**12 July 2024**

**To: Commerce Commission**

**c/o infrastructure.regulation@comcom.govt.nz**

## FlexForum advice on the 2025 distribution DPP draft decision

FlexForum exists to support coordinated and collaborative action across the electricity ecosystem that speeds up the development of distributed flexibility to maximise benefits for households, businesses and communities and the wider economy.

We incorporated in July 2023 and currently have 33 Members from across the electricity ecosystem including gentailers, retailers, metering services suppliers, electric vehicle charger manufacturers, energy management software firms, Transpower, distributors, advisory services firms, universities, and some real people.[1] We are also fortunate to have people observing and contributing from the Ministry of Business, Innovation and Employment, Electricity Authority, Energy Efficiency and Conservation Agency, the Commerce Commission, and Utilities Disputes.

We are focused on getting things done. Our touchstone is [Flexibility Plan 1.0] which is the sole whole-of-system list of the practical steps and actions that must be taken by the electricity ecosystem over the coming years to enable households, businesses and communities to maximise the value of their distributed flexibility.

The plan allows us to monitor and coordinate action and hold the electricity ecosystem, including regulatory bodies, accountable for acting to integrate distributed flexibility into the electricity system and so benefit from the flexibility of electric devices and equipment owned by households, business and communities as they electrify transport, heating and cooling and similar fossil-fuel reliant activities.

This response gives the FlexForum view on whether the proposed distribution default price-quality path (DPP) starting 1 April 2025 can deliver the outcomes identified in our previous advice needed to:

- make it easier for households, businesses and communities to maximise the value of their distributed energy resources and flexibility
- support the affordable and reliable operation of the electricity market and power system
- enable accelerated electrification by households and businesses as part of the transition to a zero emissions economy.

[1] FlexForum right now has 33 Members. They are shown at the end of this document.

## Overarching views on whether the proposed DPP settings can deliver what success looks like…

The Commission expects the proposed DPP to result in distributors spending more than in previous years due to higher input costs and to obtain new capabilities, eg, low voltage monitoring, to deliver an affordable and reliable network service that accommodates increased use as electrification increases as part of the shift towards decarbonisation. The Commission also expects improved productivity and efficiency.

The FlexForum bottom line is that the DPP must lead to distribution services that enable households, businesses and communities to connect to and use electricity networks to achieve one or more of the five main outcomes outlined in the Flexibility Plan 1.0.[2]

- Minimise connection costs because 'I want the most affordable connection to the network to meet my requirements'
- Minimise energy-related ongoing costs because 'I want the most affordable ongoing energy costs to meet my requirements'
- Manage reliability and resilience because 'I want a specific level of resilience and reliability of supply'
- Reduce emissions because 'I want to reduce my total emissions'
- Monetise flexibility resources by supplying energy, network and ancillary services across the electricity supply chain because 'I want to maximise the value of my flexible resources'.

We identified five activities we think the DPP needs to make routine by 2030 for people to realise these outcomes (ie, what success looks like). Our perspective on whether the proposed DPP will result in these activities becoming routine is provided in table 1 below.

For these activities to become routine we think the proposed DPP needs to do more to encourage and reward distributors for investing in the ambitious and challenging 'learning-by-doing' projects needed to enable the electrification of pretty much everything.

We are not convinced it will without including stronger incentives for distributors to be ambitious and invest in difficult learning-by-doing.

Success - by enabling the outcomes described in the Flexibility Plan - hinges on material improvements to the productivity and efficiency of distribution services through learning and doing things differently, including by using flexibility. Flexibility is able to improve network utilisation and defer or avoid network infrastructure investments, thereby improving productivity and efficiency. But the recently published EDB productivity study says that '...our analysis indicates that [it] is difficult to draw a conclusion other than that productivity in this sector has declined.'.

We think the lack of productivity improvement over the past decade indicates that more effort is required to ensure distributors are focused on delivering the most reliable and affordable outcomes possible for households, businesses and communities. The proposed DPP settings are broadly similar to those applied over the past 15 years where productivity has fallen on average by about 1.4% a year between 2008 and 2023. Though the decline in productivity has slowed between 2014 and 2023, it has still been declining.

