

Ben Woodham
Commerce Commission
Wellington 6140
New Zealand

By email to [REDACTED]

Dear Ben,

Electricity Networks Aotearoa (ENA) appreciates the opportunity to provide additional feedback on the recent Innovation and non-traditional solution workshop.

ENA and its members welcome the Commission's intent to reform the innovation allowance. The indicative Innovation and Non-traditional Allowance (INTSA) put forward at the workshop represents a vast improvement over the current innovation allowance.

As detailed below, ENA recommends some adjustments be made to the indicative INTSA. Primary amongst these is that the INTSA allow for collaboration between EDBs by explicitly allowing the pooling of INTSA allowances for individual projects.

Responses to question

1. Conditions: eg, Conditions EDBs must meet to fulfil INTSA scheme requirements, eg, project closure reports - sharing the learning from projects and the expected benefits for consumers

ENA supports the indicative INTSA's signoff and reporting obligations that scale with the level of expenditure.

ENA's view is that director signoff for research and test projects is overly burdensome and that sign-off by an authorised representative is more appropriate for these project types.

2. Project type definition: eg, Would it be better for the project type definition to be specific for certainty or general to allow greater accessibility?

ENA views the research, test, and build and operate project types as appropriate. ENA proposes two additional project types:

1) Collaborative project: A project that involves two or more EDBs and the pooling of their individual permissible expenditure. The permissible expenditure threshold per EDB and supporting evidence for this project time would align with the requirements of the test project type.

2) 54Q (Energy efficiency) project: This allowance would align with the test project type design criteria and fund energy efficiency projects.

3. Share of recoverable expenditure: eg, What share of potential project costs should be recoverable under an INTSA scheme?

The shares of recoverable expenditure set out in the Commission's table of options are appropriate, subject to the inclusion of the two project types above.

4. Supporting evidence: eg, What type of supporting evidence should be required to ensure an INTSA is workable for EDBs, but protects consumers?

As noted above, ENA's view is that director's signoff for research and test projects is overly burdensome and authorised representative is a more appropriate level of signoff.

5. Types of projects: eg, How would EDBs want to use the INTSA in DPP4; would that be different in the DPP5 period? Are there projects EDBs consider could be accommodated under these illustrative options?

EDBs are likely to utilise the INTSA for a range of project types in both DPP4 and DPP5. The nature of these projects is likely to evolve over time, into the DPP5 period and beyond as EDBs build on the outcomes and lessons learned from previous INTSA projects.

6. Other challenges: eg, what internal hurdles do you see with undertaking innovation and non-traditional solutions? How could an INTSA help to overcome those challenges?

The indicative INTSA has removed most of the barriers that held back the usefulness of the existing innovation allowance. Primary amongst these were the small scale of funding allowances and the now removed ex-post approval requirement.

7. Safeguards for consumers: eg, How can we design the INTSA so that it manages the risk burden for consumers?

The indicative INTSA's supporting evidence and + conditions are the primary tools for managing the potential risks for consumers. The Commission indicated in the DPP issues paper that it is actively considering how the non-performance of non-network solutions would be addressed within the quality regime. ENA's view is that the overarching quality framework, rather than the INTSA, is the best forum to address the risk of non-performance from a service quality perspective.

8. Designing INTSA scheme accessibility: eg, How can we design a user-friendly INTSA scheme so EDBs can part-fund and deliver innovative projects and nontraditional solutions?

ENA's view is that subject to the changes detailed above, most importantly, by allowing collaboration via the pooling of allowances for joint projects, the indicative INTSA will deliver a scheme that balances user friendliness and risks to consumers.

Yours sincerely

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Regulatory Manager