

Feedback for the Commerce Commission on EDB Innovation and non-traditional solutions allowance Guidance

Rewiring Aotearoa is a non-partisan organisation with charitable status that has shown electrification has major economic and environmental benefits. Our mission is to rapidly reduce New Zealand's emissions, improve affordability, and increase our resilience by electrifying the millions of small fossil fuel machines in our homes, communities, small businesses and on our farms.

Key feedback

Rewiring Aotearoa is supportive of the Innovation and non-traditional solutions allowance (INTSA) and the development of Guidance for submissions. Feedback is provided on three key areas:

1. The guidance should provide clarity that projects incentivising distributed flexibility, that provide benefits directly to customers, are in scope.
2. The guidance should set out requirements to demonstrate how EDBs will scale the learnings from the innovation project to provide ongoing customer benefits including:
 - a. Share a Draft Roadmap on how customer benefits from the innovation project will be implemented network wide to deliver better outcomes at scale.
 - b. Require applicants to include a methodology to report on ongoing customer benefits from scaling outcomes from the innovation project.
 - c. Require a commitment to ongoing monitoring and reporting on these measures to demonstrate scaled customer benefit outcomes.
3. The guidance should be clear on what is needed to sufficiently share learning including:
 - a. Setting out requirements for shared learning and data that needs to be collected throughout the project defined via application guidance and refined during the approval process.
 - b. Structuring project learning reports so they can be easily catalogued and accessed by others.

Adding these features to the INTSA guidance will ensure consumer benefits are maximised from INTSA projects - better delivering the Commerce Commission's purpose under Part 4 of the Commerce Act 1986 to improve long term benefits for consumers.

Providing clarity in the Guidance that INTSA projects can directly support customers and communities to invest in DER, can reduce reliance on VPPs or other services. This allows customers to benefit directly from the flexibility they provide without aggregators or solar-and-battery-as-a-service providers taking a significant cut of the benefit.

Requiring a roadmap and monitoring of consumer benefits after the project has ended will ensure that innovation is a stepping stone to permanent improvements and modernisation of distribution networks. This will maximise consumer benefits by delivering innovation on mass. Likewise ensuring efficient data collection and shared learning, will help to support EDBs to copy what works and deliver customer benefits more broadly.

Clarity on projects that are included in the INTSA

Much of what we might label as “innovation” is already happening in other countries. A key benefit of innovation funding is that it will allow EDBs to test processes and share learnings from innovation projects to access non-traditional network solutions. Guidance should clarify and emphasise the need for accelerating *deployment* of innovative pricing and technology that has already been tested elsewhere in significant detail.

A key benefit of innovation funding is that it will allow EDBs to proactively seek access to non-network solutions stimulating supply for when it is needed. The time taken to develop sufficient supply of distributed flexibility to offset network investment could be several years (outside of current regulatory periods) and benefits to EDBs from such an endeavour are uncertain.

Point 18.1 in the draft Guidelines provides an example of this:

18.1 A project investing in an opex solution in the current regulatory period that will defer capex in a future period. Due to the way price paths are reset, the EDB incurs a penalty now, but no corresponding benefit in the future period. This disincentivises the EDB from undertaking the project;

However it is important that guidelines specify that EDBs can provide localised incentives directly to customers to invest in battery systems (or other types of DER) in return for agreed access to flexibility from the battery (or other DER) during times of network congestion. This could include trials such as Green Mountain Powers BYOD device battery subsidy scheme¹, or incentives through provision of low interest on-bill financing of solar and battery systems. These types of projects should be in scope of the INTSA. Clarity should be provided to avoid confusion over whether or not upfront subsidies or financing for consumer owned batteries are capex payments which are not included in the example given above in 18.1 which focuses on opex solutions.

EDBs should be looking, where possible, for solutions that allow customers to benefit directly from the flexibility they provide, without aggregators or solar-and-battery-as-a-service providers taking a significant cut of the benefit.

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<https://greenmountainpower.com/news/gmps-request-to-expand-customer-access-to-cost-effective-home-energy-storage-is-approved/>

Guidance on inclusion of a roadmap and ongoing reporting

Projects funding via the INTSA should be designed from the outset to be scaled and deliver ongoing and widespread consumer benefits. Requirements to deliver this include a roadmap provided as part of the application that demonstrates how the project will be scaled. EDBs should also be required to set out metrics designed to monitor consumer benefits on an ongoing basis during and after the project. These requirements should be included in the Guidance.

We acknowledge that not all projects will be as successful as others - however the intention and commitment to scale and report on successful project outcomes on an ongoing basis should be a requirement for successful applications.

This will help to ensure that innovation is a stepping stone to permanent improvements and modernisation of distribution networks. This can deliver widespread consumer benefits through greater network utilisation - gaining more value from existing assets, and offsetting network investment through use of non-traditional solutions.

Guidance on data collection and reporting to best provide shared learnings

Collaboration has been identified as a priority by the Commerce Commission, and sector participants, to support utilisation of non-network solutions. Shared learnings from projects will be important to allow other EDBs to implement and utilise the progress made through the INTSA projects.

To share learnings in a usable way, it's important to clearly define what data and reporting will be needed throughout the project from the outset. The guidance document should ask for details on the data that will be collected through the innovation project, and how the EDB applicant/s have considered the data needed to best share learnings.

This should be part of the application consideration and inclusion of a refining step in approval process, where the Commerce Commission can test with the EDB whether it has thoroughly thought about data collection requirements to share learnings. Additional data collection requirements can be made at this point prior to applications being approved.

Reporting by EDBs at the end of the project describing project learning should be structured so it can be easily catalogued and searched. It is important to include this as a requirement in both the application guidance and close out report. The Commerce Commission should consider how learnings are best communicated and whether aggregated reporting across projects could be helpful.