

FlexForum session XIII 21-07-22 notes

When	0900 – 1200, Thursday 21 July 2022
Where	Virtual
Who	<p>Glen Baxter (Ara Ake), Shay Brazier (ReVolve Energy) [apology], John Campbell (Our Energy) [apology], Jason Christini-Crawford (Ecotricity) [apology], Glenn Coates (Aurora), Craig Hackett (Influx), Jenny Van der Merwe (Kāinga Ora), Terry Paddy (Cortexo), Eric Pyle (solarZero) [apology], Buddhika Rajapakse (Mercury), Tom Rose, (evnex), Scott Scrimgeour (Wellington Electricity), Quintin Tahau (Transpower) [apology], James Tipping (Vector), Evie Trolove, (Orion), Fiona Wiseman (Manawa), Peter Southey-Jensen (Manawa)</p> <p>Guests: Nicole Kirkham, MBIE, John McCabe, MBIE, Nathan Spence, Electricity Authority [from 1030], John Rampton, Commerce Commission, Clare Penno, EECA</p> <p>Facilitator: Geoff Sharples</p> <p>Secretariat: Craig Evans, Matt Smith</p>

Session notes

Agenda overview

The group agreed the agenda.

Item 1: Actions and step from the end-to-end journey

The group discussed progress documenting an end-to-end journey for a flexibility provider and how the exercise is highlighting actions which:

- can be performed now – no new capability/practice/process is required
- cannot be performed now – new capability/practice/process is required
 - AND we know what that is – the action is to obtain the specific capability, practice, or process
 - OR we need to explore options – the action is to answer a research question to identify the capability, practice or process which delivers the desired outcome.

The flexibility-centric perspective recognises that providers need to be aware of the opportunities and able to supply flexibility.

The initial 'discover' phase provides a high-level menu of options for using flexibility available to a flexibility provider. The purpose is to enable individuals or aggregators (and experts assisting with their decision-making, eg, building services engineers, property developers) the ability to identify/filter flexibility options are available to them given their circumstances, where they go for more information and point of contact.

The 'assess' phase sets out the inputs a flexibility provider needs to make decisions about the options available to them. The group requested the use cases include community energy schemes.

The group agreed the initial output would be for a sophisticated audience, with this providing the basis for subsequent more detailed customer journey mapping, eg, customers with a new-build property, upgrading an existing property or considering DER.

Item 2: Delivery the Flexibility Plan – functions and criteria

The group discussed functions and criteria for successful delivery of the Flexibility Plan (ie, a form follows function approach).

The group endorsed the three overarching principles: Action, Accountability and Collaboration.

The group requested reference to several other characteristics or expectations:

- be bold and imaginative. The electricity sector is conservative and slow to change. The delivery approach should prefer action over inertia
- working to achieve strategic alignment to parties are generally moving in the same direction, though perhaps at different speeds
- scalability, coordination, transparency and fairness
- collaboration means parties stay involved even if an issue is not directly related to their immediate interests
- a commitment to appropriate funding and resourcing, including sharing resource and capability.

The group discussed the relationship between the Flexibility Plan and its immediate next steps after delivering the Flexibility Plan.

- the Flexibility Plan is an overarching piece which sets direction, identifies tasks, who is doing what, and highlights gaps. There will be 'delivery plans' providing more detail on how specific tasks are delivered and by who, eg, certain tasks might be assigned to the ENA / distributors (if they agree)

- the Flexibility Plan must put as much emphasis on engagement and sharing experience as it does on action
- the Flexibility Plan point of difference is it is trying to present a whole-of-system and value chain perspective. This should give visibility to all the value-stacking opportunities
- a 'delivery plan' is needed setting out the immediate next steps for the FlexForum after delivering the Flexibility Plan to set out the actions that FlexForum members, and others, are able to/going to deliver from the Flexibility Plan
- a visioning exercise is needed as part of the immediate next steps to develop coordinated and collaborative ways of working across the various interest groups.

Item 3: Primer: Contracting arrangements and key terms of trade

The group endorsed the primer on contracting arrangements and key terms of trade and the insights.

- the preferred approach is for standardisation of contracting arrangements over time. Standardising too soon creates a risk of locking in conservative arrangements which reflect current understanding and risk appetites, rather than more mature arrangements based on experience
- the group agreed a common and standard approach is needed, particularly given the small number of reference points for negotiations between suppliers and buyers, and the potential for variation based on the maturity of the organisations negotiating, relative risk appetites and capability to deal with mitigations. Default terms, eg, similar to Part 6 of the Code, would be useful to provide boundaries for negotiations
- risk management is a key issue to resolve, both as a contracting matter and getting buy-in about allocation of risk of non-performance in the pre-commercialisation phase of flexibility when there is little opportunity to manage risk through diversity

The group had an extended discussion on the nature of risks being managed when using flexibility.

Currently, a buyer of flexibility needs to make a calculated business decision about the extent to share/transfer risk to suppliers trading off a choice to support growing supply and trying to eliminate risk – flexibility buyers need to take a 'leap of faith'.

The group noted that risk may be overstated relative to the status quo, eg, no network is 100% reliable, so it is not reasonable to hold a flexibility solution to a never-fail standard. Additionally, flexibility solutions could reduce risk by providing diversity.

Issues to be considered in beginning to use flexibility include how to manage customer and regulatory expectations during the transition. The group suggested that it would be

worth testing how much DER and flexibility would be needed to breach reliability thresholds, ie, is this a real risk?

The group discussed the role of incentives and experience to assist with parties taking the leap of faith, including ensuring coordinated research and development is used to assist with understanding the nature and scale of any risk.

Item 4: Content 'primers' to accompany the Flexibility Plan

The group noted the list of potential primers which could be developed to accompany the Flexibility Plan to provide context and boundaries to the approach to tricky issues.

The group recognised the value of documenting and explaining its thinking. It requested primers be completed where necessary, noting that further elaboration on the issues could occur over the coming months after delivering the Flexibility Plan.

Item 5: Workplan, engagement and communications planning

The group discussed workplan progress, engagement and communication activities.

- The group agreed Terry, Fiona, Glen and James would develop the scope and approach to the upcoming webinar, and report back to the group.
- The group discussed the session with the ENA Smart Technology Working Group and the opportunity for ongoing discussion of coordination of flexibility-related activities.

6: Administration – governance, budget, and funding

The group briefly discussed requirements for internal decision making by members about ongoing involvement in the FlexForum.

The group agreed the key input was the outputs of the next sessions and further development of the Flexibility to inform consideration about resourcing, involvement of others and priorities.

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