

Our Energy submission re: Updating the Regulatory Settings for Distribution Networks

1. Our Energy welcomes the opportunity to submit on the Electricity Authority's (EA's) issues paper on Updating the Regulatory Settings for Distribution Networks.
2. No part of our submission is considered confidential. We welcome further engagement with the EA on any aspect of our submission, Plus, and more importantly in our view, we strongly encourage the EA to prioritise and resource making greater use of its available powers in meeting its statutory objectives as it seeks to update the regulatory settings for distribution networks and in enabling innovation generally.
3. Our submission's focus is on paragraphs 5.63 - 5.72 and Box 3 on page 57, which cover enabling of multiple trading relationships (MTR). Additionally, we strongly endorse the submissions from Ara Ake, Kāinga Ora and FlexForum, particularly the focus on greater use and incentivisation of learning-by-doing, as opposed to seemingly endless consultation processes that result in little or no change. Our Energy is one of the original founding members of FlexForum and we are key participants in Ara Ake's MTR pilot.

The framing of MTR is too narrow

4. The implicit framing of MTR as an issue to be considered in terms of updating the regulatory settings for distribution networks is too narrow. While distribution networks would certainly be impacted, enabling MTR would, for example, have absolutely no adverse effects on their role in providing a reliable supply of electricity.
5. Enabling MTR has much more far reaching impacts than just on distribution networks. MTR presents a fundamental challenge to traditional assumptions about how electricity markets generally work and the role of consumers within them. MTR's obvious long-term competition benefits are well traversed, particularly for domestic consumers and small businesses. MTR also creates much greater incentives for market participants to invest in cost-effective ways to process and exchange customer data with each other. In turn, this lends itself towards greater digitalisation and therefore promotes more efficient operation of the electricity industry.
6. We recommend that the EA clearly and separately resources its work regarding MTR to give it the priority such change deserves. Considering MTR within the confines of this work regarding updating the regulatory settings for distribution networks is inadequate. For the avoidance of doubt, this does not mean that the EA needs to lead or do all of the work itself that is required to progress MTR.

While important, MTR has limited impact on the transaction of flexibility services

7. We do not disagree with the view that:

If flexibility traders have more routes to access consumer-owned DER, they should be able to make competitive offers to consumers without these having to originate from their existing retailer. This could greatly increase the investment in and uptake of DER by increasing the return or other value consumers could get from it.

8. Without other changes to regulatory settings for distribution networks that are outside the EA's remit, we think MTR is likely only a partial solution to this problem. To be sure, the 1-1 relationship between retailers and ICPs is a bottleneck. However, MTR primarily impacts the transaction of energy services, as opposed to network services, and the latter form a more significant part of the flexibility value stack. More broadly, we encourage the EA to think about the costs and benefits of MTR in terms of how services are delivered to, and procured from, consumers rather than from a supplier-centric perspective that is implicit in the paper.
9. This is not to argue that MTR is unimportant - far from it. But, based on our direct experience of launching a local flexibility market offering on our platform, the barriers to uptake in this context are, in our view, unlikely about a lack of MTR, at least not solely.¹ Instead, more focus should be placed on the regulatory incentives on distribution networks to, for example, transact the value of flexibility in an open, consistent and transparent way and engage in learning-by-doing. The FlexForum's submission, which we endorse, offers much more detail about the issues that should be prioritised, and how, if greater use of flexibility services is the objective.

Previous cost-benefit analysis regarding MTR should be publicly released

10. In September 2022, via an Official Information Act request, Our Energy received copies of the following documents from the EA:
 - 10.1. Draft ACCESs Consultation TR (2018); and
 - 10.2. Draft ACCES Cost Benefit Analysis (CBA) (2018)
11. In its response, the EA wrote:

Please note that these are documents were produced in 2018 and in draft form only, for internal purposes in the first instance, and therefore do not reflect the Authority's views at either the time they were produced or at any time subsequently through to the present. The Authority makes no representation as to the accuracy of or completeness of the information contained in these now very outdated draft documents, including as at the time they were produced.
12. As part of progressing further work on MTR, we encourage the EA to publicly release these documents. Despite the above caveats, it's clear that the EA has previously carried out apparently substantial, though incomplete, work to try and evaluate the benefits of MTR. This fact is not obvious for stakeholders reading the paper's section on MTR.

¹ <https://www.ourenergy.co.nz/flexibility>

Our direct experience from Ara Ake's MTR pilot has busted myths already

13. As the EA is aware, Our Energy is one of the key participants in Ara Ake's MTR pilot. The pilot remains sub-scale, but the reasons for this are neither technical nor commercial. The technology exists, cost-effectively already today, to implement MTR. Furthermore, as a result of the MTR pilot, substantial latent consumer demand and use cases for such reforms have been unearthed.
14. Unfortunately, this untapped demand cannot currently be satisfied because of the MTR pilot's 'off-market' nature and incumbent industry players quite naturally not wanting to invalidate the artificial walls that they have built up around themselves. It is the EA's role, alongside other relevant agencies, to see past such anti-competitive behaviour.
15. Market participants should not be enabled to hide behind existing regulation and policy and have their traditional business models protected and therefore effectively subsidised by the status quo. Doing so prevents learning-by-doing and only facilitates change at the pace of the laggards, not the fastest adopters. In other words, the exact opposite of what the EA states in its paper that it wishes to encourage.

We endorse Ara Ake's submission, particularly re: MTR trial with Kāinga Ora

16. Ara Ake's planned trial with Kāinga Ora is a highly impactful example of the untapped demand for MTR reforms. The trial brings into clear focus a point that Our Energy has stressed on multiple occasions as part of various consultation processes over the years. It's not uptake of solar PV, nor DER generally, that drives undesirable outcomes like energy hardship. Instead, it's regulation, policy and market settings that, usually unintentionally, effectively prevent the value and other benefits of emerging technologies being equitably shared.
17. The EA must use its available powers and resources to prioritise the facilitation of Ara Ake's MTR trial with Kāinga Ora in a timely way. However, as per our earlier point, we believe this work should be carried out explicitly and separately from the EA's workstream on updating the regulatory settings for distribution networks.

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