

29 September 2023

Electricity Authority  
Level 7, AON Centre  
1 Willis Street  
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New Zealand

## Octopus Energy submission: Dispatch notification enhancement and clarifications

Octopus Energy appreciates the opportunity to provide feedback on the Authority's consultation paper for proposed enhancement and clarifications to dispatch notifications. We feel that dispatch notifications will be a valuable tool for traders to help manage risk, but also give the System Operator visibility over the exponential growth of smart technologies such as EV charging and home batteries. We are in general supportive of the proposed changes, but hope to see more incentives to participants to join the scheme.

### Consultation questions

**Q1.** Do you think the current requirement to bid at each GXP where resources are located imposes material costs on load aggregators and do you think this may cause a potential barrier to entry? Please provide details.

**A1.** From a trader's perspective with a modern technology platform, the requirement to offer and respond to dispatches at an individual GXP is not a significant barrier to joining the scheme. However it does increase complexity which is still likely to increase the cost to operate in this market.

However, with the requirement of a minimum of 1MW dispatchable load per submission GXP, this is a significant barrier for use with domestic controllable assets, which are by nature distributed. By allowing traders to aggregate the load to a single GXP (or at least a smaller number), this will allow smaller traders to begin participating in dispatch notifications much earlier.

**Q2.** Do you agree with our framing of the problem?

**A2.** In general yes we agree. However, we see this as a problem for both load and generation assets, not just load alone.

**Q3.** Do you agree with our proposed solution? If not, why not? Are there other solutions you consider would better solve the problem?

**A3.** Yes we agree with the proposed solution, assuming that it can also apply to distributed sources of generation; namely small scale batteries which will be both consumption and “generate”. We also acknowledge that the System Operator would need to assess each application, and as a participant increases in size, they will likely need to disaggregate the volume.

**Q4.** Do you agree with the proposed solution to clarify that obligations relating to dispatch notification purchasers should only impact trading arrangements, which are covered in Part 13?

**A4.** Yes.

**Q5.** Do you agree with our proposed solution to ensure dispatch notification participants provide the Authority with appropriate data for compliance monitoring purposes?

**A5.** Yes, we agree with how the Authority currently intends to monitor dispatch compliance for the dispatch notifications market.

**Q6.** Do you agree the benefits of the proposed amendments outweigh its costs? If not, please explain.

**A6.** Yes, we agree that the proposed amendments dispatch notifications will reduce costs to participants and help lower the threshold for smaller traders/flexibility providers to participate.

**Q7.** Do you consider there are any other options that better meet the objectives? If so, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.

**A7.** No, the proposed changes make it more accessible for domestic consumers through their retailer to participate in dispatch notifications. This should increase competition in this space, and provide additional benefits to consumers.

**Q8.** Do you agree the Authority's proposed amendment complies with section 32(1) of the Act? If not, please explain.

**A8.** Yes

**Q9.** Do you have any comments on the drafting of the proposed amendments?'

**A9.** We agree that the proposed changes to dispatch notifications slightly reduces the costs for a participant, but more importantly, lowers the threshold on volume for a participant to begin trading with this.

Octopus believes that with the exponential growth in smart technologies in the home, particularly Electric Vehicle charging, providing visibility to the System Operator on actual and forecasted load is going to be essential to not only keep electricity costs down for customers, but also allow us to use more renewable energy sources.

However we feel the proposed changes don't go far enough to encourage uptake of dispatch notifications in the short term. Electric vehicles and chargers that can be remotely controlled en masse are still relatively low. Being able to participate in dispatch is at the moment a considerable undertaking. The required effort to integrate with both WITS and the SO, as well as provide additional reporting to the Authority are significant.

We feel that the only incentive to participate is in controlling spot market risk. For the smaller trader, with relatively small numbers of controllable assets in the market today, this is likely to only have a small dollar benefit. Instead of becoming a dispatched notified participant we could instead be responsive to the 5 minute live pricing which would be significantly easier but provide a similar reduction in spot market risk. Octopus would like to see additional incentives to help accelerate participation.

Our recommendation would be to review the rules around constrained payments or the use of a price cap for participating volume.