
Draft guidance on distributor involvement in the flexibility services market

Northpower Submission to the Electricity Authority

Northpower

1. Introduction

Northpower appreciates the opportunity to provide feedback to the Electricity Authority (**Authority**) on draft guidance on distributor involvement in the flexibility services market.

Northpower is a trust-owned company, our electricity distribution business connects consumers to our electricity network in the Whangarei and Kaipara districts, operating and maintaining a network to more than 62,500 connected customers.

2. Executive Summary

Northpower appreciates the Authority's objective to promote a level playing field for all flexibility services providers and agrees that consumer flexibility and distributed energy resources will help keep costs down as New Zealand increasingly electrifies. However, we do share some concerns and questions on the following areas:

- Definitions
- Practical implementation
- Visibility of flexibility services providers
- Distributor's ripple control

3. Definitions

The definition of 'flexibility' appears to be very broad, and it is unclear whether it includes distributors' existing ripple control. We understand from the industry workshop held on 25th June that the Authority's staff view is that it does. However, we have concerns on it which are explained in section 8.

There is currently no definition for 'de minimis' in the guidance. We suggest that the definition should consider the value and impact of the services in relation to distributors' sizes and the quantum of the network constraints the distributors are trying to address. In addition, open tender process often can be quite lengthy and attract significant procurement costs which may result in a scenario where the costs outweighing the benefits therefore will not provide more than a de minimis input to distributors.

4. Practical implementation

It is unclear, in practice, what adherence to the guidance looks like for distributors, how distributors can demonstrate adherence and how the Authority will monitor it. Clarification on the above will promote consistency across distributors and inform on the practical timeframe that distributors require to comply with this guidance. The Authority should also be mindful of the potential significant costs associated with the implementation, for example costly tendering processes which might deter distributors from procuring flexibility services.

5. Visibility of flexibility services providers

Whilst we agree that distributors need to play their part to enable flexibility services in the long-term interest of the consumers, however, to achieve that, distributors need to have visibility of flexibility resources on their networks and require adequate communication with

the providers to ensure safe and reliable operation of their networks. Without it, it imposes significant risks to the networks, for example, where there is a fault or planned outage on the network, the capacity can be reduced and thus needs to be communicated, otherwise our network can potentially be overloaded creating hazards to network assets and customers.

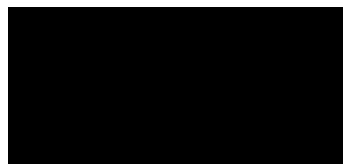
To address visibility issue, enhancement to the registry might be needed where flexibility services providers are required to provide and maintain associated information on the flexibility resources that they have control over.

We also suggest establishing appropriate communications between flexibility services providers and distributors to ensure sufficient information is received by both parties. To achieve this, formal agreements should be entered into by both parties.

6. Distributor's ripple control

Distributors utilise their existing ripple control to shed load in a fault situation or for emergency requirements. This feature is critical in ensuring network safety and resiliency as it provides an instantaneous response (or near instantaneous) to reduce load. The importance of it was well demonstrated in response to Transpower's tower incident on 20th June where Northpower was able to reduce hot water load in order to ensure supply to residential customers.

To date, we are not aware of any flexibility solutions provided by third parties that can provide the same degree of certainty and resiliency at a large scale. Therefore, we strongly suggest that there should be a carve-out for distributors' ripple control in the guideline until at least when third party flexibility providers can demonstrate their services to perform at the same level.



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