

Annex 1 Action from 8 February IPAG meeting

Submissions to *Enabling mass participation* consultation – Most relevant consumer centric arguments regarding equal access to networks

Stakeholder Group	Submitter	Consumer centric comment	Page
Distributors	Aurora	Technology has incredible scope to transform the electricity sector, increasing competition and choice for consumers, with potential for big winners and losers in different parts of the supply chain.	1
	Orion	We are not convinced that participation and innovation needs to be 'promoted'. Consumers will decide when and how they participate, and what innovations make sense for them. Rather, inefficient barriers, if any, need to be identified and reconsidered.	2
		But there should be no presumption that innovation is inherently less valuable because it originates from a distributor, or that distributors will prevent integration of innovation by others where it is in the long term interests of consumers.	
	Powerco	Measures to encourage efficient mass market participation need to capture consumer preference for participation and engagement given their views on the role and cost of electricity. For example, consumers can choose which fuels they use for home or transport use, how they insulate their homes, and which appliances they purchase.	3
		It's essential that the industry works together to ensure energy is delivered to consumers at the lowest life-cycle cost while maintaining safety and reliability	2
	PWC on behalf of distributors	<p>We agree that increased and broader participation in the market is expected to deliver improved consumer outcomes, for example:</p> <ul style="list-style-type: none"> customer-specific innovations such as more diverse retail offerings (including spot pricing) and service options; consumer opportunities to broaden participation in all aspects of the market, whether as generators, peer-to-peer traders or by contributing in load management activities; operational improvements achievable through the potential offered by new technologies to obtain efficiencies, improve resilience and defer or reduce investment; and environmental and economic benefits as the sources and end uses of energy become more efficient 	3

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	<u>Unison</u>	For the first time for most consumers, there will be a regular time dimension to pricing which will provide opportunities for consumers to make choices about the service they want	1
		"...competitive 'distribution' market for the provision of services enabled by distributed energy resources [e.g. batteries, solar etc] means that markets in response to consumer decision-making, determine the most efficient outcome.	4
	<u>Vector</u>	Limiting the ability of distributors to provide increased customer optionality and cost-saving technologies is a significant decision in a country the size of New Zealand, where no credible player should be prohibited from innovating".	21
	<u>WELL</u>	There is also the matter of consumers who will not own or operate distributed energy resources and their expectation that the quality of supply is not impacted by the operation of these resources. This raises questions around the need for network companies performing a distribution system operator role to ensure network supply can be appropriately maintained.	1
		WELL supports competition and participation that delivers better value for consumers and where health and safety is not compromised. What is clear though is that the distribution network will play a significant role in facilitating increased participation and choice for consumers and the management of their energy needs and preferences.	3
Retailers		Emerging technology is a fundamentally competitive activity. Emerging technologies will provide maximum benefits to consumers when competitive markets are free to innovate and provide products and services that consumers' value. A market-led approach is consistent with the statutory objectives of the Authority (and also the Commission) to only regulate where there is no, or little prospect of, competition.	2
	<u>Contact</u>	Under existing arrangements, networks have the ability to fund emerging technology assets through their regulatory asset base. We believe this approach will result in: <ul style="list-style-type: none"> • Consumers of regulated electricity lines services being disadvantaged by higher lines charges as a result of less competition in the provision of network services; • Consumers of emerging technology products and services being disadvantaged as a result of less competition, and less product and service innovation; and • The distortion of competitive markets (including spot and ancillary services markets) 	2
		A network support service will deliver significant benefits to consumers, and that adopting a	

