

Dane Gunnell,
Manager Price-Quality regulation,
Commerce Commission,
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Wellington 6140
New Zealand

17 July 2019

EDB DPP3 reset

Dear Dane,

Thank you for the opportunity to submit our views in regards to the EDB default price path reset. emhTrade is a participant in New Zealand's electricity market and part of the small but growing ecosystem of local technology companies that are actively innovating and developing new technology for electricity systems. In our case, this technology relates specifically to peer-to-peer trading and market mechanisms for demand response (both by consumers and through device automation).

As has been identified in the draft decision paper, the future of electricity distribution is very highly uncertain. What is clear though, is that as the world transforms to a low carbon economy, electricity distribution systems have a critical role to play in enabling higher levels of intermittent generation, along with higher levels of demand due to the electrification of new industries.

New Zealand, with our enviable levels of renewable generation coupled with a mature and robust market structure, is well placed to be a global leader in the development of the technology required by electricity distribution systems to meet this challenge.

For this to happen through, local innovators need local customers and partners. We applaud the draft decision to create a new recoverable cost allowance for innovation but submit that at the level proposed (0.1% of revenue) it will have no meaningful effect. For some parties the amount would barely cover the cost of scoping and setting up a project, let alone implementing it.

We recognise that the Commission must balance the risks, specifically the risk that innovation spending that is claimed is not 'innovative' or for the long term benefit of consumers. We submit that that following changes would improve the mechanism to develop and deploy innovative technologies for more efficient distribution systems:

- Increase the recoverable cost allowance to 1% of revenue (~\$50m across the industry)
- Improve the scrutiny of recoverable spending by working with other government agencies such as Callaghan Innovation, who have a wealth of experience in assessing whether research and development spending is truly innovative.
- Whilst subtle, the draft paper makes reference to an 'independent *engineer*'. If this mechanism for independent scrutiny is retained, we suggest this wording could better reflect that the innovations of tomorrow may not be those traditionally considered engineering solutions (whilst many will be). Part of encouraging more rapid uptake of innovation is changing cultures. The electricity distribution industry is going through a period of unprecedented change; 'independent technical expert' might better reflect that and promote wider thinking about potential solutions or efficiency measures.

Please don't hesitate to contact me if you'd like to discuss any aspect of this submission.

Yours faithfully,

Stuart Innes
CEO
emhTrade Limited