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Submissions
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TRUSTPOWER SUBMISSION: UPDATING THE REGULATORY SETTINGS FOR DISTRIBUTION NETWORKS

1. Introduction and overview

- 1.1.1 Trustpower Limited (**Trustpower**) welcomes the opportunity to provide a submission to the Electricity Authority (**the Authority**) on its Updating the Regulatory Settings for Distribution Networks Consultation Paper (the Consultation Paper).
- 1.1.2 The Authority is seeking feedback from the industry to assist it to judge the scale of the issues it expects that distributors will face as the sector decentralises and decarbonises.
- 1.1.3 The Authority has identified six key areas of concern:
 - a) Information on Power Flows and Hosting Capacity;
 - b) Electricity Supply Standards;
 - c) Market Settings for Equal Access;
 - d) Operating Agreements;
 - e) Capability and Capacity; and
 - f) Efficient Pricing.
- 1.1.4 Trustpower agrees that all of these areas justify further consideration and may necessitate regulatory intervention over the medium term to long term. We note that there is a separate consultation on efficient pricing.
- 1.1.5 Of the remaining issues, we consider the Authority, and potentially the Commerce Commission should focus in the short term (in order of priority), on the market settings for equal access, information on power flows and hosting capacity, and the capability and capacity of distributors.
- 1.1.6 Alongside the views presented in this submission, we are a signatory on the ERANZ submission and generally support the positions presented by that organisation.

2. Information on Power Flows and Hosting Capacity

- 2.1.1 We agree with the Authority that increased information around power flows and hosting capacity will be required to ensure:
- a) efficient investment (by both distributors and the owners of flexibility resources);
 - b) efficient operation of Distributed Energy Reform (**DER**);
 - c) supply reliability is maintained in accordance with consumer expectations; and
 - d) competition occurs on a level playing field in contestable markets.
- 2.1.2 In particular we consider that availability of information about congestion within distribution networks will be a key component to support the increased penetration of flexibility resources for the long-term benefit of electricity consumers.
- 2.1.3 We acknowledge that access to metering data is important to allow distributors to acquire a better understanding of network congestion and note that significant progress to enable this sharing of information has been made in recent years.
- 2.1.4 Looking forward, we are concerned about retailers becoming a facilitator required to share this information for two reasons:
- a) Some retailers do not collect all of the information that a distributor might want from the meter. If the retailers have to facilitate distributors' access to this information, this could come at additional cost to them for no corresponding benefit; and
 - b) It is possible that a number of new parties will enter the sector retailing highly bespoke products. If this occurs, the administrative costs to distributors to engage with and collect information from a diverse range of retailers could be substantial.
- 2.1.5 We support the Authority further considering the recommendations outlined in the submission from ERANZ to address information sharing, including:
- a) Assessing options to implement shared data arrangements;
 - b) Publishing guidance for distributors to report on export congestion and network investment needs;
 - c) Sharing data through API; and
 - d) Amending the default data template to align to the industry agreed template to facilitate supply of information from retailers to distributors.

3. Electricity Supply Standards

- 3.1.1 We support the Authority carefully considering the network quality implications of increased penetration of DER given the potential implications for reliability and security of the system and associated risks of increased costs (via requirements for additional system services, network upgrades etc).
- 3.1.2 At a high level we agree with the Authority's concerns that standards that are too strict could lead to insufficient uptake of DER and standards that are too lenient could lead to inefficient costs for distributors to manage this new DER.
- 3.1.3 To guide initial discussions in this area and seek to ensure the right balance can be achieved, we suggest that the Authority establishes a workstream to further explore and clarify the underlying principles and decision-making frameworks around how the impacts of DER on the system should be managed at the different levels of scale. This should include:

- a) Establishing clear expectations around the impact of each type of DER technology on the system which can then be captured within any standards (for example, whether it is expected that DER “does no harm”);
- b) Ensuring that where there are to be different expectations around the impact of different DER technologies this is reasonably justifiable; and
- c) Ensuring that any new standards do not unreasonably impose costs on existing DER that was commissioned to meet previous standards. We note that there is strong precedent for grandfathering of previous arrangements in similar types of circumstances internationally.