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		market-based approach will foster competition between network support providers and encourage innovation. Further, we agree that dynamic aspects of competition will bring down the costs of providing network support, which will outweigh any loss of economies of scope benefits network businesses may have obtained. The Authority stated that distributors are planning on collectively spending an average of \$750m per year on network assets from 2016 to 2026; we note that if Transpower is included average spend is ~\$1b per year, or \$10b over the next decade. We believe exposing this spend to a competitive network support services market should deliver lower costs for distribution network consumers, and result in the development of a more innovative and valuable range of products and services for consumers in general.	5
		Although DERs [generation/batteries connected to the distribution network] can be used to support the management of a network, these assets are not “natural monopoly” assets like traditional poles and wires. The provision of DERs, whether at the grid level or behind the meter, can now be undertaken by a growing number of participants. This growth in technology and provider choice shows that DER assets are fundamentally contestable, meaning their deployment will be most efficiently delivered through competitive markets. To treat the deployment of DER as regulated monopoly assets would be perverse, likely leading to materially less efficient outcome than enabling DER rollout through competitive markets. The greater the proportion of network spend which can be subjected to competitive market forces rather than economic regulation, the greater the long-term benefits to consumers will be.	13
		The electricity industry of today is the outcome of network first thinking. It is a customer's prerogative to choose an in-home energy management solution, install solar panels, purchase an in-home battery or electric vehicle, or do whatever it may be in the future that meets their energy wants and needs. And energy management now is not the hot water ripple control of the past: while it may be convenient for networks to have access to emerging technologies, theirs is a conflicting need that will disadvantage the consumer (who, for example, could be exposed to high grid prices if EDBs draw on their in-home batteries during peak periods).	3, 4
	<u>Genesis</u>	We are concerned that the legitimacy of customer choice is at risk of being undermined by a natural monopoly that can dictate what technologies, and purpose for those technologies, consumers can and cannot have. For example, currently an EDB might only permit the installation of certain types of batteries or solar inverters on their network as it is deemed as being in the best interests of the network. This is network first thinking at the expense of consumer benefit.	4
		For example, an EDB might automatically select its network-owned tree-trimming business to	

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		provide services despite there being a more competitive option available in the market from an independent contractor. If this is the case, it is to the detriment of the regulated consumer who will pay greater costs than they can reasonably expect to. If that happens in the case of tree trimming we can only speculate that it will happen as EDBs form battery and solar companies, locking out competition and feeding themselves, rather than benefitting consumers.	5
		The market fundamentals of a level playing field in the emerging energy environment are already being undermined. Current policy settings allowing opportunistic behaviours from natural monopolies in the market appear prevalent. This creates a suboptimal market for consumers that will ultimately limit both the range of existing products and services, and those yet to be developed through innovation, that they will have access to for their benefit.	1, 2
	Meridian	We agree with the Authority's view that new technologies may mean some aspects of the traditional monopoly network service can be obtained from third parties....It remains to be seen whether or not distributors will choose to relinquish some control in order to avoid costs. Additional incentives or rules might be required in order to enable competition and the resulting benefits for consumers.	2
	Trustpower	We are generally supportive of the direction presented by the Authority with respect to ensuring networks make greater use of competition to more efficiently supply the network service. A level playing field, where third party solutions can compete with network companies' solutions, will deliver the most efficient and cost-effective outcome for consumers.	3
	ENA Electricity Networks Association	New distribution pricing approaches which will provide mass market consumers with relative price points to make improved choices about the electricity services they wish to receive.	3
		Our expectation is that retailers and third parties will build value propositions to consumers based on network, transmission and energy market signals which will further enable mass participation.	5
		While these new technologies and commercial opportunities are exciting and have the potential to offer greater consumer choice, ultimately the EDBs have responsibilities to provide secure and reliable electricity supply to consumers. Having EDBs involved in this process means that they can also be conscious of any negative effects on system reliability/security that may arise.	6
		We are also mindful that EDBs also have a service obligation to their consumers. While ownership or direct control of non-network solutions may not be necessary to provide service delivery, a non-network alternative would still largely have to have the characteristics of a network solution.	6