Consequently it is difficult to be confident that the proposed DPP settings, even with the changes to strengthen the incremental rolling incentive scheme (IRIS) mechanism and to include the innovation and non-traditional solutions allowance (INTSA) mechanism, are sufficient to encourage distributors to be ambitious and invest in difficult learning-by-doing, particularly that needed to integrate and productively use flexible resources at the pace required to maximise benefits for people.

[2] Keen readers of Flexibility Plan 1.0 will at this juncture ask why we are referring to 5 outcomes rather than the 7 actually listed…the reason is the 3 outcomes relating to providing services across the electricity supply chain have been combined because they are variations of the same thing.

We think the proposed DPP will probably do a good job encouraging incremental productivity improvements, but falls short for productivity improvements involving the transformational change and big ambition necessary to integrate flexible resources and deliver a reliable and affordable distribution service as the economy electrifies.

At a minimum, the Commission needs to add the additional innovation incentive mechanism that provides a bigger carrot and clearly signals and rewards ambition and investment in learning-by-doing - **the highly ambitious option must be a part of the next DPP**.

We do not consider the DPP settings alone (even with the more ambitious option) will be sufficient. The Commission can further strengthen incentives to invest in learning and so improve productivity and efficiency by committing now to introducing more granular, probabilistic, and risk-informed quality standards from 2030, and in the short term introduce complementary measures that identify and highlight productivity-enhancing activities over 2025 to 2030. The Commission can also help to improve productivity by checking to make sure regulatory paperwork and information disclosures are useful and relevant.

Making flexibility a routine tool for delivering distribution services will materially help to improve the affordability of the distribution service and electricity. The Commission estimates that the proposed increase to distribution and transmission costs will increase electricity bills by $15 a month on average from April 2025. Making sure incentives to improve productivity and efficiency are stronger and give full-throated encouragement of ambitious learning-by-doing will help to ameliorate these bill impacts by accelerating the development of flexibility.

More flexibility, faster, will give distributors a lower cost way to provide the distribution service and give households, businesses and communities more 'flexible' options to reduce their use of the network and individual electricity bills.

## Views on specific aspects of the proposed DPP

The proposed DPP, alongside the input methodology and information disclosure arrangements, are designed to provide distributors with <u>sufficient revenues</u> to cover day to day costs, to invest in new capability, and to invest in learning-by-doing as well as <u>sufficient incentives</u> to improve the productivity and efficiency of spending and service delivery.

We think the proposed DPP will provide sufficient revenues to deliver distribution services and invest in developing new capability, but does not provide sufficient incentives to encourage a dedicated focus and investment in the ambitious and difficult learning-by-doing needed, for example, to develop the capability necessary to enable people to maximise the value of their flexibility.

This view is reflected in our assessment of whether the proposed DPP will result in distributors routinely delivering the 5 activities we identified as being critical to enabling flexibility and electrification.

Table 1 summarises our view on whether the proposed DPP will make the 5 critical activities routine, with more detail on our reasons following in 4 parts.

- stronger incentives needed to encourage learning (otherwise known as improving productivity and efficiency) and the critical role of the extra Big Carrot Allowance
- stronger incentives needed to ensure quick action to fully monetise the value of flexibility
- more investment to obtain new capability is good, but may not be efficient
- a streamlined DER application and connection process depends on the resourcing needed and available.

**Table 1: FlexForum perspective on whether the proposed DPP will result in distributors routinely delivering 5 activities critical to enabling flexibility and electrification**

