



Chairman: Warren McNabb,

Secretary: David Inch,

4 May 2022

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Dear Jo,

**RE: EDB Targeted ID Review – Cross submission**

The Independent Electricity Generators Association (IEGA) welcomes the opportunity to engage on the Commerce Commission's (Commission) targeted review of the information disclosure requirements on electricity distribution businesses (EDBs).<sup>1</sup>

The Commission's recent review of EDB's Asset Management Plans in relation to decarbonisation provides useful context. Figure 1 in this report about the Commission's general observations of potential impacts of increased electrification and decarbonisation on EDBs includes:

- growth in aggregate demand on the network requiring management and/or capital investment
- growth in peak demand
- an expectation there will be increased viability and contestability of non-network solutions

The IEGA's focus is on the opportunities for distributed generation to meet incremental growth in electricity demand, operate to meet peak demand, as well as defer or avoid new infrastructure investment by being contracted as a non-network solution by the EDB.<sup>2</sup>

The IEGA comprises about 40 members who are either directly or indirectly associated with predominantly small-scale power schemes connected to local networks throughout New Zealand for the purpose of commercial electricity production. IEGA members are small, entrepreneurial businesses, essentially the SMEs of the electricity generation sector, who have made significant

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<sup>1</sup> The Committee has signed off this submission on behalf of members.

<sup>2</sup> We suggest the reasons for the Commission's focus (described in paragraph 1.19) might be dominated by the demand for electricity when enabling the supply of electricity is equally relevant.

economic investments in generation plant and equipment with 95% of the plant using renewable fuel. Combining the capacity of member's plant makes the IEGA the sixth largest generator in New Zealand.<sup>3</sup> Members have new generation investment options which can meet growth in local demand.

The IEGA's interest in the Part 4 regulatory regime arises because our assets are embedded within distributors' network infrastructure. Further, distributed generation competes with transmission and distribution infrastructure to deliver electricity to end consumers. The plant of some of our members was in place prior to the transmission grid; in other areas our distributed generation has deferred or avoided the need for transmission and distribution investment.

The Commission is looking for Information Disclosure to provide evidence to third parties that the outcomes required by the Part 4 purpose statement are being met by EDBs – including that EDBs are incentivised to innovate and invest. The IEGA's focus is on Information Disclosure providing information that enables third parties to understand the opportunities for innovation – for example, non-network solutions. EDBs can only report on these innovative non-network outcomes if third parties are informed and prepared to invest.<sup>4</sup>

Consistent with the purpose of the Part 4 regime<sup>5</sup>, the IEGA requests EDBs be required to provide additional information that assists owners/investors in small-scale commercial distributed generation to assess potential locations for distributed generation.

The IEGA supports ENA's recommendation that Future network roadmaps the Commission updates the AMP content requirements to include commentary on future network initiatives that relate to the implementation of an EDBs' network transformation roadmap.<sup>6</sup>

The IEGA fully supports the ENA recommendation to “delink the network constraint map requirements from the related party criteria and require this as a standalone requirement for all EDBs”<sup>7</sup>. We agree future constraints are important information for third parties and should be provided by all EDBs and fully support ENA's Working Group recommendation of reform of Schedule 12B and the use of heat maps discussed in response to the Commission's proposal D3 and in Appendix III in ENA's submission.<sup>8</sup> Heatmaps outlining current and future constraints (within the next 5-10 years) will identify areas of the network where new generation volumes will assist with managing the network (for example, reducing volumes from the transmission grid over areas of the distribution network that are constrained during peak demand periods).

Further, consistent with Trustpower's view, the IEGA supports development of a network opportunities map.<sup>9</sup> As Trustpower states: “*Providing user friendly information on anticipated network*

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<sup>3</sup> The IEGA does not represent household-owned distributed generation and the generation plant has predominately one-way power flow

<sup>4</sup> We agree with the Commission's suggested information EDBs could disclose to assist stakeholders in paragraphs 3.14 and 3.16 but this is very high level

<sup>5</sup> Clause 54A(1) of the Commerce Act

<sup>6</sup> Page 17 of ENA submission [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0021/282108/Electricity-Networks-Association-Submission-on-EDB-targeted-ID-review-process-and-issues-paper-20-April-2022.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0021/282108/Electricity-Networks-Association-Submission-on-EDB-targeted-ID-review-process-and-issues-paper-20-April-2022.pdf)

