

9 February 2024

Electricity Authority  
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By email to [policyconsult@ea.govt.nz](mailto:policyconsult@ea.govt.nz)

## **Submission to the Electricity Authority (Authority) on *Code amendment omnibus two: December 2023***

### ***two: December 2023***

Electricity Networks Aotearoa (ENA) appreciates the opportunity to make a submission to the Authority on its consultation paper on the “*Code amendment omnibus two*”.

ENA is the industry membership body that represents the 27 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses. ENA harnesses members’ collective expertise to promote safe, reliable and affordable power for our members’ customers.

### **Amending Part 6A to include all generation technology**

Inverter-based generation will have a significant role to play in New Zealand’s electricity market and generation mix into the future. It will be a critical part of the achievement of New Zealand’s decarbonisation goals.

ENA supports the amendment of the Code for the term ‘connected generation’ to replace the term ‘total capacity’. The issues with the definition of ‘total capacity’ are symptomatic of the Code’s failure to keep pace with the technology used by customers, and the evolution of the industry.

While ENA supports the Authority’s endeavours to correct the drafting oversight that prevents it from approving exemptions for inverter-based generation. It is ENA’s view that the Authority should, in conjunction with the Government, conduct a fulsome review of part 6a to ensure that it doesn’t act as a barrier to New Zealand achieving its renewable energy goals. The scope of this review should include:

- if there is a need for a cap on EDB ownership of renewable generation;
- the basis on which any cap is set;
- if the 6A arm’s length rules are fit for purpose and reflect current commercial law and practice;
- If the process and cost involved in seeking an exemption is a barrier to investment in renewable generation and the achievement of New Zealand’s climate change ambitions.

ENA does not support the drafting set out in paragraph 2.19 and Appendix A of the consultation paper which measures connected generation as the sum of any combination of the maximum amount the generating unit offers, gifts or contracts into the energy, reserves, and ancillary

service markets. ENA recommends that generation capacity be defined as the maximum amount offered in any of the listed markets not the combination of these amounts.

The scale and quantity of smaller generation facilities that do not bid into the wholesale market (typically between 1MW and 5 MW) is growing rapidly. The Authority should conduct a thorough review of the Code to ensure that the definitions and description of generation appropriately cover inverter-based generation and distributed energy resources more broadly.

### **Permanent Code amendment to clarify the use and availability of controllable load**

ENA and its members supported the 'Option E' urgent Code amendment when it was proposed in May 2023. The permanent inclusion of this controllable load mechanism into the Code is supported by ENA.

The adoption of the term 'controllable load' rather than 'discretionary demand' is sensible as it aligns with the industry's standard terminology. ENA supports this change.

To comply with 'Option E', EDBs have had to design and implement processes to calculate the load available and submit the difference bids into the system. This process is resource-heavy and occurs at times of high workload for network controllers (typically during periods of peak network load).

EDB's are not compensated in any way for the resources necessary to comply with 'Option E'. For EDBs regulated under the Commerce Commission's price-quality regime, these resources are not included in EDB's operational expenditure allowances.

From the first identification of 'Option E', ENA has been consistent in its call for the provision of controllable load by EDBs to be compensated in return for the vital service provided to the market in times of emergency. Ultimately, this will flow through to reduced charges to consumers.

ENA continues to be of the view that providers of controllable load through the difference bid process must be compensated for making these resources available. ENA believes there are two ways to achieve this:

1. Providers of controllable load be paid the bid price (\$9000/MWh) when the controllable load is called on at the instigation of the system operator.
2. Providers of the controllable load be paid the prevailing reserves price for all trading periods covered by the GEN (or WRN).

Both these options would maintain the integrity of the wholesale and reserves markets, recognise the value of controllable load, and be in the long-term interest of consumers by encouraging EDBs to continue to maintain and invest in their load control infrastructure (largely ripple control systems).

ENA would like clarification on whether the instructed controllable load and requested controllable load is to be mutually exclusive. Additionally, ENA and its members encourage the Authority to publish worked scenarios of the operation of the proposed dual pricing band approach including its operation when; the impending grid situation never eventuates and where a GEN is declared without WRN first being issued.

### **Updating and clarifying the scope and effect of Part 6A obligations**

ENA supports the proposed amendments. The ENA notes that the effect of the amendment is to expand the coverage of the part 6A obligations. These issues should have been identified and rectified when the provisions were first introduced into the Code upon the amendment of the Electricity Industry Act 2010.

Please don't hesitate to get in touch with ENA if you'd like to discuss our submission. Contact Keith Hutchinson (keith@electricity.org.nz) in the first instance.

Yours sincerely



Keith Hutchinson  
Regulatory Manager

## ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below.

Alpine Energy

Aurora Energy

Buller Electricity

Centralines

Counties Energy

Electra

EA Networks

Firstlight Network

Horizon Energy Distribution

Mainpower NZ

Marlborough Lines

Nelson Electricity

Network Tasman

Network Waitaki

Northpower

Orion New Zealand

Powerco

PowerNet

Scanpower

The Lines Company

Top Energy

Unison Networks

Vector

Waipa Networks

WEL Networks

Wellington Electricity Lines

Westpower