Counties Energy's feedback to the Guidance on distributor involvement in the flexibility services market is as follows:

- *We agree with the principles and their intent in a mature DER flexibility market*
- *We don't believe the timing of such guidance coming into affect now is correct because they will stifle innovation in this space from EDBs for the following reasons*
    - *The basis of these principles, as quoted in the online workshop, is the Australian market. Where the penetration of DERs (in particular solar PV) is very large. In NZ, we sit at about 1-2% for both Solar PV Systems and EV Chargers (a portion of which are smart, internet connected and remotely manageable by a flexibility aggregator).*
    - *There are currently very few players in the flexibility space and forcing EDBs to run an open tender process for 'poles and wires alternative projects' will add a significant barrier to those wanting to learn and understand the technology, commercial realities and an appropriate competitive relationship at scale.*
    - *Consumer owned EDBs require a separate treatment to those owned by investors, given that consumer owned EDBs have a motivation and incentive to lower prices to consumers through optimising their capex and opex costs*
    - *Regulation currently incentivises EDBs to spend more capex and increase its RAB to earn a greater return. Given the 'poles and wires alternative projects' tend to be heavily opex in nature, these guidelines would further fuel the fire of investing in traditional reinforcement, and disincentivise the operation of a flex market. The high and currently not well understood risks of this commercial, technology and operations models will act as a barrier to investing in flexibility heavy alternatives.*
- *It is still not well understood how this guidance applies to EDB wide spread investment in Hot Water Load Control relays and ripple plant and its ongoing roll out in 'brown and green fields' areas.*
- *There need to an equivalent guideline that puts some responsibility and obligations on flexibility trader and aggregator to work with their local EDB to:*
    - *Create visibility*
    - *Engage during network emergencies: EDBs shouldn't have to compete with energy retailers and flex traders in other markets, as the cost of a local constraint fair exceeds that of other market offerings*
    - *Provide data for operational efficiency purposes (i.e. Planning, Asset Management, Outage Response)*
    - *Work with the EDB to ensure DER installation and use happens in manner that is well co-ordinated, and doesn't create adverse affects on the local EDB's network*
- *It would be good to understand from EA the literature reviews and modelling undertaken to derive these guidelines and their timing*
- *It would be good to understand whether the EA has factored in the impact of customer lines pricing as a result of this guidance*

Also some further points we'd like to add to the feedback after further deliberation:

- *If flex providers start replacing EDB water load control then this has the risk of overloading transformers and feeders it the flex provider is unable to manage the restoration process or are unaware of individual infrastructure capacity (e.g. the flex provider could overload individual transformers). This is because hotwater cylinders*

cool down when turned off and so once power is restored they all operate at once and for Counties Energy can cause network peaks up to 40% of a Counties Energy's maximum anytime network peak.

- *If load restoration or shedding happens in an uncoordinated manner (i.e. independent of EDB network context) could result in spikes, that cause unnecessary strain on network assets and deteriorate their asset life, or worse, cause an outage due to an asset failure*
- *The guidelines need to be cognisant that significant EDBs efficiency gains will be obtained through algorithms that identify faults and single asset network loading through real time LV data that includes 5 minute data on an array of key network information such as voltage and kWs. If EDBs are unable to obtain this data then they may have to invest in a second meter within the customer premise increasing the cost to all consumers. (This has occurred in the Waikato region where in some locations around 60% of ICPs have the local EDB installing a second smart meter in to the same meter box as the retailer MEP provider).*

Feel free to reach out for any clarification required to the points above.

Regards,
Astad