

# FlexForum session XII 07-07-22 notes

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<b>When</b>	0900 – 1200, Thursday 7 July 2022
<b>Where</b>	Virtual
<b>Who</b>	<p>Glen Baxter (Ara Ake), Shay Brazier (ReVolve Energy), John Campbell (Our Energy), Jason Christini-Crawford (Ecotricity), Glenn Coates (Aurora), Jenny Van der Merwe (Kāinga Ora), Terry Paddy (Cortexo), Eric Pyle (solarZero), Buddhika Rajapakse (Mercury), Tom Rose, (evnex) [apology], Scott Scrimgeour (Wellington Electricity), Quintin Tahau (Transpower), James Tipping (Vector), Evie Trolove, (Orion), Mike Ullrich (Influx) [apology], Fiona Wiseman (Manawa),</p> <p>Guests: Nicole Kirkham, MBIE, Nathan Spence, Electricity Authority, Tim Hewitt, Commerce Commission, Clare Penno, EECA</p> <p>Facilitator: Geoff Sharples</p> <p>Secretariat: Craig Evans, Matt Smith</p>

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## Session notes

Six items were discussed:

1. Scoping the action plan – outline of content and structure
2. Barriers to action – practical and regulatory barriers to transacting flexibility
3. End-to-end journey for a flexibility provider
4. Scoping next steps – principles for a robust delivery model
5. Workplan, engagement and communications planning
6. Administration – governance, budget, and funding

## Agenda overview

The group agreed the agenda.

### Item 1: Scoping the action plan

The group endorsed the proposed content and structure for the Action (Flexibility) Plan.

Feedback was:

- present the plan assuming it can be picked up by anyone wanting to get involved and collaborate on delivery of the actions – that is, it is a plan for everyone, not the FlexForum
- provide context to demonstrate progress in Aotearoa New Zealand and internationally to realise the value of distributed energy resources (DER) and flexibility, highlighting that DER and flexibility will become pervasive and now is the time to prepare
- as part of the context, provide commentary on the rate of DER uptake, particularly emphasising forecasts are often conservative. The group noted solar uptake has already exceeded the 2023 forecast by Transpower in 2020
- flag the various activities completed and underway, including by the Commerce Commission and Electricity Authority, and the opportunity and requirement for regulatory support (eg, sandboxes), but that traditional regulatory processes move too slowly to be relied on to deliver the plan in time.
- ensure there is a clear scope and identification of specific deliverables, including actions to both deliver and enable transacting of flexibility. Enabling actions include network planning, operation, and system/distribution coordination. The plan should describe distinct programmes with specific tasks, plus highlight dependencies between programmes, tasks, and other complementary activities.
- The plan does not need to specify how each issue will be solved. It should provide a framework for coordinating activities by defining desired outcomes, key interests and dependencies. The detail can be developed at a programme and task level, with scope and timelines reflecting the dependencies and outcomes in the overarching plan. It is critical that the plan identify the party responsible for delivering an action
- The plan should enable a two-speed approach with immediate action to build experience and knowledge and a parallel track identifying and resolving barriers to scaling up, including resolving regulatory barriers. The plan should focus on practical action. Policy papers/processes should be delegated to policy agencies
- ensure the 'Making it happen' section includes discussion of resourcing and funding requirements for delivering the plan. This section should highlight resourcing

required for coordinating activity and project delivery, including access to dedicated research and development funding

- a follow up to the interactions map should accompany the plan to provide a basis for coordinating activities and identifying gaps.
- Accompanying the Flexibility Plan will be a set of ‘primers’ providing more detailed discussion on the reasoning for key topics and actions.

## Item 2: Barriers to action

The group discussed barriers to action. An overarching point was to not let perfect get in the way of action.

The group got feedback from observers from the Commerce Commission, Electricity Authority and Energy Efficiency and Conservation Authority about how to frame perceived regulatory barriers to action:

1. Clear and complete description of problem
2. Evidence of problem, including practical experience
3. Potential solutions, including tradeoffs associated with solutions
4. Priority of addressing problem
5. Timeframe in which a solution is required.

The group raised the following practical (eg, cultural), technical and regulatory barriers to action.

