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Competition Taskforce
Electricity Authority Te Mana Hiko
PO Box 10041,
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Via email: TaskForce@ea.govt.nz

2 July, 2025

To whom it may concern,

Octopus Energy New Zealand welcomes the Authority's approach to unlocking industrial demand flexibility. Increased demand flexibility can play an important role in helping integrate more renewables more cost effectively and reduce the cost of the electricity system for the benefit of all consumers.

Responses to consultation questions:

Q1. Do you agree with our approach of focusing on industrial demand flexibility as an early initiative to enable demand flexibility more broadly? Why/Why not? Do you have any information to indicate that demand flexibility from other consumer types may be more readily accessed?

There is some merit in the EA's reasoning that there are practical advantages of starting with larger, more predictable loads, however we think it's possible to design an emergency reserves product that also allows for aggregated consumer flexibility to participate as well.

Our experience with "Savings Sessions" demonstrates how aggregated residential demand response can reliably deliver significant load reduction with appropriate incentives. These incentives are critical, as they will encourage both large industrial consumers and smaller residential and commercial participants to invest in increasingly available technologies that perhaps enables the automation of demand.

Octopus in the UK has been a leader in demonstrating that small scale, aggregated domestic assets can effectively participate in the Balancing Mechanism. In the UK Octopus aggregates the flexibility from thousands of domestic devices, especially EV on smart tariffs like "Intelligent Octopus". When the National Grid needs to balance supply and demand in real time, Octopus can automatically adjust the charging

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schedules of connected EVs and other flexible assets. This means they can increase or decrease demand in response to grid signals.

Q2. Do you agree with our estimates of the potential industrial demand flexibility capacity available in New Zealand currently and into the future? Why/why not? Do you have any evidence to support a materially different estimate?

Yes based on current conditions. These figures may increase with improved incentive structures and technology deployment.

Q3. Do you agree with our focus on intra-day demand flexibility for this initiative? Why/why not? What other approach would you suggest?

Yes.

Q4. Are there any other ways that currently enable industrial demand flexibility in New Zealand?

Not that we are aware of.

Q5. Do you agree with our description of the barriers affecting the provision of industrial demand flexibility? Why/why not? Are any other barriers relevant to the provision of demand flexibility from other consumer types?

The consultation paper identifies that "gentailers are often not offering sufficient value in contracts to make demand response worthwhile," but we believe it understates competition issues in the market. Reducing demand when a gentailer is a net seller reduces their overall portfolio profitability. This creates structural disincentives for gentailers to actively promote demand flexibility.

Additional considerations for smaller retailers include limited existing industrial customer relationships and higher relative transaction costs. Standardised measurement and verification protocols could assist market development. The commercial viability for flexibility providers depends fundamentally on receiving appropriate commercial value for their services.

Q6. Do you agree that existing incentives and contracts for demand flexibility are resulting in inefficiently low levels of demand flexibility?

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Yes. Current market conditions demonstrate insufficient demand flexibility, indicating systemic issues with existing incentive structures. Current incentives appear inadequate, evidenced by minimal participation in existing mechanisms despite potential system benefits.

It is encouraging to see the EA acknowledging that efficient demand flexibility may require payments beyond avoided spot market costs. The existing dispatchable demand and dispatch notification systems have likely failed to achieve significant uptake because benefits rarely outweigh the costs and complexity, with very limited incentives for participation.

Q7. Are you aware of any additional barriers to enabling more industrial demand flexibility?

As noted above, the New Zealand market faces significant barriers to industrial demand flexibility due to conflicted gentailer incentives and market concentration effects. There is an opportunity for EECA to educate more industrial and commercial users on the technology and benefits of enabling demand flexibility, which could help address awareness barriers and accelerate uptake among participants.

Q8. Do you agree with our vision for industrial demand flexibility? Why/why not?

Yes. Our view is also that compensation levels should reflect the full system value of flexibility services to incentivise adequate participation levels.

Q9. Do you believe that this vision is applicable to other forms of demand flexibility, or to flexibility more generally?

Yes.

Q10. Do you agree with our view that demand flexibility providers should be able to receive payment for providing flexibility services that exceeds avoided energy costs, provided the demand flexibility is efficient (as defined)? Why/why not?

Yes.

Q11. Do you believe that a different level of payment would be appropriate than what we have defined as efficient? Why/why not?

No view.

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Thank you for the opportunity to submit on this. We will follow up with the EA to provide more specific technical details about how distributed resources have been utilized in the UK market.

Please do not hesitate to get in touch if you have any questions.

Kind regards,

Alex Macmillan

Head of Energy Procurement & Trading

Pearl Little

Communications Manager