

1 March 2024

Electricity Authority  
PO Box 10041  
Wellington 6143

By email: [operationsconsult@ea.govt.nz](mailto:operationsconsult@ea.govt.nz)

**Submission on:** *Potential solutions for peak electricity capacity issues - Consultation paper*

### **Introduction**

1. Thank you for the opportunity to make a submission on *Potential solutions for peak electricity capacity issues - Consultation paper*. This submission is from the Consumer Advocacy Council, the independent advocate for residential and small business electricity consumers in Aotearoa New Zealand.
2. If you have any questions regarding our submission, please contact:
  - Emma Sturfels, acting manager, Consumer Advocacy Council
  - Email: [emma.sturfels@cac.org.nz](mailto:emma.sturfels@cac.org.nz)
  - Phone: 021 812 663

### **Responses to consultation paper**

#### *Question 1: Winter capacity margin*

3. The consultation paper asks for feedback on factors the authority should consider regarding the winter capacity margin. We submit the authority's consideration of the capacity margin needs to recognise that electricity is an essential service that consumers depend on for their health and wellbeing.
4. The need to access electricity services is more pronounced in winter as many households depend on electricity for home heating. Reliable supply during winter is therefore not simply a matter of consumer "preference" (as para 2.9 implies). It is a matter of necessity in order for households to maintain healthy indoor temperatures.
5. Similarly, many small business consumers depend on electricity services to run their facilities and maintain healthy indoor temperatures at their premises for both staff and customers. Again, reliable supply is not a matter of "preference" but a necessity to ensure they can operate safely.
6. In considering the winter capacity margin, the authority should also take into account changes in consumer behaviour and the uptake of distributed energy resources that have the potential (and flexibility) to improve reliability at a lower cost than new generation.

7. For example, our 2023 [behavioural survey](#) found one third of consumers and small businesses are thinking about buying an electric vehicle in the next 12 months. The survey also found significant interest from both households and small businesses in new technology:
  - 71% of domestic consumers and 75% of small businesses were interested in this technology to help manage power bills
  - 70% of both domestic and small business consumers were interested in learning about new ways of generating, storing and distributing electricity
  - about four in 10 considered themselves “early adopters” of new tech.
8. Given these changes, it may be an appropriate time to review the security standards assumptions document.

*Question 2: Demand response participation*

9. In considering demand response participation in the wholesale market, it would be useful for the authority to identify different consumer groups and their relative capacity to participate and shift load in response to price. The capacity of large industrial consumers to do this will obviously be significantly different to that of individual households.
10. We agree demand response has significant potential to offset new transmission, distribution and generation investment (as noted in para 3.27) and welcome the authority’s attention on this area. However, as noted above, it will be important to consider the capacity of different consumer groups to participate.

*Question 4: Barriers to battery electric storage and demand side flexibility*

11. We agree that barriers to battery electric storage systems (BESS) and demand side flexibility need to be addressed. We note the comments in para 4.23 suggesting there is already “a significant level of interest in BESS”. Our primary concern is that solutions to remove barriers must be simple and low- or no cost to consumers to facilitate access.
12. Unnecessarily complex arrangements will likely result in increased costs being passed on to consumers through higher Electricity Authority levies (to cover administration and management) and therefore higher electricity bills. We would welcome further discussion of the authority’s plans to address existing barriers.

*Question 5: Evaluation criteria*

13. We would like to see the evaluation criteria explicitly recognise the outcomes consumers expect from the electricity system. This would help ensure the authority is able to meet its statutory objectives under the Electricity Industry Act to serve the long-term interests of consumers.

*Questions 9-12: Standby ancillary service*

14. As the paper notes (para 7.22), consumers will ultimately bear the costs of a standby ancillary service (either directly or indirectly through costs passed on by retailers) and these costs would require “detailed investigation” before any decision could be made to implement a standby service (para 7.33).

15. We note the commentary in para 7.46 regarding Australia's decision not to progress such an option due to the costs and lack of benefits. Further, we note the authority's comment in para 7.48 that there is evidence that the pipeline of flexible resource, such as BESS and demand response, could instead "respond quickly" to fill energy gaps.
16. Given the above, the Council does not consider a standby ancillary service justifies further consideration as an option for New Zealand at this time.

*Questions 13-19: Interim options to manage residual security of supply*

17. We agree that focusing on BESS and demand response is preferable to progressing other options, particularly given demand response has the potential to offset new transmission, distribution and generation investment.
18. Each of the other options outlined has the potential to add significantly to the price consumers pay for electricity, at a time when living costs continue to rise. We do not consider there are clear grounds to progress them.
19. It is also unclear whether there is a winter capacity shortfall that would be unable to be met by existing generation and demand response. A priority should be establishing a robust baseline of demand-side flexibility. We note the authority is running a survey to collect data on demand-side flexibility. This information should help clarify the situation.
20. Reliable data is essential to good planning and to realising the potential contribution of demand response to meet electricity needs. Without a sound data set on which to make decisions about approaches to managing winter capacity, the risk of poor outcomes for consumers increases.

Yours sincerely,



Deborah Hart

Chair

Consumer Advocacy Council