, including the ENA Smart Technology Working Group.

- ***Strategic focus***

We have a clear strategy, completely refreshed in 2020, and our commitment to the energy transition is best illustrated through our strategic focus areas which include:

- ✓ Effective transformation of our business
- ✓ Smart investment which adds to shareholder value and improve affordability of electricity to our consumers
- ✓ Focus on technology and systems to enhance customer service and business performance
- ✓ Diversified range of profitable services on offer
- ✓ Commercially and socially sustainable business model

This strategic focus should in and of itself provide comfort to the Authority and our consumers that we are intently aware of the energy transition and working towards it while ensuring our core business operates optimally.

- ***Customer demand***

We are continuously monitoring developments in our supply area with a view to be ready to enable flexibility services when required. In Network Waitaki's case DER currently makes up 0.2% of fused capacity and 1.2% of total connections on our network. We have thus not been faced with a large influx of DER activity.

- ***Collaboration and coordination***

Collaboration and coordination with our fellow EDBs is essential to support our readiness to deliver on ensuring customers can obtain the products and services they demand.

In this regard we are actively participating in the ENA Smart Technology Working Group. Membership of this group allows us to collaborate, share successes and failures and align our workplans to avoid duplication of work. We have used the ENA Network Transformation Roadmap as a key input into our Network Evolution Roadmap.

Our response to question 19 details the collaboration efforts we are actively participating in.

- ***Uptake of new services***

Allowing our customers the ability to take up new services (e.g. DER such as generation and storage, EV charging, demand response) is a key objective of our *Strategic Priority #4 - Offer innovative new solutions to our customers.*

Membership of the ENA Smart Technology Working Group allows us to keep abreast of new developments in this area and to share the steps we are taking to enable these new services between EDBs.

At present, Network Waitaki has low levels of congestion on our network and to date have not declined any DER applications.

In order to manage future congestion on our LV networks and enable signalling that there is value available to flexibility services, we will require reliable, fairly priced, access to smart meter data so we can monitor the performance of these networks. Increased understanding of our low voltage networks could be increased immediately with non-real-time consumption data. To understand congestion and manage real-time flexibility services, we will ultimately require real time data (consumption and power quality) from the customer smart meters.

Note: we don't currently have any visibility of domestic electric vehicle charger locations in our network or means of influencing (or understanding) the size, type, controllability, or functionality of these chargers. It would be useful if the EA could assist to facilitate a means for EDBs to gain this influence or understanding.

- ***Consumer voice and interest***

Most importantly, our priority as a consumer trust-owned EDB is to listen to our consumers and to ensure we understand and are ready and able to provide them with the services they require in the most efficient way.

Our consumers have a direct means in expressing their views on Network Waitaki's performance through feedback to the business directly, via our Trustees (as representatives of our consumers) and ultimately through trust elections where performance is judged on whether Trustees are re-elected and whether polarising issues come to light.

We also undertake periodic customer surveys which provide an important mechanism to gauge customer sentiment towards Network Waitaki and provide an opportunity to address issues where required.

19. How are distributors currently working together to achieve better outcomes for consumers?

Network Waitaki believes that collaboration with other EDBs is essential. In this regard we actively pursue collaboration and coordination where possible, including:

- Participation in the Electricity Networks Association (ENA) working groups, including the Smart Technology Working Group, Regulatory, Distribution Pricing and Consumer Engagement Working Group to ensure we stay abreast of developments and follow a uniform and standardised approach with the rest of industry.