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Associations		However, ENA members principle concern is reliability and security of supply for consumers. With that in mind, as a minimum, members need visibility of participants who make significant impacts upon the power characteristics of EDB networks, and tools to intervene if necessary.	10
		Realising the potential consumer benefits from new (and existing) technologies is best achieved via the dynamic efficiencies resulting from a fully competitive market. If allowed to develop, market distortion may result in consumers having less choice and facing higher costs over the long term. This is because they will have limited choice and potentially be locked in to an option. A fully competitive market can only develop where there is a level playing field for existing and prospective participants. A level playing field means participants must be exposed to the same opportunities, risks, and financial incentives. Monopolies, such as electricity distribution businesses (EDBs), can distort and dominate competitive markets as they are not exposed to the same risks, and have greater opportunities, than other competitors in that market.	3
		ERANZ contends that the current regulatory model provides too much uncertainty or lack of information to those in the contestable market, and therefore will not deliver the benefits for customers across the different functions of the electricity sector.	5
	<u>ERANZ</u> Electricity Retailers Association New Zealand	ERANZ believes that it is the consumer who should be the main beneficiary from these emerging technologies. However, it is the party (EDB, retailer, or consumer) which controls the technology which is the crucial factor in determining which party realises the most benefit which benefits are prioritised, and the party which realises the value of those benefits, is determined by who controls the technology. This is because the party which controls the technology determines which value-streams are realised - and thereby the degree by which each party benefits.	15
		In stating that we want a level playing field, ERANZ is not saying that we wish to preclude EDBs, or any other parts of the sector, from investing in emerging technologies. There are many reasons to welcome the opportunities that these technologies could bring to the sector for the benefit of New Zealanders. However, we want to make sure that emerging technologies are adopted and developed in the way that best benefits consumers.	17
	<u>SEANZ</u> Sustainable Energy	Centralised wholesale market rules operating at the distribution level prevent consumers from selling energy and other services such as emergency generation at local “at the gate” prices [Secretariat’s interpretation of ‘gate prices’ is that SEANZ is noting that to date consumers/households are not being given the opportunity to get paid the spot electricity price directly for the electricity they export to the power system].	2

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	Association New Zealand	Technical rules don't allow the convenient connection of small scale consumer equipment that can offer distribution services such as capacity, VARs and emergency generation.	2
		Most [<i>distributors</i>] don't get consumer centric generating and storage and demand management technology at the premise level, generational attitudinal change and the resulting impacts.	5
Metering equipment providers	Metrix	Metrix is supportive of mass participation in the electricity market and encourages evolution in the industry. We agree that increasing competition is likely to give rise to consumer benefits in the electricity market.	1
		The market needs to focus participants on capabilities where the cost and effort will reap the greatest consumer benefits, as introducing unnecessary complexity under the guise of increasing competition could ultimately result in higher costs to the consumer due to higher overheads to manage this complexity.	1
		Metrix supports competition in network support services to enable network businesses to provide services at the lowest possible cost to the consumer.	1
Energy services providers	ABB	Moving from a monopoly business to a more competitive landscape should provide great benefits for the consumers in terms of electricity costs, additional services and more customer care in addition to reliability of service.	1
	City Financial	More participation and greater service differentiation will ensure a more efficient allocation of resources in the electricity market. Service differentiation will provide consumers with a better choice on how they would like a particular service to be met. A greater choice of service will avoid unnecessary investments in new networks and will also reduce the costs of electricity generation. One type of such service is network dispatched demand response (NDDR).	5
Independent	Allan Miller	I believe there is an opening for innovation in control equipment for homes / businesses and prices, or some other signal, that reflects a bundle of benefits so as to maximise benefit to the customer. The bundle of benefits would include energy price, transmission constraints, distribution networks constraints, and a range of ancillary services.	2
		For mass participation through demand response to be economically viable, or to maximise its value to the consumer, the consumer needs to be able to access the multiple uses of demand response (energy, transmission, distribution, ancillary services).	2