

21 February 2019

John Hancock
Chair, Innovation and Participation Advisory Group

Dear John

Authority response to IPAG advice on equal access

I want to thank you, Terry and Allan for taking the time to discuss the Innovation and Participation Advisory Group's (IPAG) advice relating to equal access with the Authority Board.

I also want to thank all the IPAG members for their considered approach to what was a very complex issue. The IPAG has provided both the Authority, and the Commerce Commission, with well-thought through advice on the long-term benefits to consumers of promoting equal access and 'open' networks.

This letter outlines the Authority response to the IPAG advice.

Authority response

The Board endorses the IPAG advice and the broad conclusion that equal access and open networks are necessary to mitigate potential reliability and technical problems from increased uptake of distributed energy resources (DER), and to provide a level playing field for parties wanting to offer cheaper alternatives to the flexibility traditionally provided by large generation or power lines. Specifically, the Board:

- endorses the IPAG advice regarding the 13 interrelated 'problems' which inhibit open networks
- endorses the IPAG advice regarding the desired outcomes from having open networks.

Next steps

The Board has directed development of an *open networks development programme* to set out a detailed plan for introducing more open access, including the tasks, priorities, milestones, project governance, engagement plan, and resource commitment, and the monitoring and reporting framework.

To assist with preparing the *open networks development programme*, the Board requests the IPAG consider updating its report to:

- elaborate and clarify on the assessment of costs and benefits, particularly to highlight the extent of alignment between the benefits of more open access and the incentives on parties which need to take action
- frame the advice in the context of the tradition of innovation in New Zealand, and the value to New Zealand of continuing this tradition to get ahead of the technology changes the sector is facing.

The Board notes the IPAG has identified similar actions towards open networks as outlined in the Electricity Networks Association ENA Network Transformation Roadmap. A key focus of the *open networks development programme* will be to identify options to use distributor thinking and practice in this area.

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We consider the IPAG identifies several low regret actions by distributors which the Authority and Commission can encourage and support, particularly understanding low voltage network performance, providing DER with more information about network opportunities (eg, heat maps), and establishing the technical standards.

We agree that it is important that action starts now to allow a pragmatic evolution of rules, practice, systems and human capability, and that failure to take action is likely to ultimately lead to increased costs to consumers. However, careful consideration is needed of the priorities, how to provide correct incentives on parties to act, and timing. Truly open access involves a significant change to current business and usual. It cannot happen all at once.

We look forward to the receiving your response to the Board request to update IPAG report on equal access.

Once again I would like to thank you for your time and effort in developing this advice.

Regards



James Stevenson-Wallace
Chief Executive