

Future system operation in New Zealand webinar –

27 February 2024: Q & A

1. It would be helpful to understand what action EA is taking as a result of the review of regulatory settings for distribution, to inform our thinking on this consultation paper. Will we have more information on how the Authority intends to respond to those earlier consultations soon?

Yes, the next part of the update to regulatory settings is underway. You can read our [programme of work and proposed next steps](#) on our website. This work will inform our work and this consultation.

2. ENA has a project on 'roles and functions to enable distributed flexibility' under our Future Networks Forum which will generate some valuable insights on some of the questions posed in this consultation. Unfortunately it's unlikely to be concluded in time to inform ENA's response - will there be opportunities following the 11 April consultation submission date to inform the Authority's thinking?

Absolutely. The Authority is aware of the work in the Flex Forum space, and other pieces of work happening in the industry. We encourage you to make a submission as we would like to get as much feedback as possible. If the ENA finds valuable insights through its project after our consultation has closed, we would be very happy to meet with you or receive those additional insights as they become available.

3. In Q8 and para 5.58 you ask for evidence around existence and significance of a conflicts of interest. It's difficult to provide evidence of an absence of conflicts of interest - do you have any suggestions about how we might demonstrate this to the Authority in the absence of 'evidence'?

The Authority is asking for evidence and information on whether conflicts of interests, perceived or real, exist or may emerge. We appreciate this may not always be available and in the absence of evidence, we are also looking for broader views, information and examples. If there is no evidence, information or examples to demonstrate this is an issue, this would indicate to the Authority that a conflict of interest may not exist.

The Authority is aiming to develop a broad perspective on this question, including about conflicts of interest in other jurisdictions. Evidence of how any conflicts of interest are or could be managed would also be valuable.

4. What significance/importance is the EA placing on cybersecurity in future system operations? I didn't see much (any?) emphasis in this presentation. Is it in/out of scope? With lower system inertia and more internet-connected devices being identified as part of the drivers/trends, wouldn't it follow that cybersecurity will be of growing importance to system operations?

The Authority recognises the importance of cyber security and it is within the scope of the consultation. You can find more detail in Section 4 of the consultation paper. It is

discussed under Key driver 4: Changes in information technology (digitisation and digitalisation). We are interested in views from stakeholders about this driver of change to inform what next steps should be taken.

5. The EY appendix appeared to have been completed in March 2023. Is the EA aware of the recent decisions by Ofgem in late 2023 NOT to separate out DSO functions from the rest of EDB roles? Has Ofgem's work informed your thinking?

We are aware that some time has passed since the EY report has been completed and new developments are not reflected in this report. We are staying abreast on what is happening in the UK and their newly established energy system operation. In this model they have a separate DSO market working minute by minute and other ancillary services. This is quite a unique approach.

We are interested in feedback on what will work best here in New Zealand. Lessons from international jurisdictions provide valuable inputs but ultimately New Zealand's solutions will address New Zealand's unique situation.

6. As per the changes in the US for Transmission, if a move to DSOs was considered the right direction would [sic] foresee there being the opportunity to voluntarily form DSO with backstop provisions?

We will need to find out more from the sector before we can comment. The US has many models and the UK has a different system. What's important is the New Zealand context – we need to see what will work for consumers in the long term here. This is definitely not a 'one and done' consultation, the paper is more akin to an early discussion paper, seeking to level-set ourselves and stakeholders on background, challenges and opportunities, informed by the widest range of stakeholder views as possible, importantly including consumer views.

7. If network planning (NP) is part of a DSO then has a conversation happened with the Commerce Commission about how AMP submission would change or be handled to cover the NP side of things?

In developing this consultation paper, the Authority engaged with other agencies, particularly the Ministry of Business Innovation and Employment and Commerce Commission, and will continue to do so as this work progresses. Evolution of power system operations is a journey and there are numerous questions of detail that will emerge in due course. Importantly, we are open-minded to all stakeholder views.

8. Do you want our submissions directly to the authority or through the portal or are both options available?

The Authority has used the Information Provision platform for other consultation processes in the past but we are not using it for this particular consultation.

We have provided a format for submissions in Appendix B of the consultation paper, which should be emailed to us by 5pm, Thursday 11 April. If you have any questions, or would like to meet individually, email us at FSR@ea.govt.nz.

9. What do you see is the role for gas in the future power system?

The Authority sees a role for gas in the future power system as we transition to a low-emissions system. Our view is that during the transition, gas will be able to provide support for base load generation, providing security of supply.

In 2023, the Authority looked at this specific issue in the consultation we undertook on the risk of premature retirement of thermal generation plants. You can find [more information](#) on our website.

10. Am wondering what consideration is being given by the EA in the paper about the role of markets and products to lead the innovation change needed for the future system?

As with the step change introduction of our wholesale spot electricity market and ancillary services markets back in the 1990's, power system operations of the day evolved significantly to enable NZ's then-new market paradigm. New market forces are emerging now in the early 2020s requiring new fit-for-purpose arrangements for operating the power system.

This issue is being looked at through different workstreams. In December 2023, the Market Development Advisory Group (MDAG) provided a number of recommendations in its report, Price discovery in a renewables-based electricity system, including about the role of markets and innovation. Recommendation 14 of the MDAG paper sets out guiding principles for the Future Security and Resilience project which recognises the benefits of taking a market-based approach and fostering innovation. The Authority is looking at it as part of our work on the consultation. You can read the [MDAG paper](#) on the Authority's website.

11. Does EA have a high tolerance for medium-term wholesale spot price rises to encourage long-term generation investment? As your peak winter paper seems to have a bigger bias towards innovations that work within the current framework like BESS rather than untapped innovation opportunities in flexibility services.

This question relates more to other work the Authority is doing on the [potential solutions for peak electricity issues](#).

The Authority acknowledges that wholesale spot prices are an important signal to encourage long-term investment in generation and other resources. In the immediate future, we recognise the importance of battery energy storage systems (BESS) and demand response as likely sources of new flexible capacity. Given the importance and many benefits of demand-side flexibility, our [consultation paper](#) on potential solutions for peak electricity capacity issues seeks feedback on incentives and barriers to entry for demand response participation.

We have also released a [demand-side flexibility survey](#). The information gathered from this survey will be used to inform current and future policy solutions, including potential solutions for accelerating the uptake of demand response in the wholesale market.

Submissions for the paper and the survey were due on 1 March 2024 and the survey

closes on 8 March 2024. If you would like to discuss your views on demand-side flexibility, please contact us at OperationsConsult@ea.govt.nz.

12. What next steps are you considering following the consultation? The paper was light on this and I was interested whether you could share any options/early thinking.

This consultation paper is the start of a conversation with stakeholders. At this stage of the project we are keen to hear feedback on whether we have accurately captured the issues and opportunities or if there are any gaps. The Authority has formed no views or thinking about early options at this stage.

The feedback that we receive from stakeholders will inform the next steps and likely options we consider. When we develop options, we will also look to other jurisdictions and what we can learn from them.

[View the Future operation of New Zealand's power system consultation.](#)