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Submissions
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UNISON SUBMISSION TO IPAG – EQUAL ACCESS ARRANGEMENTS FOR TRANSMISSION AND DISTRIBUTION NETWORKS

Overview of Unison's views

Unison welcomes the opportunity to provide a brief submission to the Innovation and Participation Advisory Group (IPAG) on the equal access arrangements for transmission and distribution networks. We understand that IPAG is seeking stakeholder views on whether the existing access arrangements need to change to ensure consumers benefit in terms of increased competition, efficiency and reliability in the industry. The drivers for the examining equal access arrangements are the technological changes and innovation that the electricity industry is beginning to experience. The following presents areas we believe that IPAG need to carefully consider in their equal access review.

Overall, Unison is somewhat concerned that this project is being driven by perceptions that there are problems with equal and open access arrangements, rather than demonstration that there is a problem to be solved. From Unison's perspective, with the exception of one electricity retailer (who was keen to explore a collaborative opportunity to test a solar/battery solution, and who ultimately partnered with another network company), we have not been approached by any other electricity retailer or third-party retailer with any kind of service offering or even registering an interest in providing services. In fact, it is the technology manufacturers who are approaching us with new technology offerings.

Accordingly, we would be extremely concerned if regulatory solutions, particularly structural regulations that restricted distributors' activities were to come about without clear evidence of broad-based problems. Electricity retailers have been vocal in their advocacy for "ring-fencing" arrangements to be put in place, but it is important for IPAG to recognise that electricity retailers are motivated to advocate for such restrictions as this effectively eliminates a potentially important source of competition in emerging technology markets. It is also important for IPAG not to overlook that the Commerce Commission's cost allocation rules, related party dealing rules and competition laws are in place to safeguard the competitive process. If there are weaknesses in these areas then enhancements could be considered.

The other key point that Unison wishes to make is that the market opportunities for emerging technologies are only just developing. Most parties exploring the capabilities and uses for new technologies are at the learning, exploring and trial stages. The commercial arrangements, customer value propositions, technical requirements, and coordination issues for how new

technologies may complement or substitute for traditional services have yet to be developed, so there is real risk that regulatory interventions at this nascent stage cause more harm than good.

It is apparent that, at least currently, technologies such as storage batteries would require access to multiple markets (e.g., energy, reserves, network support, transmission) in order to create a value proposition that exceeds the costs of the technology. In that regard, developing an understanding of the requirement of each of the market needs is essential. For example, if a storage battery is required to be available at certain points in time fully charged and capable of being dispatched by the network operator to address a constraint or contingent event, then that may be to the exclusion of participating in other markets at certain points in time.

In Unison's view, IPAG needs to start with a clear view of the market context and requirements to enable greater participation from distributed resources, before turning to what policy and regulatory settings may be desirable to facilitate new markets and technologies. In Unison's view, the key elements that IPAG could usefully shed light on are as follows:

1. What are the potential market opportunities and likely requirements for participating in those markets?
2. What are the likely attributes of the technical and commercial platforms that need to be in place to enable the markets to develop? These could include distribution system operator platforms to manage dispatch of distributed resources, or trading platforms for buying and selling services from distributed resources.
3. Commercial models for procurement and service delivery. What happens, for example, if distributed resources fail to deliver the service, causing reliability issues on a distribution network? What liability regimes are likely to be required? Who might be best placed to provide market trading platforms and how would they be remunerated?
4. What data access arrangements are likely to be required to enable efficient utilisation of distributed resources? Access to timely and accurate metering data may be one matter, but data on available dispatchable storage may become essential in delivering reliability outcomes for consumers.

Until these issues are well-understood, we believe that IPAG would be unable to make informed recommendations on whether there are any changes required to the current access arrangements. This is quite simply because the market models to enable efficient participation by distributed resources do not yet exist and may need to be created.

Despite a potential need to create new markets and platforms, IPAG needs to be cautious about simply extending the creation/facilitation of ancillary markets to the distribution part of the sector, even though this has shown to bring benefits of increased competition in the retail market. There are limitations of extending this approach to distribution due to issues of diversity and scale that may not lend themselves to scale solutions such as national markets. E.g., to implement and maintain ancillary-type markets may bring with it increased cost, complexity and system risk; which would impact negatively on efficiency and reliability. In making any recommendation IPAG need to ensure the approach is pragmatic and balanced, and that impacts on efficiency and reliability are explored just as comprehensively as competition.

Related Projects: Distributor Pricing, Default Distributor Agreements and Data Exchange

There are several inter-related projects the Electricity Authority (Authority) has on its work programme that have an impact on the equal access arrangements for transmission and distribution networks. These include industry-led Distribution Pricing Reform, Default Distribution Agreements, and Data/Data Exchange. Unison submits that IPAG need to carefully consider these workstreams as they are likely to have an impact on equal access arrangements. It may be difficult for IPAG to fully assess the gaps in and options to address equal access until final decisions on these areas of work are made.

Closing comment

Unison's hope is that IPAG's project does not degenerate into arguments about who may or may not participate in new technology-related markets. The reality is that there is considerable work to do on developing the platforms, commercial and technical arrangements to enable efficient use of distributed resources. In our view, the highest value of IPAG's work would be to shed light on the precise nature of the work to be done and to help chart a course for an industry work programme to work through the issues.

For any questions relating to this submission, please contact Roanna Vining, Senior Regulatory Affairs Advisor, by phone (06) 873 9329 or email Roanna.Vining@unison.co.nz.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Nathan Strong', with a stylized flourish at the end.

Nathan Strong
GENERAL MANAGER, BUSINESS ASSURANCE