

26 January 2018

Lindsay Cowley
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c/o Electricity Authority
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By email to carl.hansen@ea.govt.nz

CC: Carl Hansen

Dear Lindsay

RE: IPAG work on Equal and Open Access

Opening comment

Firstly, congratulations on your appointment to as Chair of the Innovation and Participation advisory group (IPAG). We hope that you and your fellow appointees find the issues tasked to IPAG for examination to be interesting and rewarding. As you probably know, the ENA is the industry association for electricity network businesses in New Zealand. The ENA has a number of technical and non-technical working groups and we stand ready to assist the IPAG with information on our activities or detailed technical knowledge, as required.

Equal and Open Access Project

Following its mid-2017 consultation and submissions on this subject, on 4 October 2017 the Authority released a decision paper 'Enabling mass participation – Response and next steps'. The Authority response to submissions is to be a mix of progressing existing in-house projects and initiating a new project to be undertaken by the Innovation and Participation Advisory Group (IPAG) that was formed late in 2017.

The purpose of the new project, as proposed, is 'to identify whether the existing arrangements ensure that all parties wanting to use networks, including to provide network support services, are treated equally and can compete on a level playing field'. We think this is a timely and important project, that can help to facilitate some changes required to remove some of the regulatory barriers and identify working models of network support that can be used in New Zealand.

The purpose of this letter is to draw IPAG attention to ENA workgroup activities that are complementary to the work that we envision the IPAG will be doing as it progresses this project. We have also shared this letter with the Authority.

ENA related projects

ENA and its members are highly focused on **mass-market pricing reform**. We consider that network pricing reform is the most critical enabler of mass participation and when completed is likely to provide a key component of the value proposition for other market participants to develop product offerings. For example, under time-of-use, demand or capacity network pricing regimes, retailers and third parties will have a clear financial signal of the relative merits of consuming, producing and storing electricity at different times and will be able to build service offerings to consumers as a result. The ENA envisages a second phase of pricing reform to involve more targeted price signals to areas of the network (for example, where there are emerging capacity or security issues), which will add to this capability.

The ENA has initiated a **pan-industry technical working group** comprised of retailers, distributors, and a representative from the Authority, tasked with identifying issues with technology, data and information systems that need resolving to allow both pricing reform and therefore greater market participation to progress. IPAG is welcome to seek a presentation from this group, as it is addressing several issues related to enabling open access (e.g., common approaches to sharing private data, data exchange).

We also note that the Government has initiated a **review of electricity pricing**. The draft Terms of Reference includes looking at “The existence of, or potential for, factors that may form barriers to entry or limit competition across the supply chain. This should include, but not be limited to, the impact of vertical integration in parts of the supply chain.” We think IPAG should avoid duplicating this area of analysis in its work, as structural regulation of the electricity sector is governed by Part 3 of the Electricity Industry Act, which is overseen by MBIE and Minister of Energy.

The ENA’s **Smart Technology Working Group** is building on the scenario analysis work undertaken in Australia and UK to identify a roadmap relevant to the transformation of New Zealand’s electricity market. The role of new technologies and consumer participation are central themes in this work.

Closing comment

We think there is a lot of work for IPAG to do to ensure that the regulatory, commercial, and technical/operating environments provide the necessary platforms for New Zealand to take advantage of new, flexible technologies that can provide alternatives to traditional network investments. We are more than happy to identify technical experts within ENA member organisations to assist IPAG or provide other relevant information.

Many of our Members are trialing new technologies to assess how they will perform and the circumstances where they can deliver technically viable alternatives to traditional network investments. Naturally we need to understand these characteristics so we are in a practical position to identify the kinds of technologies and their technical performance attributes that will work in a commercial procurement setting. Complexities associated with coordination and dispatch of diffuse resources and potentially competitive use in different markets (network support, ancillary services, energy, reserves) will no doubt throw up some interesting challenges.

We think there are some interesting and exciting challenges with adapting our electricity markets to harness the potential of new technologies and greater consumer engagement in the electricity market. We wish you and IPAG all the best.

Regards



Graeme Peters

Chief Executive