| Activities | Is it likely based on the proposed DPP? |
|---|---|
| 1. **the distributor has low voltage (LV) monitoring information and analytics capability** which enables:<br>a. improved network awareness which means decision-making inputs such as feeder-level information on historical statistics (voltage levels and outages), available hosting capacity, and forecasts of planned capacity are available to households, businesses and communities<br>b. improved forecasting of available network capacity means dynamic connection options are available to people using the network | **Yes, mostly**. The proposed DPP allows each distributor an aggregate step change increase in trended opex of 5% to obtain new capabilities which includes LV monitoring and smart meter data.<br>Notably the step change is only available to distributors that said they needed a new capability. As such, some distributors will not be able to invest in a core capability or the investment will be sub-optimal and inefficient.<br>The aggregate cap on step change spending could also lead to suboptimal and inefficient investments. The cap threshold should be reality tested to ensure it does not drive inadequate and inefficient investment in LV monitoring and analytics capability. |
| 2. **the distributor has at least some LV and distribution system orchestration capability** which allows coordination with the System Operator and individual network users to keep the network within operating limits and manage changing conditions (including emergencies) at both a national and local scale | **Yes, mostly**. Distributors that have foreshadowed needing the capability are allowed a step change increase to invest to obtain orchestration capability, eg, using SaaS products.<br>Orchestration will also be a core capability. The cap threshold should be reality tested to ensure it does not drive inadequate and inefficient investment in orchestration capability. |
| 3. **the distributor offers a suite of pricing structure and direct payment options** to reflect available network capacity at a time and place and to signal the value and benefits of people using and offering their flexibility | **Maybe, but without the necessary ambition and pace without stronger incentives**. Using prices to signal the value and benefits of deploying flexibility relies on:<br>● having some LV monitoring and orchestration capability AND<br>● monetising the associated value to the electricity system to provide the flexibility owner a tangible reward - either cold hard cash or reduced their costs (ie, a benefit).<br>The DPP should result in progress on the first. The second requires filling the hole in the value bucket relating to managing network capacity and particularly short-notice network congestion events, and progress on this is less certain.[3]<br>We hear considerable hesitation by distributors to pay for flexibility. This hesitation may be lessened by the INTSA mechanism, but this is not a durable way to monetise the value of flexibility and realise the associated network and whole-of-system benefits beyond one-off projects and trials. |
| 4. **the distributor invested in learning how to adapt network operation and planning practices** to manage changing network use and the integration of demand flexibility | **Maybe, but without the necessary ambition and pace without stronger incentives**. The evidence suggests the DPP settings past and proposed do not provide sufficiently strong incentives to undertake the difficult learning required to improve productivity and efficiency.<br>The INTSA mechanism will help, but needs to be bolstered by further mechanisms to strongly encourage and reward the ambition to invest in learning-by-doing, particularly the difficult |

[3] FlexForum thinking on the holes in the value stack are set out in FlexForum Insights, Maximising the value of flexibility relies on making that value easily and routinely available to households, businesses and communities, July 2024, at https://flexforum.nz/wp-content/uploads/2024/07/240531-there-is-a-hole-in-my-value-stack-insights-1272024.pdf.

| Activities | Is it likely based on the proposed DPP? |
|---|---|
| | learning needed to identify and develop common capability and skills.<br>Incentive mechanisms must set a clear expectation that learning is collaborative and the real lessons widely shared. |
| 5. **the distributor was able to invest in a streamlined DER application and connection process** which, depending on the type of connection request, provided confidence in speedy connection decisions and provided an initial menu of connection size options (and associated service levels) for new and upsized connections. | **Maybe**. There is work underway to develop better connection processes that also account for the use of flexible resources. Additionally, LV monitoring and orchestration capabilities should make it easier for distributors to provide a menu of connection and service level options.<br>However, we do not know the implementation timeframe for these improvements or if connection processes will be resourced to ensure speedy decisions. Adequate resourcing is not guaranteed given the choice to not set associated quality targets. |

## Stronger incentives needed to encourage learning (otherwise known as improving productivity and efficiency) and the critical role of the extra Big Carrot Allowance

Distributors have a critical role in making it easy for households, businesses and communities to make choices about and invest in flexibility and electrification. However, success relies on distributors having the ability and incentives to deliver the present day distribution service AND to invest in learning-by-doing and capability to deliver the future state distribution service where the economy is mostly electrified and people are using networks and electricity differently.