<b>Barrier</b>	<b>Consequence</b>	<b>What good looks like</b>
Decision-makers / agencies being rigid and not helpful when asked to resolve a problem Examples were discussed	Prevents/delays service/product development, and raises costs	Positive commitment from leadership of decision-makers (eg, CEOs, Boards) to be collaborative and helpful
Significant effort required to follow regulatory change processes Examples were discussed, including the nearly 6 years required to make the DG connection guideline Code change request by the EEA	Prevents/delays service/product development and R&D, and raises costs	Streamline and simplify change processes Enable a central point for collating and supporting changes Ensure regulatory framework allows for 2 speeds so there is allowances for innovation while allowing codes and standards to slowly catch up
Resistance to change because people in operational positions and the front line of decision	Prevents/delays service/product development and R&D, and raises costs	Education and sharing of learning from experiments and real examples to build understanding and buy in

<b>Barrier</b>	<b>Consequence</b>	<b>What good looks like</b>
making don't have the time / don't see need for / aren't empowered to enact changes to BAU processes		Cultural shift where the default response is to try and make new things work rather than avoid changes to existing processes.
Inconsistency between the 4777 standard and the Code	Solar installations are forced to choose between breaching work safety or Code requirements	Consistency and coordination between regulatory agencies
<p>IMs and DPP related barriers for distributors</p> <ul style="list-style-type: none"> <li>• Insufficient allowances for distributors to purchase flexibility and invest in R&amp;D</li> <li>• Very small funding allowance for innovation by distributors, with strict rules on how it can be applied and an application process</li> <li>• Lack of incentive / allowance / flexibility for the buy side to build and develop the market via loss leading - doing so could potentially be in conflict with regulation, even if there are broader dynamic efficiency benefits</li> <li>• Lack of flexibility in regulated distributor funding. Opex vs capex buckets fixed within regulatory period (not totex) and buckets also based to an extent on past regulatory period.</li> <li>• Lack of funding allowance for EDBs to run third-party procurement processes (on top of usual procurement)</li> </ul>	R&D competes for funding and resources with activities that directly affect performance (and hence penalties and incentives). Flexibility is not used	Current IM review provides Distributors with sufficient funding and incentives to invest in R&D and incentives to use flexibility
Distributor reliability performance requirements create a catch 22 for flexibility (in the early stages of commercialisation)	Barriers to using/providing flexibility are high. Distributors want reliability performance obligations to mitigate SAID/SAIFI breach risk; but flex providers absorbing these obligations discourage participation.	Explicit recognition and allowance of the costs of commercialisation of flexibility

<b>Barrier</b>	<b>Consequence</b>	<b>What good looks like</b>
Lack of centralised innovation funding for growing the market - cf UK, Aus – Arena, etc	Less R&D / innovation, particularly by smaller firms. R&D is less coordinated	Coordinated and dedicated R&D funding, with specific requirements to ensure access by smaller firms
Part 12 of the Code and the new DDA have clauses that appear to lock customer load to the distributor	Restricting access to consumer load limits opportunity for flexibility services	Access to consumer load is not restricted The role of emergency access of consumer load is recognised, use cases are defined and communication of use is standardised.
Current arrangements for third party access to historical meter data are not practical	Information required to understand load / benefit of DER is not readily available	Third party access to historical consumption data is readily available to authorised parties Ensure that Customer data right enables rapid and efficient sharing and protection of data
Voltage limits are too tight	Current voltage limits will prevent connection/use of solar as uptake increases, resulting in missing value. Not compatible with the 4777 standard	Change the regulated voltage limits
Regulatory framework mandates a one-to-one supply relationship	Reduces opportunity to use flexibility, eg, because inability to separate import and export prevents engagement with a preferred flexibility provider	Need MTR
Lack of clarity regarding a clear pathway for changes, eg, process from exemption to permanent change	Increases investment risk, and thereby prevents/delays service/product development and R&D, and raises costs Example mentioned was process for transitioning from MTR pilot to permanent arrangement	Clarity around pathway and process from experiment to permanent regulatory change, eg, regulatory sandbox arrangements in place in UK, Australia, Singapore etc
Communication Protocol Selection	Protocol may prevent/limit value stacking or may limit the commercial models that can be realised	Consider the work done in Australia, ie, “Post 2025 DER Implementation Plan – interoperability policy framework” which references a DEC 21 consultation on how to select a technical standard. <a href="https://www.energy.gov.au/government-priorities/energy-ministers/priorities/national-electricity-market-reforms/post-2025-market-design/der-implementation-plan-interoperability-policy-framework">https://www.energy.gov.au/government-priorities/energy-ministers/priorities/national-electricity-market-reforms/post-2025-market-design/der-implementation-plan-interoperability-policy-framework</a>

