

# MINUTES

Meeting number: 8

Venue: Orion New Zealand, Boardroom, 565 Wairakei Road, Burnside, Christchurch

Time and date: 9:29am to 3:30pm, Thursday, 13 September 2018

## Attendees

- John Hancock (Chair)
- Luke Blincoe [items 1 and 2; left 2:15pm]
- Glenn Coates
- Allan Miller
- Terry Paddy
- Stephen Peterson
- Tim Rudkin [joined 9:30am]
- Rod Snodgrass [items 1 and 2; left 2:14pm]
- Diego Villalobos Alberú – *Observer* (Principal Economist – Regulation, Commerce Commission) [joined 10:35am]

## Apologies

- John Rampton (General Manager Market Design, Electricity Authority)

## In attendance

- Craig Evans (Manager Retail and Network Markets, Electricity Authority)
- Arik Mordoh (Senior Adviser Retail and Network Markets, Electricity Authority) [joined 10:35am]
- Avi Singh (Administrator Market Design, Electricity Authority)
- Toby Stevenson (Director, Sapere Research Group) [joined 10:35am]
- Stephen Batstone (Consulting Director, Sapere Research Group) [items 1 and 2; left 1:20pm]
- David Reeve (Consulting Director, Sapere Research Group)
- Dean Yarrall (Principal, Sapere Research Group) [joined 10:35am]
- Alex Nisbet (Senior Commercial Analyst, Orion New Zealand) [item 2; joined 12:18pm, left 1:05pm]
- Shane Watson (Network Strategy and Transformation Manager, Orion New Zealand) [item 2; joined 12:18pm, left 1:05pm]

*The meeting opened at 9:29am*

## **1 Equal access**

Stephen Batstone and David Reeve from Sapere Research Group gave a presentation to help the IPAG form initial views on:

- facilitating physical and commercial transactions where there is increased use of distributed energy resources, while maintaining security and reliability
- the desirable characteristics of a transactive framework for distribution networks.

In particular, the IPAG was presented with examples on how markets can be used to co-ordinate and maintain security and reliability, such as:

- TradeMe's management of cybersecurity issues
- the development of new products to help with managing solar fluctuations on the network (California)
- the development of new products to harness the flexibility benefits of new technologies such as batteries (New York)
- the relative easy win of extending the existing system operator's coordination and pricing responsibilities down to the higher voltage boundary of the distribution network in New Zealand.

The IPAG then considered pragmatic and incremental changes that could be implemented quickly to start facilitating the efficient use of distributed energy resources, such as:

- greater information disclosure of distributors' network management decisions, particularly instead of creating a separate distribution system operator to promote greater independence in decision-making. This could include publishing heat maps that include network need forecasts
- options for networks to develop distributed energy resources (DER) procurement plans to meet existing or forecast network needs, potentially similar to Transpower's ancillary services procurement plan
- using a trading desk and posting prices to recruit DER services
- using a 'safety valve' to help with the management of breaches and other conflicts between networks and network users.

*The group decided to halt this agenda item at this point and resume the item later*

## **2 Orion's demand side management initiatives**

Alex Nisbet and Shane Watson from Orion discussed Orion's demand side management initiatives with the IPAG. In particular, they noted:

- the importance of creating diversity to avoid 'ramping' effects
- the importance of designing pricing arrangements to maintain diversity
- co-ordination between networks is important because demand response is a scarce resource
- the need to strike a balance between consumer choice, network security and network planning

- the opportunities and challenges associated with Orion and Contact Energy's joint battery trial in a small area of Orion's network, including managing conflicts between battery users, experiences with inverters and payment methods.

## 1 Equal access

*The group resumed this agenda item*

Toby Stevenson and Dean Yarrall from Sapere Research Group summarised the problems the IPAG identified at its 5 September meeting, before the IPAG discussed options for addressing those problems. In particular, the IPAG noted:

- poor market design can be a barrier to entry
- the three separate network management functions of owner, operator and planner
- one network performing all three functions may not necessarily choose the least cost, most efficient option, particularly compared to each function being performed by a separate entity
- the existing incentive regime in Part 4 of the Commerce Act 1986 focuses on incentivising the combined role to be carried out efficiently, rather than the separate functions
- incentives on networks to innovate were either financial or reputational
- issues with the non-enforcement of existing regulations around minimum quality standards
- regulators could place greater focus on monitoring information disclosure and behaviour by networks
- alternative compliance mechanisms outside the current judicial process may be required to facilitate effective access arrangements, which could include default agreements, distributor conduct provisions and improved monitoring
- regulatory experimentation such as 'the sandbox' could be explored to help better understand the implications of various policy interventions
- its recommendations could emphasise further steps may be required beyond the initial steps proposed
- the three-tiered change process new access arrangements would likely undergo, namely:
  - o a manual change process (Tier 1)
  - o implementation of manual changes (Tier 2)
  - o high-level rapid design (Tier 3).

To help the IPAG's understanding of how this change process might occur in practice, IPAG members agreed to:

- provide examples of the problems identified at the 5 September meeting
- invite Transpower to discuss its demand response programme and ancillary services procurement plan with the group.

**Action – 8.1:** IPAG members to provide examples of the problems identified at the 5 September meeting by next IPAG meeting

| **Action – 8.2:** Secretariat to invite Transpower to discuss its demand response programme and ancillary services procurement plan by next IPAG meeting

### 3 Meeting Administration

#### 3A Apologies

An apology was received from John Rampton.

#### 3B Interests register

The Chair:

- tabled the IPAG interests register
- reviewed the interests disclosed/updated by members, and gave relevant members permission to act.

#### 3C Matters arising

There were no matters arising.

#### 3D Annual report

The IPAG approved its annual report for presentation to the Authority Board.

### 4 Publication of meeting papers

Subject to clarifying references to smart grids in the *Equal access* materials, the IPAG confirmed the meeting papers could be published on the Authority's website without alteration.

*The meeting closed at 3:21pm*

**I, John Hancock (IPAG Chair), certify that the minutes recorded disclose all issues discussed at the meeting (date at the top), are recorded truthfully and without bias.**

Signature:



Date: Wednesday 10 October 2018 (10.10.2018)

