



Notes: FlexForum session 22

When	0900 – 1200, Thursday 6 April 2023
Where	Virtual
Who	Briony Bennet (Ara Ake), Lyndon Bird (Manawa), Shay Brazier (ReVolve Energy), Luke Cartmell-Gollan (Simply), John Campbell (Our Energy), Jason Christini-Crawford (ecotricity), Margaret Cooney (Octopus), Andrew Kerr (Powerco), Ryan Kuggeleijn (Meridian), Mark Herring (Transpower/SO), Peter Kimber (Influx), Jeremy Levy (Mercury), Tom Rose (evnex), Scott Scrimgeour (WE*), Antony Srzich (Mercury), Terry Paddy (Cortexo), James Tipping (Vector), Evie Trolove, (Orion), Nicolas Vessiot (Transpower) Guests: Ray Hardy, Isabelle LeQuellec (Orion), Ella Halstead (TRA), Karin Glucina (TRA) Observers: Nicole Kirkham (MBIE), Andrew Zielinski (EA), Gary White (EA), John Rampton (ComCom), Peter Berry (EEA) Secretariat: Craig Evans, Matt Smith

Session notes

1 Agenda overview

The group agreed the agenda.

2 Draft advice on opportunities to improve learning-by-doing

The group discussed the draft FlexForum advice on opportunities to improve the extent of learning-by-doing around flexibility. The main points were:

- the draft advice is drawn from conversations with individual FlexForum members, conversations with agencies with a role in supporting learning-by-doing (ie, Commerce Commission, EECA, EA, MBIE and Ara Ake), a survey and the perspectives of the FlexForum
- overarching view is that flexibility can assist with decarbonisation, there are significant benefits from accelerating efforts to use flexibility, and we are not working fast enough
- existing support – both incentives and funding – for learning-by-doing is not sufficient. Support exists but is not comprehensive or encouraging the required effort and pace. The conversation would not be needed (or happening) if things were working and sufficient support was available

- decarbonisation will have a big impact on the electricity sector, possibly rivalling or exceeding the reforms of the 1990's. We should be committing at least the same effort
- the survey highlighted common themes about how to increase the amount and pace of learning-by-doing. The survey did not identify a silver bullet solution, instead highlighting the need for a complementary suite of measures
- the group agreed to develop three complementary measures to accelerate learning-by-doing in the short and longer term.
 1. An entity to coordinate activity is required to identify and implement the capability, processes and practices required to use flexibility – the FlexForum is currently performing this role and should be supported to keep doing so unless a superior option is available (there isn't).
 2. Dedicated funding for learning-by-doing to identify the capability, processes and practices required to use flexibility in anger. The support is for learning and developing new services involving flexibility, including to decrease the risk of solutions, and to stimulate desire to make flexibility available.
 - a. the funding needs to be available from as soon as possible (ie, April 2023) until late 2025 to provide additional support for learning-by-doing until the start of the next regulatory period when distributors should have access to sufficient incentives and revenue allowances to invest in viable commercial models for flexibility. If the DPP decision does not provide access to sufficient incentives and revenue allowances, then it will be even more critical that a funding mechanism is in place to support learning-by-doing after 2025.
 - b. The funding should be available to any entity prepared to participate in a multi-lateral experiment and invest in activities with uncertain or minimal commercial returns. The idea is to provide 'safe to fail' options and make it easier for the sector to do things at higher cost than otherwise to learn how to do things differently (and potentially cheaper).
 - c. If existing funding pools cannot be redirected in this way, then options should be considered to enable distributors to fund learning-by-doing, with relevant conditions (eg, RIIO-type options).
 3. Regulators – particularly the Electricity Authority and Commerce Commission – should adapt their practices to practically support learning-by-doing, including by committing resources to supporting regulatory sandpits.
- An entity to coordinate activity is required to identify and implement the capability, processes and practices required to use flexibility. The FlexForum was established in part to fill this role in the absence of alternatives. The group agreed that the alternative of relying on existing structures and regulatory settings will result in slower pace and disconnected effort – the FlexForum is a must have for successful electrification and decarbonisation (with successful defined as achieving or exceeding affordability, reliability and decarbonisation goals).
- Key functions required to maximise the extent and value of learning-by-doing include:
 - single point of contact for discovering and sharing expertise across and within industry siloes
 - directly connected to industry activities and demonstration projects
 - source of whole-of-system (ie, cross sector) and evidence-backed advice and input on standards and regulatory settings. The entity is a facilitator, not a decision-maker.
- To be effective, the entity needs a governance structure which supports wide participation and robust outcomes, but also agile performance of its functions.
- More funding support for learning-by-doing, particularly until 2025, is needed to enable more and faster learning-by-doing. The group agreed that support involves a combination of incentives

(regulatory or commercial) on businesses and parts of the electricity ecosystem and direct funding support, and that extra support should deal with specific gaps.

