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Code Review Programme number 6 – CRP6-002 Sharing control of load between distributors and others – Join submission by MainPower New Zealand Limited and Marlborough Lines Limited.

MainPower New Zealand Limited (MPNZ) and Marlborough Lines Limited (MLL) appreciate the opportunity to make this joint submission.

Nothing in this submission is considered to be sensitive and the whole submission can be published.

MPNZ and MLL are both consumer owned EDBs. MLL operates under an interposed arrangement documented via the DDA. MPNZ operates under the conveyance model where it has a direct relationship with its customers for the provision of lines services. The MPNZ Use of System Agreement is closely aligned to the DDA.

MPNZ and MLL share the concerns documented by Electricity Networks Aotearoa and Vector in their respective submissions. We would also like to make the following comments in response to CRP6-002:

1. We are concerned that the Authority has understated the significance of this policy shift. In the opening remarks, the Authority refers to the changes in the consultation as “relatively small amendments”. EDBs have controlled load using hot water ripple control for many years now. EDBs use load control for a number of purposes – in response to grid emergencies and working with the System Operator, the Upper South Island Load Control Group work together to manage demand on the Upper South Island grid (for grid reliability purposes but also to help support the deferral of grid investments), network load management (to support deferral of network investments), for network emergency events and ancillary support services (e.g., instantaneous reserves). Retailers (and therefore consumers) benefit through lower prices where a controlled tariff option exists as compensation for the EDB having the right to control customer’s load.

2. We do not consider a fundamental change in the way in which load is managed to be a “relatively small amendment” to the Code, and we are concerned that the Authority does not have a complete understanding of how EDBs use load control, nor that the Authority has considered fully the potential implications of the changes proposed.
3. Our view is that EDBs are the natural parties to manage the load on their networks. Both MPNZ and MLL own and operate the network assets, know the capacity of low voltage and high voltage networks, and so can manage demand within allowable capacity constraints.
4. We are concerned that the Authority’s problem definition does not reflect how load control operates and minimises the significance of potential costs to consumers should the Proposed Code amendment occur as drafted. Our concerns with the problem statement can be summarised as follows:
 - a. Statement *“This service offers benefits to consumers”*¹. Has the Authority assessed this benefit? i.e. What savings might be realised, by the retailers or other parties as against the costs of establishing and providing load control services. EDBs include access to load control in their future investment decisions set out in their asset management plans. Removal or reduction in access to load control will require additional capital expenditure to ensure we meet our network obligations. Any “benefits to consumers” from the proposed change could easily be eroded if networks, and potentially Transpower, incurred additional capital expenditure to make up for lost load control.
 - b. Statement *“the Authority wants to ensure there is no barrier to competition in these market services, and that all service providers are able to compete on a level playing field”*². If the Authority considers a Distributor to be a service provider then in order for there to be a “level playing field”, a Distributor too would need access to meters for the purposes of dynamically controlling load. As it stands, Distributors are disadvantaged from competing as they do not have a relationship with an MEP, the owner of the meter and the provider of the flexible metering load control device. Redefining the roles and relationships to include Distributors, MEP’s and retailer / aggregators as part of a wider consultation would provide clarity and is supported by both MPNZ and MLL.
 - c. Statement *“Much of the hot water load is currently controlled by the distributor as the incumbent, using a controlled load price option, giving the consumer some benefit for allowing the distributor to control the load. This load is also used by the distributor for grid emergencies.”*³ The consumer may not receive the benefit offered through the controlled price. The retailer benefits from the controlled price option, which is 4c/kWh for MLL and 2.75c/kWh for MPNZ less than the uncontrolled price option currently with no obligation to pass this onto the consumer. The problem definition refers to load being used by the distributor for grid emergencies, but other

¹ Reference to possible parallel control over the same load on page 12 of the consultation document.

² Reference to possible parallel control over the same load on page 12 of the consultation document.

³ Page 12 of the consultation document.

uses of load control are not mentioned (for example , Upper South Island Load Control Group, network management, including network emergencies and ancillary services).

- d. *Statement “there is a risk consumers will opt out of the distributor’s controlled load price option to take up the higher benefit from a trader/retailer’s service”*.⁴ There is no evidence provided demonstrating a higher benefit from a trader/retailer’s service and no evidence that such perceived benefits will be passed onto consumers.
 - e. *Statement “... specify that each party may control a customer’s load where the customer has agreed (or elected to take the controlled service)”*⁵. Under the interposed arrangement or conveyance model, customers do not agree or elect to take the controlled service, the load control is agreed between the EDB and the retailers trading on its network, with retailers taking up the offering through the controlled price tariff. MPNZ and MLL are not then privy to what the retailers offer to the customers, but in some instances, it may be bundled in with uncontrolled load.
5. We also hold concern that there is no priority for control when there is conflict outside of a grid emergency. Areas of ambiguity are noted in the following clauses and schedule of the Proposed Code amendment:
- a. Clause 5.4, with the opening up of load control to retailers, does this clause become more relevant? We are unsure what “interfering with the proper functioning of the other party’s load control system” means in practice.
 - b. Clause 5.6 requires the trader to notify the distributor if it obtains the right to control all or part of the customer’s load. How should it notify the distributor? The distributor, if controlling load, updates the Registry with the relevant price category which is a means of notifying that the customer is on a distributor’s controllable price plan. Should the retailer be required to update the Registry, and if so where, confirming the same?
 - c. Schedule 8 sets a priority order for control for when there is conflict, however the schedule does not provide a mechanism or hierarchy for managing conflict outside of the defined grid emergency. Furthermore ‘market participation’ isn’t a defined term which we anticipate this lack of clarity will add to the confusion of access and preference.

Given the significance of the issues highlighted above in the Proposed Code amendment we strongly encourage the Authority to undertake a detailed consultation to ensure the problem statement not only reflects how load control is utilised but also proposes practicable solutions. In our view failure to do so would compromise the Authority’s statutory objective of ensuring the efficient operation of the electricity industry for the long-term benefit of consumers.

⁴ Pages 12 and 13 of the consultation document.

⁵ References to clauses 5.1 and 5.2 of the DDA on page 12 of the consultation document.

Please do not hesitate to contact Sarah Barnes (MainPower) should you have any questions.

Yours faithfully



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