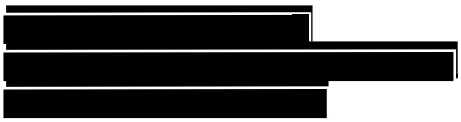
Submission Response to EA Consultation Paper: 2A Requiring Distributors to Pay a Rebate When Consumers Supply Electricity at Peak Times

Submitter Information



Responses to Consultation Questions

Problem Definition

Q1. Do you agree with the problem definition above? Why, why not?
Yes, the problem definition correctly identifies the inefficiencies in the current system where **distributed generation (DG) and flexible demand-side resources are not adequately compensated for the value they provide** in reducing peak demand and supporting grid stability. Without proper incentives, consumers with generation and storage assets, such as **Vehicle-to-Grid (V2G) EVs and home batteries**, have little reason to participate in reducing network costs, leading to inefficient investment and operation of assets.

Proposed Solution: Principles-Based Rebates

Q2. Do you agree with these principles? Why, why not?
Yes, the principles establish a **fair and transparent framework** that aligns consumer incentives with network needs. However, the rebate structure must ensure that the **compensation reflects real-time market conditions** rather than static or overly simplified assumptions.

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?
The principles should **apply to both mass-market and larger consumers** to ensure **equitable treatment of all participants**. Large commercial and industrial consumers with storage and demand flexibility can provide significant peak load reduction benefits, and excluding them **would reduce overall system efficiency**.

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)?
Yes. While **inflexible DG (such as run-of-river hydro or baseload solar) may not always be dispatchable**, these resources still provide benefits by **reducing the base level of network demand**, thereby reducing overall network congestion.

Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?
Yes, guidance should ensure that the **rebate mechanism remains simple, predictable, and technology-agnostic** while maintaining flexibility to accommodate **emerging distributed technologies such as V2G and aggregated storage fleets**.

Q6. Are there any additional issues with the principles where guidance would be particularly helpful?
Yes, additional guidance should:

- Clarify **how locational pricing signals** will be incorporated into rebate calculations.
- Ensure **visibility and transparency** of rebate payments.
- Define **how dynamic flexibility resources (e.g., V2G, battery storage) will be prioritized over static DG**.

Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?
Yes, incorporating the principles **within the Code ensures compliance, consistency, and accountability** across all market participants. A voluntary framework could lead to **inconsistent application and undermine market confidence**.

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.
The timeline should be **accelerated where possible**, given that dynamic flexibility markets and real-time pricing mechanisms **are already in development**. A 6-8 month implementation timeframe would be preferable to ensure **early adoption of V2G, battery storage, and demand response programs**.

Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?
Yes, a **price-based mechanism is preferable**, as it ensures flexibility providers are compensated **in a competitive and market-driven manner** rather than through rigid contracts that may discourage innovation.

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. In the short term, **shifting compensation from fossil-fuel-based peaking plants to distributed resources** may create temporary cost redistributions. However, in the long term, **greater efficiency and reduced peak costs will lower overall electricity prices**, benefiting all consumers.

Alternative Options

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?
Yes. A **principles-based approach provides flexibility** for evolving market conditions and technological changes, whereas prescriptive rebates **risk becoming outdated or inefficient**.

Q12. Do you agree that a consumption-linked injection tariff would not be sufficiently targeted, and therefore should not be preferred? Why, why not?
Yes. A **consumption-linked injection tariff fails to account for locational and time-based variations in network stress** and does not adequately incentivise peak demand reduction.

Q13. If this approach was progressed, do you think:

- **a) Injection rebates should perfectly mirror consumption charges?**
  No, as **network constraints and energy generation conditions differ by location and time**.
- **b) There are sufficient safeguards in place that would allow distributors to avoid over-incentivizing injection to the extent that it incurs additional network costs?**
  No, additional **dynamic pricing safeguards should be implemented** to prevent excess injections that do not align with network demand.

Regulatory Statement

Q14. Do you agree with the objective of the proposed amendment? If not, why not?
Yes, the amendment's objective aligns with the need for **greater demand-side participation, improved grid efficiency, and cost reduction for all consumers**.

Q15. Do you agree the benefits of the proposed amendment outweigh the costs?
Yes. The **long-term cost savings ($2 billion per year) from reduced peak pricing and infrastructure costs** outweigh initial implementation costs.

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.
Yes. The amendment supports **efficient market participation, aligns incentives with real costs, and enhances renewable energy integration**.

Q17. Do you have any comments on the drafting of the proposed amendment?

- The amendment should clarify **how flexibility providers (V2G, batteries) are compensated differently from static generators**.
- There should be **mechanisms to prevent gaming of rebates**, ensuring genuine network benefits.

Conclusion

This submission supports the EA's principles-based rebate structure but recommends additional refinements to:

- **Accelerate V2G and battery storage integration** within the rebate framework.
- **Enhance dynamic locational pricing** to ensure fair and effective compensation.
- **Ensure distributors pass cost reductions to consumers** through lower network charges.

A well-designed rebate system will maximize the benefits of **distributed generation, flexibility services, and energy affordability for all consumers**.