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SUBMISSION ON EDB DPP4 INNOVATION AND NON TRADITIONAL SOLUTIONS WORKSHOP – IMPLEMENTATION DESIGN

Unison Networks Limited (**Unison**) appreciated the Commission's workshop on the Innovation and Non-Traditional Solutions Allowance proposed Project Eligibility Assessment (**PEA**) and guidance.

To achieve a least regrets approach, the criteria, PEA and guidance must aim for **minimal restriction and maximum eligibility**. This is critical to the policy intent and context of the reset discussed in the Draft DPP4 Decision.

Our feedback in Appendix A relates primarily to the Commission's questions about the steps proposed and considerations for ease of use and benefits to consumers (slide 8), and the utility of the PEA template proposed (slide 14). The criteria proposed in the draft DPP4 determination is fundamental to those steps and considerations discussed in the workshop therefore is again submitted on (consistently with submissions made on the Draft DPP4 Decision).

A summary of our recommendations, detailed in the table on page 2 onwards, is below:

- The Commission should retain discretion to accept requests from affected third parties that:
    - parts of an application are kept confidential (whether commercially sensitive or not); and
    - publishing a close out report is delayed beyond the proposed 50-day timeframe (noting that quick release of failures may impact perceptions in a workably competitive market).
- Replace Director certification that the project would not proceed without INTSA funding with management confirmation.
- Clarify:
    - the 'point in time' judgement of that management confirmation;
    - the Commission's pragmatism that circumstances may legitimately change over the five-year regulatory period; and
    - that it is understood (and not intended to be a barrier to future decisions) that EDBs will re-consider the viability of a project rejected from INTSA following any change in circumstances.
- Increase the maximum permissible allowance but do not constrain the additional allowance to EDBs collaboration.
- Avoid unnecessary requirements – such as mandatory additional reporting between application and the close out report. Proportionate scrutiny should be exercised consistently under the regime.

Nāku noa, nā

Rachael Balasingam
Regulatory Manager

Appendix A: Table with issues, comments and recommendations relating to the Commission's workshop and slides

Issue	Comment	Recommendation
INTSA process		
Application on website	While EDBs are likely to be comfortable with application content (that is not otherwise confidential or commercial sensitive) being released, unregulated third parties may be uncomfortable with the level of transparency required for a 'riskier than business as usual' project.	At a minimum, discretion should be retained for where there is an affected third party who requests the application detail and/or their involvement is not included (that could be by direct request to the Commission in writing submitted alongside the application).
Director certification	It is impractical to require Director certification. Management confirmation is sufficient confidence for the Commission alongside the PEA to justify the allowance. Director certification is a disproportionate burden that would slow down applications (due to reliance on pre-set Board meetings), particularly as some applications may be for low value projects. The requirement would also not reflect 'proportionate scrutiny' between a capex solution and an opex solution given director certification is not required to access a capex uncertainty mechanism.	Management confirmation as part of PEA is adequate.
Close out report on website	We acknowledge the benefits of transparency and promoting shared learnings within the INTSA framework. Third parties, however, trialling new solutions may take a different view informed by a competitive market. Quick release of failures may cause concern, particularly where fixes are being developed. To promote a least regrets regulatory framework, the worst-case should be avoided. This would be a third party perception that: • inflexible INTSA criteria may harm their participation in a workably competitive market; • the INTSA requirements are a disincentive to the project for an EDB (or EDBs); and	At a minimum, discretion should be retained for where there is an affected third party who requests a delay in releasing a close out report or specified information in a close out report. If the Commission receives adequate information of the project's outputs have been delivered, funding should be recoverable (as opposed to waiting for the close out report given the delay will relate to

Issue	Comment	Recommendation
	• they will not proceed unless the EDB does not apply for the INTSA allowance (therefore removing the incentive of available INTSA funding to the EDB). This can be reconsidered in DPP5 based on any examples of perceived harm by third parties to their competitive participation in a market.	an affected third party as opposed to the EDB's entitlement to recover costs).
Fit-for-purpose criteria that promotes Part 4 (particularly, ss 52A and 54Q)		
Riskier than business as usual	As submitted on the Draft DPP4 Decision, in the context of flexibility services, and innovation or non traditional solutions that support energy efficiency and demand side management, the criteria as proposed do *"unduly impede section s 54Q incentive projects that would otherwise be eligible…"* (see footnoted quote).[1] Section 54Q requires a strong incentive to invest for consumer benefit in energy efficiency and demand side management which is not provided by a one time only allowance.	Adopt the criteria recommended by the ENA in its 12 July 2024 submission on the Draft DPP4 Decision. [2]
Confirmation the EDB would not proceed without INTSA funding	The PEA records plausible factors influencing why a project would not otherwise proceed without funding as: financial, reputational, operational and quality. We presume that changes to law and policy would be accepted under 'operational'. Explicit confirmation of that or an additional factor must be confirmed in the guidance. Circumstances change in a regulatory period. For example: • a capacity constraint may occur faster than forecast and adjust the financial benefits of the project for the EDB; • new reputational risks; • law and policy change impacting operational decisions including risk mitigation or compliance; and • financial constraints may ease (including due to external factors); and	Any person confirming the project would not proceed without INTSA funding must be comfortable that a change to the factors influencing that decision at the time of the application may justifiably result in a different judgement later in the period.