- South Island EDB Chief Executives have a quarterly forum for collaboration on shared issues and opportunities, covering a wide range of strategic areas across the business.
- South Island EDB joint study into new operating models, to understand and address the impact of DERs on networks and how to prepare for that.
- South Island EDB joint study, in conjunction with EECA and Transpower using DETA Consulting to undertake a stocktake and overview of boilers and process heat in the South Island to understand decarbonisation impacts.
- The South Island Collective Network Operators Group (CNOG) to achieve operational uniformity. This group meets periodically to consider and share opportunities and developments relating to network standards, competencies and operations.
- South Island Buying Group, to collectively negotiate and procure products at competitive prices in the market.
- Electricity Engineers Association (EEA) focussing on engineering, technical and health and safety matters.
- Collaborates with and uses operating standards developed by Powerco as a basis for Network Waitaki's operating standards.
- Contracting our field services to other EDBs, e.g. Top Energy and Aurora.
- Collaboration on customer engagement with our peers, for example safety and information campaigns, joint radio and print media materials.
- Collaboration on IT and cyber security matters with our peers through a South Island EDB IT Managers forum.
- Participates with all EDBs in the national Health and Safety forum under the ENA and EEA umbrella.
- Regular attendance and presentations at the South Island Overhead Line Designers Forum.
- Participation in the EEA Overhead line design Micro-credentials steering group.

20. Could more coordination between distributors improve the efficiency of distribution?

Coordination is essential and the ENA provides a platform that supports and drives coordination. As the sector transform and evolve it is our view that coordination and collaboration will become more important. Our response to question 19 above attests to the fact that Network Waitaki values and acknowledges the benefit and the importance of coordination and collaboration on several fronts.

In Network Waitaki's case DER makes up 0.2% of fused capacity and 1.2% of total connections on our network. We recognise that this can change readily and is preparing for it through our strategic focus and through collaboration with counterparts in other EDBs through ENA and other forums.

Our view on the options that the Authority will consider as stipulated in clause 8.20 is as follows:

- **Minor issue**
  - **Encourage collaboration**

    Collaboration is already supported and put into practise across several areas affecting EDBs – see our response to question 19. The ENA Smart Technology Working Group is clearly an important area of collaboration that focusses on EDBs preparedness for the future.

  - **Improve transparency of investment decisions**

    It is not clear on what is envisaged under this option and what will be done with the information. Will this add regulatory cost on an EDB while no real problem has been identified? The Auditor-General does evaluate exempt distributors' investment performance on an ad hoc basis.

- **Develop a reporting framework for distributors and DER suppliers to report results of trials**

  From a learning perspective sharing of trial results will be beneficial and educational. Any reporting framework should be such that it does not add an additional cumbersome reporting layer at added cost which will ultimately be borne by electricity consumers.

- **Medium issue**
  - **Impose price quality regulation on all distributors**

    We agree with clause 8.24 that this option will impose significant regulatory cost for no obvious material benefit.

    No concrete evidence exists from which it can be definitively concluded (considering each EDB's unique set of circumstances) that exempt EDBs are performing at a lower level of reliability or at a higher cost compared to their non-exempt peers.

    As a consumer-trust owned EDB, Network Waitaki operates closely with the community and are cognisant of consumers' continuous scrutiny on its performance and charges.

    In addition, several barriers in the current Input Methodologies have been pointed out to the Commerce Commission that should be considered in the upcoming review, in its recent open letter[9] on this topic. As it currently stands, it will more likely be non-exempt EDBs that will be impeded due to barriers in the Rules, including "backward-looking regime" and "lack of flexibility" to cater for investment in an uncertain future.

  - **Clarifying the roles of a distribution network operator (DNO) and a distribution system operator (DSO)**

    Clarification of roles of a DNO and DSO for those EDBs that are interested in such a model could be appropriate. There is currently nothing that we are aware of preventing EDBs to form joint ventures or have contractual agreements to obtain these services.

  - **Create industry body to promote coordination of DSOs**

    We do not support creation of another industry body, which will add yet more regulatory cost that need to be paid for by consumers who are supposed to be beneficiaries.

    This could be accommodated within one of the many existing industry bodies.

[9]Commerce Commission (29 April 2021). Open letter-ensuring our energy and airports regulation is fit for purpose.