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FEEDBACK ON OPEN LETTER: INTENTION TO GATHER INFORMATION ON EMERGING TECHNOLOGIES

Dear Keston

Unison welcomes the opportunity to provide feedback to the Commerce Commission (the Commission) on its open letter: *Our intention to gather information relating to emerging technologies*. We are supportive of the Commission's intent to analyse existing information and gather further information (under section 53ZD of the Commerce Act) to examine how emerging technologies are being planned for, invested in and accounted for by electricity distribution businesses (EDBs). However, we would urge the Commission to exercise caution in drawing strong conclusions based on this information, particularly if it is used to inform the development of future input methodology (IM) regulation. This is due to the varied nature and use of emerging technologies by distribution businesses. The technologies and the 'markets' are still in early days of adoption and are likely to have been treated differently by many EDBs: some as exploration of future investment opportunities, and others as 'Research and Development' initiatives.

The Commission has provided an example of electric vehicles (EVs) as an emerging technology, and has provided draft guidance in the appendix to the letter on how these should be treated, and notes two exceptions where EV chargers can be included as part of the regulated service:

- *where the EDBs have active control over the EV charger, such that it can be controlled to manage network load (e.g. for the purpose of deferring capital expenditure on the distribution network), and the controller is not separable from the EV charger, or*
- *where the EDB installs the EV charger to charge the EDB's own electric vehicles and is therefore a cost incurred by the EDB in order to provide the regulated service.*

Unison is concerned that this is a particularly narrow, technical interpretation of when EV chargers can be deemed part of the 'regulated service'. This overlooks the fact that EDBs were actively targeted and encouraged by the Government to help drive uptake and seed the market through the 'Electric Highway' initiative. Unison has made investments in chargers in each of its main centres – Taupo, Rotorua, Hastings and Napier – as well as two chargers on the Napier-Taupo highway. These investments were made as part of the nationwide initiative to reduce

range anxiety for consumers considering purchase of an EV, which has been cited as a key barrier to uptake. Other proactive participation by EDBs has enabled the establishment of a national network which has removed a significant barrier to uptake and enabled the technology to develop in line with the Government's plans. The counterfactual (i.e. restrictive rules around EDB EV charging activities) would have likely jeopardised the achievement of these targets. We consider that helping to seed the market in this way is clearly in the long-term interest of our network consumers. EVs, which will predominantly be charged at home, will be a new source of volumes, and, because of revenue cap regulation, result in lower average prices to consumers as uptake increases.

Conversely, EVs will be of no direct benefit to Unison, since our aim is to see charging take place at off-peak times utilising spare network capacity and therefore there will be no additional revenues. We think it would be an incongruous outcome for Unison to bear all the costs of seeding the EV market, have all costs of chargers excluded from the network service, but to receive no ability to recover a proportion of those costs from consumers who will benefit from lower average prices in the longer term as the EV market grows.

In addition, this narrow focus excludes the legitimate rationale for EDBs to include early investment in emerging technology as part of its research and development expenditure.

There are clear benefits to consumers for EDBs to have the capability to be able to explore new emerging technologies, especially when they are in the very early stages. To apply a narrow interpretation of how emerging technologies should be treated disincentivises regulated businesses from experimenting with new technology outside of 'poles and wires'. We fully agree that there needs to be a means of demarcation between strict commercial ventures (e.g. unregulated revenue/expenses) and investing in R&D opportunities to 'test' or 'seed' the market for the ultimate benefit of network users. Good regulation needs to ensure there is flexibility to enable exploration into future emerging tech, but at the same time ensuring monopolies comply with Parts 2 and 4 of the Act. This is not limited to just EVs, but other new technologies in the future that may result in reducing peak demand, increasing revenues and therefore lowering prices for consumers, particularly when EDBs move to a revenue cap (rather than price cap) from 2020.

Finally, we would like to express our interest in being involved in stakeholder meetings with the Commission on the emerging technologies.

For any questions relating to this submission, please contact Roanna Vining, Senior Regulatory Affairs Advisor by phone (06) 873 9329 or email Roanna.Vining@unison.co.nz.

Yours sincerely,



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