- Regulatory incentives (determined by the Commerce Commission) influence the ability and incentive of distribution networks and Transpower (GO) to invest in developing, scaling and using flexibility. These incentives are currently insufficient to encourage wide-spread investment by distributors in capability needed to use flexibility, eg, low voltage management capability, and to overcome risks and costs of developing and scaling flexibility as a solution.
 - a. The group agreed that inadequacies in regulatory settings should be resolved from 2025 through the Commerce Commission IM and DPP processes, but support is needed now. If the IM and DPP processes do not deliver adequate regulatory settings, then it be critical that a funding mechanism is in place to support learning-by-doing after 2025.
- Commercial incentives are determined by the market framework (ie, revenue streams from participating in various ‘markets’) and associated business decisions. Businesses are investing to take advantage of existing revenue streams, eg, spot price arbitrage and reserves market. However, commercial incentives are insufficient to support development of new markets, for example frameworks for network operators to purchase contracted flexibility (versus price based flexibility).
- Direct funding support is available from various sources but is not readily accessible to the parties seeking funding support, including because the conditions make the support unviable, eg, grants are difficult to get and require potentially significant co-contributions not affordable by smaller firms.
- Distributors are seen as central to implementing flexibility (because most DER will be connected to distribution networks) and a major buyer/user of flexibility. However, this should not mean a distribution-centric approach to supporting more learning-by-doing. Additional support for learning-by-doing should be available to:
 - non-distribution firms, including to ensure whole-of-system learning, rather than learning which reflects priorities and objectives of network operators
 - should encourage both exempt and non-exempt distributors to collaborate in learning-by-doing (and implementation).
- Businesses across the supply chain should be able to dedicate resources to flexibility (and by extension, electrification) rather than attempting to learn-by-doing as part of the day job. Much thinking about flexibility and electrification within businesses right now is an added extra task. This contrasts with the reforms in the 90’s when there were people solely focused on designing the future.
- The major gap is the lack of support (incentives and direct funding) between now to 2025 for network operators (ie, distributors, Transpower and the System Operator) to invest in exploring new capability and commercial processes. The effect is to discourage investment by suppliers of new capability and of new services. Investment by network operators would inform creation of new revenue streams, thereby creating new commercial incentives, ie, if distributors want flexibility, and pay for it, then it will speed up growth of the ‘market’
 - the group noted that models used elsewhere (eg, RIIO and similar in the UK) encouraged collaborative learning-by-doing by allowing distributors (and transmission businesses) increased funding for this, subject to the distributor spending a high proportion of the funds (eg, 90%) collaborating external parties and publicly reporting experience and results. Requiring distributors to look outside and across siloes is needed to support learning-by-doing with whole-of-system benefits, rather than just reflecting the priorities and objectives of distributors.

- the group noted support should be available outside traditional industry structures and commercial models to avoid locking out new business models.
- The group heard the [Orion submission to MDAG](#) highlighted how 'Adapting to a rapidly changing and complex environment requires the industry to learn-by-doing and experiment, before building, aligning and scaling successful solutions.
- Regulatory support is a key ingredient of learning-by-doing. This means exemptions from the Code are available promptly with a decision-making process which reflects the risk (eg, a regulatory sandpit framework) and options to ringfence reliability and quality performance for experiments.

3 Incorporation

The group noted the context for incorporating.

- the group had decided to incorporate to enable a dedicated legal entity to be responsible for financial obligations of the FlexForum
- an incorporated society is the best model given the make-up and purpose of the FlexForum, and particularly it ensures the decision-makers are accountable to the wider membership.

Several of the group provided further feedback about the draft constitution. Comments additional to written feedback were:

- several aspects included in the draft charter (for an association of entities) are not in the draft constitution, particularly the criteria/expectation the Steering Group will have broad representation/diversity and discussion of the roles and practical operation of the FlexForum
- provide clarity on what remuneration would be available to people on the Steering Group
- the importance of avoiding duplication of existing groups/activities

The group agreed the proposed process was reasonable, and requested a timeline for the incorporation process, including nomination and appointment of Steering Group members.