Barrier	Consequence	What good looks like
<p>Limited incentives for distributors to use flexibility, creating a preference for distributors to deploy capex</p>	<p>Flexibility is not preferred, limiting investment in flexibility and reducing liquidity</p>	<p>Options to consider to provide a level playing field for capex/opex options include:</p> <ul style="list-style-type: none"> <li>• a flexibility first policy, eg, the flexibility commitment adopted by UK distributors</li> <li>• A prescribed/transparent test for consideration of poles wires vs flex/non-wires alternatives (like RIT-D in NEM).</li> <li>• dedicated R&amp;D funding to support flexibility to build liquidity and reach scale to be able to compete more effectively with the incumbent approach.</li> </ul>
<p>Lack of strategic alignment about the end-state for flexibility, ie, will flexibility be directly managed by distributors or via third parties</p>	<p>Inconsistent and non-complementary approaches and differing timescales to using flexibility</p>	<p>Build alignment on technical and commercial arrangements via:</p> <ul style="list-style-type: none"> <li>• practical experiments and knowledge sharing</li> <li>• regulation</li> </ul> <p>Get commitment at CEO and Board level</p>
<p>Potential limits on the ability to value stack and develop missing markets (in wholesale market sense)</p>	<p>Harder to realise the value of flexibility/DER</p> <p>The complexity involved in value stacking is a barrier - the sum of each of the smaller barriers to accessing value in each part (e.g. participate in spot market, contract with EDB, contract with Transpower) adds up to a big barrier</p>	<p>Identify/resolve barriers to value stacking</p>
<p>Availability of experience and evidence to inform and de-risk big decisions</p>	<p>Prevents/delays service/product development, and raises costs</p>	<p>Develop experience through coordinated experiments, eg, via sandboxes</p>
<p>Potential that whole of system value is not considered</p>	<p>Flexibility available at the network level is not available at the system level and vice versa</p>	<p>A whole of system approach to ensure value of flexibility is optimised</p>
<p>Lack of commonality about future energy scenarios and forecasting</p>	<p>Decisions are made for differing reasons, with differing priorities</p>	<p>Common language and view about what future looks like</p> <p>A common method about scenarios and forecasting</p>

### Item 3: End-to-end journey

The group endorsed the updated end-to-end journey for a flexibility provider wanting to transact flexibility.

- framing the journey from the perspective of the DER owner/flexibility provider is preferred. Emphasising consumers will be necessary to earn a social licence for managing DER. Note the December 2020 Energy Consumers Australia report “Social Licence for Control of Distributed Energy Resources”
- consider alternative descriptions of internal / market-based options
- include customer journey mapping based on different personas (eg, approach used in UKPN DSO strategy document) as an action in the Action Plan. Include case studies and scenarios to test options and ideas
- the journey is expected to highlight the main highway and identify the dependencies on support from other industry actors. These dependencies will help form the complementary pathways of other actors. For example, what pathway distributors will take in parallel to support the DER owner journey. Each participant should be able to develop its own roadmap setting out who in the business needs to be involved, what they need to do based on the expectations identified in the DER journey
- avoid over-complicating the journey but keep the focus on accessing revenue streams. The FlexForum needs to show the ability to stack and deliver value now and in the future.

### Item 4: Scoping next steps for the FlexForum

The group discussed options for establishing a robust and sustainable delivery model for the Flexibility Plan.

1. Who do we need to act to enable the Flexibility Plan?
2. How can we keep decision-makers and interested parties involved in delivering the Flexibility Plan?
3. What role do members envisage going forward? What is the involvement and time of current FlexForum members and who else can be involved and how?
4. What are the scope boundaries?

The group request the Flexibility Plan set out options for delivery: engagement; delivery; management; oversight and accountability.

The overarching requirement is to have a structure which gains industry and stakeholder support and confidence to ensure progress against a clear plan.

Characteristics of the approach include continuing with the industry led approach, with government and regulatory involvement. The approach has been effective so far.

#### Item 5: Workplan, engagement and communications planning

The group noted the update on progress with workplan tasks and workshops.

The group agreed to schedule a webinar for the week starting 8 August to get input on the emerging Flexibility Plan.

#### 5: Administration – governance, budget, and funding

The group noted an update on the budget.

The group requested a discussion at the next session on expectations and requirements regarding ongoing contributions.

The group discussed the ongoing engagement with MBIE.

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