[1] Pg, 286 D149. *"We recognise that there may have been some merit in introducing an additional specific mechanism via the INTSA for flexibility services for instance, but on balance, we consider this would be likely to be unnecessary. Provided the INTSA is designed so that it does not unduly impede section 54Q incentive projects that should otherwise be eligible (because they are beneficial to consumers), simplicity would dictate that we have one scheme rather than multiple (particularly for a low cost DPP)."*

[2] Electricity-Networks-Aotearoa-ENA-Submission-on-EDB-DPP4-draft-decisions-12-July-2024.pdf (comcom.govt.nz).

Issue	Comment	Recommendation
	• increasing risks from climate change may present (including more frequent extreme weather). Improvement will also remove a contradiction between: • transparency and shared learning to drive other EDBs to implement tried and tested technology; and • an EDB's confirmation early in a regulatory period that they would not proceed with a project without funding and then there are changes in circumstances (including tested technology elsewhere that impacts judgements later in the period).	
Increasing the maximum permissible allowance	We support the principle that collaboration is encouraged with joint projects under the INTSA and the transparency promoted (with justified variances to timing or detail as discussed above). It is, however, difficult to rationalise a collaboration constraint with promoting Part 4, i.e. that a project does not meet Part 4 because there is no EDB collaborator. Sections 52A and 54Q would be better promoted by an increased cap that is unrestricted by collaboration. While a collaboration requirement is well intentioned, practically, it may result in one EDB being prevented from eligible innovation in DPP4 because of the different circumstances impacting other EDBs, i.e. other EDBs may have already tried that solution and are no longer eligible for INTSA funding. The difference in pace in INTSA projects will likely have more impact in the second half of the DPP. This concern aligns with the Draft DPP4 Decision which says:[3] *For instance, what is riskier than BAU for some EDBs may not be so for others, owing to the diversity between EDBs regionally and operationally. In this context, an EDB could choose to support its case that a project is riskier than BAU by providing a director certificate that confirms this project would not otherwise go ahead without support from the INTSA.*	Adopt the criteria recommended by the ENA in its 12 July 2024 submission on the Draft DPP4 Decision and increase the cap acknowledging, whether or not the EDB is collaborating, it is in the long term interests of consumers that further innovation and deployment of non traditional solutions occurs in DPP4 and is not delayed due to the capped funding.

[3] Pg 269, D75.

Issue	Comment	Recommendation
Minimal exemption for impacts on quality	While s 54Q is intended to be promoted alongside s 52A by the INTSA framework, two disincentives undermine that outcome: • the minimal quality exemption provided by the INTSA (noting a 'riskier that business as usual' project is unlikely to have robustly forecastable impacts on quality); and • one time only funding for a 'riskier than business as usual' project may not enable new projects that build on learnings from previous projects but involve different risks.	Adopt the criteria recommended by the ENA in its 12 July 2024 submission on the Draft DPP4 Decision.
Drafting	For ease of interpretation, clearer drafting is preferable on proposed Schedule 5.3 of the draft determination, paragraph 8(a) and (b).	Amend Schedule 5.3 (8)(a) and (b) to read: (a) *may not* ~~is unlikely to~~ otherwise result…; (b) "*may* ~~is not unlikely to otherwise~~ result in a~~ny~~ financial benefit~~s~~…"
Minimum requirements		
Visibility over open applications	There may be a disproportionate administrative burden to EDBs and affected third parties of additional requirements such as increasing visibility of open applications. The regime should implement proportionate scrutiny consistently. The policy intent, including encouraging shared learnings, can be met by publication of the fact an application has been made and of a proximate close out report (noting more than 50 days from completion may be preferred by affected third parties). EDBs should face comparable scrutiny of an innovation allowance when considered against an uncertainty mechanism of a similar value for a capex alternative (one type of application should not require materially more administration than another).	Avoid unnecessary requirements.