4 Task # 7 – valuing and pricing flexibility

The group noted progress with a FlexForum insights on valuing and pricing flexibility. The emphasis is on the availability of price signals for value-stacking and coordinating when, where and how flexibility is used and co-optimised.

Several members offered their input to assist with delivering the insights.

5 Engagement update

The group discussed recent engagement activities.

Key points from the session with EECA and MBIE on 30 March 2023:

- purpose was continued government co-funding of the FlexForum (not projects), including why government financial support is needed, what happens without it, and the benefits
- EECA and MBIE are open to continued government co-funding, but it will take time to formalise any funding arrangement. Co-funding – 50/50 – is a condition. Industry must have skin in the game. Treatment of in-kind support was not discussed
- the breadth and diversity of the FlexForum is a key reason for government involvement, along with the ability for government funding to enable smaller parties to be involved

- next step is the FlexForum provides a funding proposal to EECA and MBIE, ideally in mid-April, along with targeted deliverables. The group noted it would be useful to reflect on the approach to delivering things, including packaging of work and ensuring commitment of in-kind resources.

The group noted the upcoming session to update the Electricity CE Forum and shared views on the need for, and benefit of, an entity ensuring whole-of-system coordination of activity (ie, the FlexForum).

- There is lots of evidence that progress to unlock flexibility is needed now – there is capability, processes and practices which is needed now, not in 5 years
- A smart electricity system is needed, and the Flexibility Plan is the only industry agreed, consumer focused plan on the practical steps for getting there. It is a list of things which need doing through learning – the learning is the critical piece.
- Policy advice is what MBIE wants. But policy advice doesn't necessarily result in action or speed things up. The FlexForum can and should aspire to be about making things happen by providing coordination and accountability.
- The FlexForum point of difference is the Flexibility Plan, its diversity of participation and ability to provide a cross-sector view. The FlexForum is an implementation vehicle. There is no equivalent entity in place right now
 - the FlexForum is critical to progress by framing workstreams, making sure these are connected to a coherent and consensus-based plan which is grounded in a clear vision of the future, and by highlighting priorities via insights and advice
 - we know what the output needs to be and what the main inputs are – the key action now is to deliver
 - the FlexForum brings the people together who need to deliver action
 - we are beginning the next steps with the Flexibility Plan, ie, establishing the critical path and gathering steps together into work packages / workstreams for the incorporated FlexForum to pursue.

The group agreed to respond to the draft EV charging strategy, focusing on outlining what the FlexForum is trying to do, and on joining the dots between the EV charging strategy and the Flexibility Plan 1.0.

6 Workplan update

The group noted progress with the workplan:

- delivered task #3 (contractual arrangements) on 31 March 2023
- final draft for task #8 (communications and connectivity) would be circulated for final comment 11 April
- the matrix of responses on criticality of steps in the Flexibility Plan (ie, task #4 critical path assessment) was shared.
 - shows the averaged view of 3 groups of people from across the ecosystem
 - the groups aligned on most steps, but not all. Most significant difference in scoring was due to a difference in the customer/DER facing perspective and supply-side perspective. Qualitative assessment based on commentary will provide context.
- The group noted the critical path assessment provides the foundation for identify workstreams and deliverables.

7 Administration

The group noted the budget is on track and the advice on costs of collaboration tools.

8 Resiflex update

The group heard from Orion and WE* on the customer journey mapping aspect of their ResiFlex project.

- delivers task #C of the Flexibility Plan, noting that journey mapping is not a one-time exercise
- the insights provided through the journey mapping inform several other steps in the Flexibility Plan, particularly #1.

Resiflex is to identify practical options to encourage flexibility from residential consumers by exploring commercial mechanisms with flexibility suppliers.

Customer journey mapping draws on overseas research to identify ways to encourage residential flexibility, looking at the opportunity (can do), capability (know how) and motivation (want to) for several personas.

- personas are representative of the types of consumers. They are not meant to be statistically representative or for market testing.
- the customer journey used the Flexibility Plan four step framework to ask 'where the sector can support me' to identify intervention points for the sector to leverage flexibility – capability, opportunity and motivation
- persona mapping and 'where the sector can support me' aligns with steps in Flexibility Plan – will help make these more real and strengthen the reasons for doing them.

People were asked to get in touch if they had more feedback or comments. The intention is to share the research later in April.

Finish 12.04.