We consider learning-by-doing to be equally important as maintaining a safe and reliable network today. Not giving it equivalence will have material negative impacts on affordability and reliability and electrification from 2030 because distributors were not ready. There is ample evidence from overseas that successfully developing these new systems and markets requires starting early and providing confidence that there is enduring support for the associated learning-by-doing through the resulting transition. As such, the DPP and associated regulatory settings need to err on the side of caution and provide stronger incentives for distributors to be ambitious and invest in difficult learning-by-doing, including by using flexibility.

The need for stronger incentives to improve the productivity and efficiency of distribution services is evidenced by the recently published EDB productivity study. We regularly hear and see how the close attention that distributors pay to the regulatory settings drives what they do and don't do. The DPPs past and present are part of the reason for the low and declining productivity by not providing sufficient incentives to innovate and try new ways of doing things even where these are lowest cost.[4]

The proposed DPP includes changes to strengthen the IRIS incentive and to include the INTSA mechanism, but there is no guarantee these will do the job given the scale, scope and timeframe for learning *to adapt network operation and planning practices to manage changing network use and the integration of demand flexibility*.

Not providing full-throated encouragement of ambitious learning-by-doing consigns us to half measures, mediocrity and slower progress towards a future where people are able to realise the full benefits of flexibility.

The highly ambitious option - what we want to call the Big Carrot Allowance (BCA) - must be a part of the next DPP to provide a bigger carrot and clearly signal and reward ambition and investment in learning-by-doing. The BCA would complement the INTSA by encouraging distributors to invest in high cost and high reward projects like the clutch of highly

[4] This is before accounting for the negative effect on learning-by-doing and efficiency improvements associated with activities that incur costs in one regulatory period and benefits in a later regulatory period.

ambitious Australian projects, eg, Edith, Symphony, that are showing the way internationally on fundamental questions about network operation and flexibility integration in a more distributed, electrified future. For example, the INSTA funding could underpin investment in the baseline learning needed to embark on a big hairy project designed to provide a large-scale test of network orchestration to inform implementation of the distribution system operator concept.

It is hard to see equivalent projects happening in Aotearoa New Zealand under the proposed DPP.

A customised price path is not a substitute for the BCA as those relate to investments by a single distributor when much of the ambitious learning-by-doing we need will be most successful if they are done collaboratively, well, and at scale, not multiple times, in silos, with limited sharing of experience. Ideally, the BCA would be designed to encourage collaboration across distributors and the wider electricity sector on projects to identify and develop common capability and skills. Such collaboration is a prerequisite of successful deployment of orchestration. For example, the mechanism could be used to encourage the Southern Energy Group or the Northern Energy Group or the Everybody Else Energy Group to make a material investment to accelerate development of their network orchestration capability which should in turn accelerate the uptake and use of flexible resources.

Other advice to strengthen incentives for distributors to improve productivity and efficiency between now and 2030:

- the Commission should adopt ex post approval for INTSA projects under $50,000 with Commission 'approving' recovery of the expenditure after receiving the project completion report,which would be required to provide the nature of activities undertaken and meaningful sharing of the results and experiences. This would minimise the costs and paperwork for using the allowance, direct resources to doing rather than defending, and generally speed things up.[5]
- the INTSA and BCA mechanisms need to include clear expectations about communicating and sharing the outcomes of projects completed using this funding. We observe varying levels of willingness to share information across different distributors. Some provide detailed and useful information about learning. Others do not. Public sharing of results and experience - warts and all - should be the minimum and default position given people are paying for the learning.
- the Commission should commit now to introducing more granular, probabilistic, and risk-informed quality standards from 2030. The Commission draft decision to not apply more granular quality standards for this DPP due to lack of data is reasonable. However, this does not mean the current approach is fit-for-purpose. It is not and people are worse off because the lack of proper scrutiny materially reduces incentives for distributors to manage LV reliability.[6] This is in part evidenced by the multi-year decline in productivity and efficiency of distribution services.

