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Ben Woodham  
Electricity Distribution Manager  
Commerce Commission  
Wellington  
[infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz)

## Manawa Energy's Submission on Default Price-Quality Paths for Electricity Distribution Businesses from 1 April 2025

### Introduction

Manawa Energy (**Manawa**) welcomes the opportunity to provide a submission to the Commerce Commission (**Commission**) on its *Default price-quality paths for electricity distribution businesses from 1 April 2025* issues paper (**Issues Paper**).

Manawa is an independent power producer which has a proven track record of investing in local and grid scale renewable generation. Its strategic plan for future investment aligns with the achievement of New Zealand's decarbonisation and electrification objectives.

Manawa operates a diverse portfolio of 44 power stations across 25 hydro-electric power schemes, supplying around 5% of New Zealand's electricity needs. A significant portion of these assets are connected to electricity distribution business (**EDB**) networks, referred to as distributed generation (**DG**).

### Submission

#### *Scope of this submission*

This submission focuses on the Commission's request for feedback on the quality standards which should be introduced as part of the next price quality paths (particularly Q12). It also provides some high-level comments on encouraging EDB collaboration and innovation, and some more specific comments about the use of the term "non-traditional" solutions.

#### *Context*

Manawa considers there is a need for quality standards across the entire network to work together to ensure that consumer expectations are appropriately met both now and in the future. The time for this work is now.

Appropriate quality standards are an important part of all default price-quality paths (**DPPs**). They protect against network underspend and ensure consumers receive an acceptable level of quality. It is critical that they are fit for purpose.

Consumers do not distinguish between types of network assets (pole, substation, sub-transmission, connection, transmission etc) or their owners (distributor, grid owner) when they think about the quality

of service they receive. Nor do they think about the design of the regulatory regimes, or the relevant regulator, and how these factors operate to ensure they receive expected service levels. In a complex regime with two regulators there is risk that some matters of critical importance to consumers “fall between the cracks”.

#### *Current arrangements*

The current arrangements take an aggregate or “whole of network” approach to setting quality standards. However, many distribution networks operate singular assets (particularly at the sub-transmission level) which if not fit for purpose could have a substantial impact on consumers. This group of assets need different quality standards to the rest of the network. This is particularly the case because recent changes to TPM mean that distributors can no longer rely on upstream incentives to reduce peak demand on some of these assets.

#### *Case study*

An example of where quality standards need to be revisited is demonstrated in the case study on the Kaimai hydro scheme provided by Calderwood Advisory Limited, attached as Appendix A to this submission. The case study highlights the lack of incentives for the network owners to meet appropriate reliability standards on important parts of the network. Without such standards, there is no incentive to contract for services which will meet consumer reliability expectations.

This should be addressed as part of the DPP4 reset.

#### *Encouraging EDB collaboration and innovation*

Manawa agrees with the concern presented in the Issues Paper that “regulatory incentives may be required to encourage EDB uptake of flexibility services and non-network solutions, and there should be a level playing field for third party providers of such services”.

There needs to be greater clarity about what alternatives non-network solutions need to compete with and appropriate transparency of pricing outcomes. This will help encourage a proper competitive market so that consumers get the best outcome.

#### *Non-traditional solutions*

In addition to the above, Manawa would like to make one final point around the use of the term ‘non-traditional solutions’ that is used in the Issues Paper. Manawa agrees with the concerns of many of the submitters on the EDB Targeted ID Review (2024) around the definition.

DG has provided, and continues to provide, non-network solutions that offer alternatives to building ‘poles and wires’ but it is not clear whether it is captured under the non-traditional definition. This needs to be clarified.

If you have any questions regarding the content of this submission, please contact Grace Burtin, Regulatory Manager.