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Distribution Feedback  
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To whom it may concern,

### Consultation – Update to scarcity pricing settings

Wellington Electricity Lines Limited (WELL) appreciates the opportunity to provide a submission in response to the above consultation. While we have no comments on the core elements of this consultation, we, like other electricity distribution businesses (EDBs), are concerned about the inclusion of the following statement:

3.54. While controllable load is a useful tool for managing periods of tight supply, we want to see consumers directly rewarded for their demand response efforts. To achieve this, **we want to see controllable load shift from distributors to retailers** so that retailers can price this demand response in the market to support the management of potential scarcity situations.

WELL has assumed this to be a matter of semantics, with the actual intent of the statement being that the Authority wants to see controllable load **shared between** distributors and retailers (traders).

However, we would appreciate if the Authority could confirm our assumption, given that the statement in its current form could be interpreted as a significant shift from the status quo and contradict our current understanding of the Authority's stance on this matter<sup>1</sup>.

While WELL is supportive of an innovative and competitive approach to the future of Aotearoa New Zealand's electricity ecosystem, we strongly believe that EDBs and traders/flexibility providers can and should be able to work together in managing controllable load. This collaborative approach is beneficial for consumers for the following reasons:

- Consumers gain value from EDBs' hot water load management ('ripple control') from controlled tariffs, allowing EDBs to utilise this load for network management purposes; thus reducing the need for investment in local networks. Without this, lines charges would increase for consumers

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<sup>1</sup> Our understanding is based on email correspondence between EDBs and the Authority, as well as proposal CRP6-002 under [Code review programme #6](#):

“Amend the Code to:

- 1) clarify the DDA **permits the incumbent and entrant to both have control over the same load**, and if the parties want control at the same time, the priority order in Schedule 8 of the DDA applies”.

(for both those currently on controlled tariffs and others) and network reliability/power quality could be affected during winter peaks.

- Consumer/distributed energy resource owners can 'value stack' various offers (including an EDB's controlled tariffs) to achieve the maximum value from flexibility.
- Without ripple control and/or access to third party-controlled load, EDBs would be unable to shed load for the management of system security (i.e. to prevent or respond to a local network or grid emergency).

While we are aware of differing views on the interpretation of clause 5.3(b) and S8.2 of the Default Distributor Agreement (DDA) (which relate to shared control rights), we do not believe that the Authority's statement, as drafted, aligns with the Authority's intent.

For the avoidance of doubt, we understand that the Authority intends to put distributors and traders on a "level playing field" in terms of controlling load, allowing it to be shared between them. We would appreciate if the Authority could confirm this approach.

We also note the complexities and vast considerations that must be taken into account in respect of shared control. In the regulatory context, this means ensuring that all relevant parts of the Code/DDA are comprehensively addressed in a holistic manner. For example, by:

- clarifying to what extent a distributor and trader can both have control over the same load (this is currently open to debate);
- ensuring that a clear hierarchy of needs is set across all industry participants to ensure that EDBs can retain priority access to trader-managed load to be utilised in a range of potential network emergency events;
- setting out clear coordination requirements between parties; and
- avoiding adverse outcomes from the risk of 'overcontrolling' – for example, consumers could be at risk of having no hot water and EDBs who participate in the instantaneous reserve market could face compliance issues.

While we anticipate that most of these matters can be addressed through a load management protocol, it is essential that the underlying regulation is free from ambiguity.

To summarise, WELL is of the view that the ability for other parties to control hot water or other demand-side flexibility cannot be at the expense of EDBs' existing ripple control and the vital role this plays in supporting network security.

Thank you for taking the time to read our submission. We echo Electricity Networks Aotearoa (ENA)'s submission and would be interested in meeting to better understand the Authority's overall position and desired outcomes in relation to shared controllable load, through ENA or otherwise.

Please do not hesitate to email Ben Tuifao-Jenkinson, Economic Regulation & Pricing Specialist at [ben.tuifaojenkinson@welectricity.co.nz](mailto:ben.tuifaojenkinson@welectricity.co.nz) should you wish to discuss our submission in more detail.

Yours faithfully,



Greg Skelton  
Chief Executive Officer