  The current SAIDI/SAIFI measures have little regard to the economic value of reliability, eg, a sheep shearing shed has exactly the same reliability weighting as a major dairy factory; or a mid-winter outage in a (less occupied) summer holiday town has the same weighting as it would have had in the week between Christmas and New Year. This discourages a more probabilistic, risk-informed approach to reliability investment, and has potentially adverse consequences for affordability because much network investment is driven by meeting security standard requirements, not direct capacity needs. The way reliability is measured and regulated therefore directly impacts on the appetite for using lower cost options such as flexibility.

  Committing now to introducing more granular, probabilistic and risk-informed quality standards will mean distributors start getting ready (so we don't have to wait another 5 years after 2030) and will make sure distributors are actively thinking about how to manage LV reliability as part of a 'smart' system. This commitment also gives distributors a clear reason, scope and incentive to accelerate investment in LV monitoring and network orchestration capabilities.
- the Commission should introduce measures before June 2025 to identify and highlight productivity-enhancing activities over 2025 to 2030. This would provide more encouragement to engage in more learning-by-doing. While

[5] This is consistent with approaches used elsewhere, eg, United Kingdom and was including in advice FlexForum gave to the Council of Energy Regulators in June 2023 that '…application and decision-making processes should be right-sized, with less effort and time for smaller funding requests (eg, less than $50,000), and increasing effort for larger funding requests.'

[6] Our view on the inadequacies of the existing quality standards are described in our advice provided in December 2023, including one example of a tangible negative impact on people of the existing arrangements.

doing this, the Commission should begin to rationalise reporting requirements to focus on collecting usable information.[7]

## Stronger incentives needed to ensure quick action to fully monetise the value of flexibility

Flexibility can provide multiple electricity services, but resources are not delivering these services due to holes in the value stack caused by services not being fully monetised or because people are not receiving the associated reward.[8]

A big hole in the value stack exists for services relating to managing distribution network capacity, eg, deferring the need for investment and managing short-term network capacity issues. Value is partly monetised through time-of-use pricing structures, but distributors (and Transpower) have found it difficult to fully monetise and reward the value of flexibility for capacity management for several reasons:

- the costs and benefits are monetised across multiple 5-year regulatory periods, while network pricing structures and levels are set annually to recover costs associated with the current regulatory period
- an ongoing preference for capital expenditure which, despite the best endeavours of the regulatory settings and aspects of the input methodologies, can artificially suppress the monetisation of value. For example, as pointed out by the Commission, 'Opex has a direct effect on the revenue EDBs can earn, with opex representing about 32% of EDB's net revenue allowances. … As opex is fully recovered within the period, immediate revenues are more sensitive to opex than capex (which is recovered over multiple periods).'
- hesitancy in the face of the not quite known, resulting in uncertainty about the magnitude of the value and benefit
- perceptions that not enough flexibility is reliably available to use (which is a classic chicken and egg situation given resources would quickly emerge if the service were monetised and rewarded).

The rewards available from existing time of use pricing structures is not sufficient to justify people investing to integrate their flexible resources into the market and system.[9] A consequence of the partial monetisation of capacity management services is that the size of the reward put on the table is less than the associated value. The best things in life might be free, but flexibility is not. People are not going to invest as much or as quickly in flexibility-ready devices when value is not routinely monetised or the reward is not routinely made available.

People need to be routinely rewarded to provide their flexibility and the reward needs to be reliable and sufficient to make doing so worthwhile. The size of the existing or expected reward matters because it drives investment by manufacturers to make sure devices can be integrated into the market and system and ready to realise the rewards available. It also drives investment in the tools and capability needed for people to obtain advice and make choices about what devices they buy and what electricity products and services to choose to maximise value.

The hole in the value stack will not be filled by tinkering with pricing structures. It also requires explicit payments to flexibility owners for providing flexibility.

We understand distributors see the INTSA mechanism as a way to monetise and pay for flexibility used to provide capacity management services. This is not a durable way to fill the hole in the value stack. INTSA provides a way to test out new approaches and develop new capabilities, but is not appropriate for funding long term procurement of flexibility. The INTSA, plus the BCA, are needed to provide distributors the ability and a strong incentive to pay for flexibility up until 2030 to develop the capability to develop robust forecasts of flexibility-related business as usual (BAU) opex from 2030, assuming of course that the Commission is committed to approving flexibility payments as new (step change) opex from 2030.