4. Enabling Equal Access

- 4.1.1 Trustpower agrees with the Authority that
 - a) equal access is an important issue; and
 - b) ensuring a competitive market for non-network solutions is in the long-term interests of consumers.
- 4.1.2 We agree that there has been a lack of willingness for distributors to pursue network alternatives and support the Authority undertaking action to improve the procurement process. We would also support IPAG’s recommendation that any distribution investment over \$5m must have Board certification in relation to the consideration of a network alternatives.
- 4.1.3 Restrictions on distributors ownership of contestable businesses are likely to continue to be an important safeguard against inefficient self-supply. However, we acknowledge that at times investment by the distributor in DER might be the most cost-effective option, or there may be broader market benefits associated with enabling a distributor to trial new DER related technology. To enable these circumstances to be appropriately taken into account we support an exemption process being established.
- 4.1.4 We also support mandatory requirements for competitive tenders for flexibility services. It will also be important for the regulator to monitor the tender processes and outcomes to ensure they are achieving pro-consumer outcomes.
- 4.1.5 We also agree with Authority’s concerns about the potential loss of value in distributor DER ownership.

5. Operating agreements

- 5.1.1 Trustpower agrees with the Authority that there can be high transaction costs in developing operating agreements.
- 5.1.2 The solution is more challenging, as the bespoke nature of non-network solutions and changing technologies means default contracts and standard terms will often not prove to be that practicable for larger scale participants, however this might be more effective for smaller scale DER with more stable technology.
- 5.1.3 It might be more appropriate to regulate the process that needs to be followed in negotiating an operating agreement including an efficient means of resolving disputes.
- 5.1.4 There can also be unequal bargaining power between distributors and owners of new technologies offering services in substitution for distribution services. As an example of unequal bargaining power we have a recent experience of a distributor using its power to mandate an approach that, in effect, meant only its meters could be used on its network.

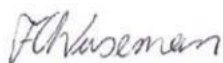
6. Capability and Capacity of Distribution Networks

- 6.1.1 Trustpower agrees that some of the smaller distributors may not have the capacity or capability to address all of the issues presented by decentralisation and decarbonisation.
- 6.1.2 When addressing this issue, it is important to consider what issues are coming, who will face them, and when. This will inform which actions are necessary in the short term on this issue.
- 6.1.3 On some occasions, the large distributors will have the capacity and incentives to find workable solutions that can then be deployed more broadly. However, there will be other occasions where early actions by the large distributors may be unhelpful as they could operate to preclude a national solution.
- 6.1.4 For example, the first regions likely to need a distributed system operator (**DSO**) are Auckland, Wellington and Christchurch. This will mean that a decision on which DSO model should be used must occur early. Once Vector, WEL and Orion adopt their solutions it may be too late to implement a single DSO or to restrict a distributor from being a DSO contrary to the long-term interests of consumers.
- 6.1.5 We support a sector wide coordinated approach being adopted, along with further consideration around whether it's appropriate to separate ownership of a distributor system operator and distributors.

7. Sapere's CBA

- 7.1.1 Trustpower notes the significant net benefits of \$7.1b associated with DER (between 2021-2050) that have been estimated by Sapere, including \$4.8b for DER owners/operators. We are however, uncertain as to whether these estimates of the economic surpluses of DER value streams take into account the capability of existing Distributed Generation to provide these value streams (for example, resource adequacy) and would appreciate further clarification from Sapere and the Authority.
- 7.1.2 For any questions relating to the material in this submission, please contact me directly on 027 549 9330.

Regards,



Fiona Wiseman
Senior Advisor Strategy and Regulation