<sup>7</sup> Page 39 of ENA submission [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0021/282108/Electricity-Networks-Association-Submission-on-EDB-targeted-ID-review-process-and-issues-paper-20-April-2022.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0021/282108/Electricity-Networks-Association-Submission-on-EDB-targeted-ID-review-process-and-issues-paper-20-April-2022.pdf)

<sup>8</sup> In response to the Commission's D3 proposal

<sup>9</sup> Trustpower provide a link to a similar framework in Australia - The Australian Network Opportunities Map - found at <https://www.energynetworks.com.au/projects/networkopportunity-maps/>

*expenditure and network constraints for all distributors via maps would overcome challenges associated with gleaning similar information from some asset management plans, which are generally written for a technical audience.”*

Further, Trustpower’s recommendations relating to ‘Transparency of value of non-wired alternatives / flexibility services’<sup>10</sup> are strongly supported by the IEGA. These suggested changes are essential to support distributors being able to achieve the least cost investment that will be required as electricity consumers’ increasingly chose to decarbonise their activities. The Commission has focused on innovation and energy efficiency clauses (54A(1)(a) and (b)) in the Part 4 purpose statement. The IEGA suggests that clause 52A(1)(c) is also relevant as it requires EDBs share with consumers the benefits of efficiency gains in the supply of electricity – lower cost alternative solutions are, obviously, an efficiency gain.

Publication of opportunity maps and implementation of Trustpower’s suggestions (copied below) should be progressed in Tranche 1 as transparency will facilitate development of non-network solutions which are already technically possible.

*“To support the development of the non-wires alternative/flexibility services market will require this transparency to also be coupled with broader developments such as (but not limited to):*

- a) Publishing outcomes of investigations into the use of flexibility resources by distributors, as suggested in the Consultation Paper;*
- b) Competitive procurement processes for non-wires alternatives being included into the part 4 regulatory regime that applies to distributors. As outlined in previous consultations, we support the Commission further considering arrangements similar to the RIT-D test which applies in the Australia national electricity market;*
- c) The ability for the distributor to provide appropriate compensation to the flexibility provider;*
- d) A broader ability for distributed energy resources to value stack across the competitive and non-competitive parts of the electricity system; and*
- e) Potential development of standard arrangements for procuring support services from distributed energy resources.”*

More information about the cost of individual investment projects will inform providers of non-network solutions are clear about the value at stake.<sup>11</sup> There are transaction costs associated with participating in a call for non-network solutions and up-front information about whether the estimated network investment is \$0.5 million or \$10 million is material. Earlier disclosure of this information gives third party providers the opportunity to understand and assess the value of participating, develop right-sized innovative solutions and ensure the EDB invests in the lower cost alternative solution.<sup>12</sup>

The IEGA believes including the above new information requirements has the potential to assist EDBs’ assessment of non-network solutions and innovations. For example, connection of new commercial

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<sup>10</sup> Section on pages 2-3 of Trustpower’s submission [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0023/282119/Trustpower-Submission-on-EDB-targeted-ID-review-process-and-issues-paper-20-April-2022.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0023/282119/Trustpower-Submission-on-EDB-targeted-ID-review-process-and-issues-paper-20-April-2022.pdf)

<sup>11</sup> We note Trustpower’s Annual Transmission Planning Report provides this type of information

<sup>12</sup> Small scale distributed generation contracted as a non-network solution is a lower cost and more efficient option from the EDBs perspective. This distributed generation also provides additional efficiency gains for local consumers (eg lower losses and prices) however, it’s not clear how this is taken into account in an EDB’s assessment of non-network proposals

scale distributed generation. The current experience is that approval of connection applications is being delayed by the EDBs perceived need to undertake numerous power system studies as well as trying to deal with multiple applications at the same time or new applications being received before earlier applications are approved. Improved transparency via Information Disclosure and the Asset Management Plans will provide third parties with information about the risks perceived by EDBs of connecting small-scale commercial distributed generation to their network – as the generation plant could be configured during the design phase to address those risks so that the financial feasibility of the investment reflects these costs / opportunities (for example, making the decision to install a battery at the same time as installing a solar pv array or including a run-back mechanism).

We would welcome the opportunity to discuss this submission with you.

Yours sincerely



**Chris Fincham**  
IEGA Committee