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[7] Examples of collection of unnecessary, duplicated and not useful information were provided to the Commission as part of the Targeted information disclosure review for electricity distribution businesses. These provide a good starting point for rationalising information requests.

[8] See FlexForum Insights, Maximising the value of flexibility relies on making that value easily and routinely available to households, businesses and communities, July 2024.

[9] Integrating a flexible resource into the market and system requires it to have functionality to communicate and respond to signals. This functionality is not needed when the price signals and rewards are 'scheduled' and people can access the benefits without reference to the electricity sector.

Given a key function of the INSTA is to help fill the hole in the value stack by providing funds to top up the reward for some network capacity management services, the mechanism design must ensure 'projects' to pay for flexibility are not perversely excluded. We think the requirement that projects be 'riskier than BAU projects and wouldn't otherwise happen or would not result in any financial benefit to the distributor' could prevent INTSA being used to monetise and reward the value of flexibility. It isn't clear when the use of non-traditional solutions like flexibility become BAU rather than riskier than BAU. Not addressing this design question will significantly weaken the incentives for distributors to use flexibility and prevent improvements in productivity and efficiency of distribution services through the use of flexibility.

Other advice:

- the INTSA design needs to clarify the treatment of projects that span regulatory periods to avoid inefficient outcomes from artificially distorting the timing and scope of projects.
- the Commission needs to commit to move quickly and 'sign off' INTSA and BCA projects promptly, ie, 1-2 months. Requiring distributors to wait extended periods to begin a project will cause projects to not start because the approval takes things past the window of opportunity. The Commission can encourage and enable distributors to accelerate their progress by accelerating its own processes.

## Supporting new investment in new capability is good

The support provided by the proposed DPP for distributors to invest in LV monitoring and analytics capability and orchestration capability is good.

However, we are concerned that capping the aggregated step change increase in investment will lead to inadequate or inefficient investment in new capabilities.

LV monitoring and analytics, and orchestration are core capabilities. Distributors should be able to invest to obtain these capabilities without being inefficiently constrained by a cap on investment. The cap threshold should be reality tested to ensure it does not drive inadequate and inefficient investment in orchestration capability.

We think there is a material risk that investment in these core capabilities will not be as efficient as it could be because the DPP settings do not provide sufficiently strong incentives for distributors to improve their productivity and efficiency. Each distributor needs to obtain these capabilities. This does not mean they need to each develop the capabilities. We would expect to see extensive collaboration in learning-by-doing about and the provision of these capabilities, but this is not guaranteed given the DPP settings do not do a good job encouraging productivity and efficiency improvements (with collaboration and sharing of risks and resources being one way of improving productivity).

We think this highlights a clear role for the BCA mechanism (ie, the highly ambitious option) to create stronger incentives for distributors to collaborate on the development and delivery of core and common capabilities like LV monitoring and orchestration. Collaborative learning and delivery of these capabilities will enhance productivity and efficiency of distribution services, particularly given that deployment of these tools will be followed by a period of learning-by-doing alongside the rest of the participants in the electricity system. This is unavoidable as flexibility and distributed energy resources are only starting to scale and more opportunities to offer services become available.

## A streamlined DER application and connection process

We regularly hear about and experience challenges when working through connection processes to ensure the connection size and cost is right-sized by taking account of flexible resources. The underlying problem is connection processes are not designed to reflect the options and value and benefits of flexibility.

There is work underway to develop better connection processes that also account for the use of flexible resources. What we expect to see is each distributor applying a common connection process which sets out an initial menu of connection size options (and associated service levels) for their location taking account of connection profile scenarios and hosting capacity analysis.

The development of LV monitoring and orchestration capabilities should make it easier for distributors to provide a menu of connection and service level options. However, we do not know the implementation timeframe for these improvements or if connection processes will be resourced to ensure speedy decisions. Adequate resourcing to implement and operate new arrangements is not guaranteed given the choice by the Commission to not set associated quality targets. Distributors pay close attention to the regulatory settings when deciding what they do and don't do. Given the incentives provided through the DPP settings to improve productivity and efficiency are not as strong as they need to be, we think quality targets and reporting is necessary to encourage distributors to provide households, businesses and communities with a good connection experience.

