26 March 2025

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Energy Taskforce – initiative 2A – Submission by MainPower New Zealand Limited and Marlborough Lines Limited.

MainPower New Zealand Limited (MainPower) and Marlborough Lines Limited (Marlborough) thank the Authority for the opportunity to make this submission.

MainPower and Marlborough both support the submission of the Electricity Networks Association.

Nothing in this submission is considered to be sensitive and the whole submission can be published.

Please do not hesitate to contact Sarah Barnes at this office should you have any questions.

Yours faithfully

[redacted]

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Format for submissions

Submitter	MainPower New Zealand Limited and Marlborough Lines Limited

Questions	Comments
Problem definition	
Q1. Do you agree with the problem definition above? Why, why not?	In part. We agree DG can provide network support and that providers of support should be appropriately rewarded, however we do not agree that any of the proposed rebates are an appropriate solution currently. Any solution providing network support and enabling deferral of investment needs to be certain. The examples cited from Orion and Aurora both require separate arrangements between the EDB and the generator and we consider that this is necessary to ensure the EDB has the certainty required.
Proposed solution: principles-based rebates	
Q2. Do you agree with these principles? Why, why not?	In part. If constraints are caused by irrigation pumps for example, would the expectation be to set prices for the irrigation ICP to inject for the purposes of providing network benefits? It is not clear whether prices for injection should only be set where injection is considered likely? A "network benefit" does not appear to be defined. Is there a materiality threshold for what is considered to be a "network benefit" or under the principles would it be up to each Distributor to determine?
Q3. Do you agree that the principles should only apply to mass-market consumers, or should they apply to larger consumers and generators also? Why, why not?	It is our view that a better approach would be to run trials or to engage with larger generators or farms and businesses first as these can make a greater contribution without needing to manage a large number of smaller generators. The learnings from this can then be applied to the mass market.
Q4. Do you agree the principles should apply to all mass-market DG, including inflexible generation (noting that the amount of rebate provided will still be based on the benefit the DG provides)?	See response to question 3.
Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?	It is difficult to see how feasibly this proposal can work in practice. The detail in the guidelines illustrates this and raise more questions than they answer. For this reason we consider it would be better if the Authority undertook more limited trials with different commercial models. Point (b) refers to EDBs identifying areas of constraint. EDBs experience constraints on both their high voltage and low voltage networks. Not all

	EDBs have readily available access to half hourly smart meter data, and would be required to pay for it if needed (additional cost for EDBs to recover). That data would be critical in determining where any network constraints might be now or in the future and would be needed to support the pricing signals developed for injection during peak times. Point (h) identifies a concern for EDBs that too much injection can cause issues of its own.
Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	See response to question 5.
Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?	See response to question 5.
Q8. Do you agree with the proposed implementation timeline for this proposal? If not, please set out your preferred timeline and explain why that is preferable.	No. It is not clear why this amendment is urgent, particularly where there are a number of other and potentially related changes at foot, including the Authority's recent decision on sharing of load control under Code Review 6. In addition, the implementation crosses over the phase out of the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (LUFC). The proposed rebate potentially represents a wealth transfer to customers with DG from customers without DG. On the MainPower network 43% of consumers with DG are on the low user price category which already represents a "subsidy" from other customers. It would be better if implementation could be delayed until after the phase out is completed in 2027 to allow EDBs to change their pricing structures.
Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?	No, pricing does not provide certainty that consumers would respond. We are of the view that contracted generation provides the necessary certainty required by EDBs to defer expenditure. As demonstrated by the Aurora example cited mass market customers are able to contract to provide generation. We are further concerned that retailers may not pass the signals on to consumers leading to an uneven or uncertain response.

Q10. Do you agree the proposal will lead to relatively minor wealth transfers in the short term, and will lead to cost savings for all consumers in the longer term?	Yes we agree. As noted above under Question 8 we are concerned that this compounds the existing wealth transfer that already occurs under the LUFC. This could be addressed by delaying the implementation until after the LUFC phase out.
Alternative option: prescribed rebates	
Q11. Do you agree that more prescriptive requirements to provide rebates will be less workable than a principles-based approach, and therefore should not be preferred? Why, why not?	No
Alternative option: consumption-linked injection tariffs	
Q12. Do you agree that a consumption- linked injection tariff would not be sufficiently targeted, and therefore should not be preferred? Why, why not?	No
Q13. If this approach was progressed, do you think: a) injection rebates should perfectly mirror consumption charges? b) there are sufficient safeguards in place that would allow distributors to avoid over-incentivising injection to the extent that it incurs additional network costs?	N/A
Regulatory statement	
Q14. Do you agree with the objective of the proposed amendment? If not, why not?	No, we do not consider that the proposal will provide the network benefits sought.
Q15. Do you agree the benefits of the proposed amendment outweigh the costs?	No. In the discussion of Competition Benefits, the paper refers to pricing for mass-market DG being on a level playing field with demand response. This statement overlooks the fact that the bulk of mass market demand

	response is load control of hot water. This demand control is currently controlled to a large extent by EDBs. This gives EDBs much greater certainty than the proposed rebate. EDBs would need to have control of batteries to get similar control over generation. Likewise larger scale generation is more likely to be contracted, and it is this rather than bespoke pricing that gives the necessary certainty. If there was a way that an EDB could send a signal to a battery that injection was required, and there was a mechanism to ensure certainty then we agree that this may send an effective investment signal. However, both these preconditions must exist. We also agree with the potential risk identified at paragraph 6.15 that the proposal could have the consequence of over-incentivizing injection causing further congestion. We consider that this risk requires the Authority to proceed with caution particularly in the absence of complete information about low voltage networks.
Q16. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.	We do not agree. An alternative approach is to require that all business cases for network upgrades show that an opportunity has been made for industry engagement or that customer participation cannot defer or remove the constraint, and that the network upgrade is the most cost-effective option for customers. The Electricity Authority could provide standard calculation methodologies and templates for this assessment and undertake a review process.
Proposed amendment Code drafting	
Q17. Do you have any comments on the drafting of the proposed amendment?	No