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Tēnā koe,

Powerco submission on EDB DPP4 innovation and non-traditional solutions workshop

Powerco Limited (Powerco) welcomes the opportunity to provide feedback on the Commerce Commission's innovation and non-traditional solutions workshop and accompanying questions.

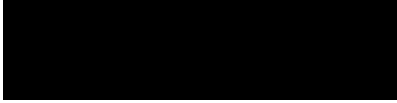
With the upcoming DPP regulatory period necessitating significant investments in energy infrastructure for electrification and the integration of distributed energy resources, it's clear that embracing innovation is essential. This is vital not only for unlocking cost reductions but also for ensuring that networks can cope with the evolving energy needs of our customers while remaining safe, reliable, and efficient.

This workshop provided a collaborative platform for discussions among stakeholders on ways to incentivise innovation and foster shared learning among EDBs. We were impressed by the depth of the Commission's deliberations and its readiness to reevaluate historical approaches. We are supportive of the Commission's proposed Innovation and Non-Traditional Solutions Allowance (INTSA).

We would be keen to further explore opportunities for formally pooling resources for innovation projects across multiple EDBs. We see that this could support better resourced initiatives with increased scope from that possible at individual EDB level. Additionally, it could facilitate the execution of projects with a higher level of professionalism and enhanced governance arrangements. With such collaboration, knowledge sharing among EDBs would be far more efficient. If the Commission is open to further exploring this suggestion, we will work with the ENA Future Network Forum to develop a more detailed submission on this matter.

Our feedback on the Commission's questions and our suggestions for enhancing the INTSA are provided in Attachment 1. If you have any questions about this submission, please contact Nathan Hill ([REDACTED]).

Nāku noa, nā,



Stuart Dickson
General Manager, Customer
POWERCO

Attachment 1: Powerco's responses to INTSA questions

Discussion topics & questions

Question	Powerco's response
<p>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</p>	<p>Powerco supports the Commission's initiative to implement an INTSA that encompasses a range of options, as illustrated in slide 9 of the workshop slide deck. It is sensible to have sign-off and reporting obligations that scale with the level of expenditure and the risk burden for consumers.</p> <p>We believe that sign-off by an executive manager is appropriate for research and test projects.</p>
<p>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?</p>	<p>We believe that employing general definitions will likely enhance accessibility. For example, it will enable the inclusion of innovation projects that may not be foreseeable at this time.</p> <p>We propose that the Commission include Collaborative Projects in the list of project types. These projects would entail the collaboration of two or more EDBs, pooling their individual permissible expenditures. Permitting collaborative projects can provide significant cost efficiency gains and improved opportunities for shared learning among participating EDBs.</p>
<p>3. Share of recoverable expenditure: eg, What share of potential project costs should be recoverable under an INTSA scheme?</p>	<p>The share of recoverable expenditure outlined in the Commission's table of options appears appropriate, particularly when considering the associated risk burden for consumers.</p>
<p>4. Supporting evidence: eg, What type of supporting evidence should be required to ensure an INTSA is workable for EDBs, but protects consumers?</p>	<p>For a research type project, we believe that a project eligibility assessment (PEA) signed off by an executive manager should be sufficient. This PEA should clearly indicate the project scope, why it is innovative, outputs, learning, cost, and resources required.</p> <p>For larger scale projects, including extensive field tests or field demonstrations, the PEA should be more detailed and require CEO sign-off.</p> <p>Major projects (akin to a reopener) should require sign-off by an EDB director and approval by an independent expert.</p>

Question	Powerco's response
<p>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?</p>	<p>We anticipate that EDBs will utilise an INTSA for various project types, including:</p> <ul style="list-style-type: none"> • Research and testing of artificial intelligence and other digital solutions. These innovations hold promise for reducing network operating costs and optimising its efficiency, such as in load balancing, congestion management, and asset utilisation. • Innovative use of distributed energy resources • Advanced analytics to manage and visualise complex high-volume data, and developing techniques to make reasonable decisions based on imperfect or limited data sets • The use of new sustainable materials • Testing potential climate change adaptation measures • Development and testing of flexibility service products, including supporting infrastructure
<p>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?</p>	<p>Accelerating the timing of cost recovery associated with INTSA projects would provide additional encouragement for EDBs to research and test the use of innovative and non-traditional solutions.</p> <p>We are also concerned about the potential inefficiency of having multiple EDBs running many small research or demonstration projects. Instead, directing resources towards a smaller number of comprehensive projects that are well-executed and with findings broadly disseminated would represent a more efficient use of funds and resources. Achieving this may necessitate pooling resources across EDBs.</p> <p>Effective information sharing on the outcomes of a research or demonstration project is a potential problem. It's important not only to understand the project outcomes but also to grasp the techniques and methodologies employed, pitfalls or problems encountered, and lessons learned. Establishing a robust framework for sharing these insights should be prioritised as a key INTSA requirement.</p>

Question	Powerco's response
<p>7. Safeguards for consumers: eg, How can we design the INTSA so that it manages the risk burden for consumers?</p>	<p>The Commission's proposal to adjust the share of recoverable expenditure based on the associated risk burden for consumers is a useful measure to protect consumers.</p> <p>As noted above, to maximise the benefits of innovation projects and protect consumers from potential duplication, shared learning among EDBs is essential. Therefore, it is crucial that reporting requirements for these projects are not only more comprehensive but more precisely defined than those for the current innovation project allowance.</p>
<p>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 non-traditional solutions?</p>	<p>We believe that the indicative INTSA should establish a user-friendly scheme that effectively encourages EDBs to co-fund and implement innovative projects and non-traditional solutions.</p> <p>As mentioned above, we believe there is merit in encouraging EDBs to cooperate on projects. Pooling resources would not only enable the commitment to better-resourced and professionally managed programs but also significantly enhance knowledge sharing. This pooling approach could be achieved either by EDBs voluntarily cooperating or, more formally, by tasking an oversight body (such as the ENA Future Network Forum) to manage a broader innovation programme to which multiple EDBs can subscribe. Governance of such a program could include independent oversight or oversight by a Commerce Commission representative. This governance structure would act as a protective measure for consumers and help alleviate concerns raised in question 7 above.</p>