## Concluding points

Electrification is led by households, businesses and communities deciding to invest in and use distributed and flexible resources like solar, battery systems, EVs and EV chargers etc.

The next DPP will deliver long-term benefits to households, businesses and communities by ensuring distributors have the ability and the incentives to make the multi-year investments in learning-by-doing and to develop the new capability that is needed to make it easy for people to electrify and change how they use electricity networks.

Put another way, the next DPP needs to make sure we get the smart system recommended in the BCG the Future is Electric report and make sure flexibility becomes a routine tool for delivering a more reliable and affordable distribution service and to provide households, businesses and communities with more 'flexible' options to reduce their use of the network and individual electricity bills.

We think the proposed DPP will probably do a good job encouraging incremental productivity improvements, but falls short for productivity improvements involving the transformational change and big ambition necessary to integrate flexible resources and deliver a reliable and affordable distribution service as the economy electrifies.

We think encouraging the necessary transformation change and big ambition requires the following adjustments to the proposed DPP:

- the highly ambitious option - the Big Carrot Allowance - must be a part of the next DPP to provide a bigger carrot and clearly signal and reward ambition and investment in learning-by-doing. The BCA would complement the INTSA by encouraging distributors to invest in high cost and high reward projects like the clutch of highly ambitious Australian projects, eg, Edith, Symphony, that are showing the way on fundamental questions about network operation and flexibility integration in a more distributed, electrified future.
- the INTSA and BCA mechanisms need to include clear expectations about communicating and sharing the outcomes of projects completed using this funding.
- the Commission needs to commit to move quickly and 'sign off' INTSA and BCA projects promptly, ie, 1-2 months. Requiring distributors to wait extended periods to begin a project will cause projects to not start because the approval takes things past the window of opportunity. The Commission can encourage and enable distributors to accelerate their progress by accelerating its own processes.
- the Commission should adopt ex post approval for INTSA projects under $50,000 with Commission 'approving' recovery of the expenditure after receiving the project completion report, based on a minimum set of expectations
- the INTSA, plus the BCA, are needed to provide distributors the ability and incentive to pay for flexibility up until 2030 and develop the capability to develop robust forecasts of flexibility opex needed from 2030. The mechanism design must ensure 'projects' to pay for flexibility are not perversely excluded.
- the INTSA design needs to clarify the treatment of projects that span regulatory periods to avoid inefficient outcomes from artificially distorting the timing and scope of projects.
- the Commission should commit now to introducing more granular, probabilistic and risk-informed quality standards from 2030. Committing now will mean distributors start getting ready and will make sure distributors are actively thinking about how to manage LV reliability as part of a 'smart' system. This commitment also gives distributors a clear reason, scope and incentive to accelerate investment in LV monitoring and network orchestration capabilities.

- the Commission should introduce measures before June 2025 to identify and highlight productivity-enhancing activities over 2025 to 2030. This would provide more encouragement to engage in more learning-by-doing. While doing this, the Commission should begin to rationalise reporting requirements to focus on collecting usable information.
- LV monitoring and analytics, and orchestration are core capabilities. The aggregate step change investment cap should be reality tested to ensure it does not drive inadequate and inefficient investment in orchestration capability
- connection-related quality targets and reporting are necessary to encourage distributors to invest to develop, implement and operate a connection process that provides households, businesses and communities with a good connection experience.

This response is the FlexForum perspective given its objective and purpose to support coordinated collaboration to make it easier for households, businesses and communities to maximise the value of their distributed flexibility. Individual FlexForum Members will have their own perspectives and positions.

You can contact FlexForum at info@flexforum.nz with any questions and to arrange further discussion about this response. We are very keen to work with you to make sure the next DPP delivers the most reliable and affordable distribution services possible and help to make it easier for households, businesses and communities to electrify and maximise the value of their flexibility.

## FlexForum Members

individuals