

29 November 2024

Consultation: Update to scarcity pricing settings  
Electricity Authority  
Level 7, AON Centre  
1 Willis St  
Wellington 6011  
Submitted by email to [OperationsConsult@ea.govt.nz](mailto:OperationsConsult@ea.govt.nz)

To whom it may concern,

Electricity Networks Aotearoa (ENA) appreciates the opportunity to make a submission to the Electricity Authority (the Authority) consultation on *update to scarcity pricing settings*.

ENA represents the 29 electricity distribution businesses (EDBs) in New Zealand (see Appendix B) which provide local and regional electricity networks. EDBs employ 10,000 people, deliver energy to more than two million homes and businesses and have spent or invested \$8 billion in the last five years.

ENA largely supports the changes proposed to scarcity pricing in the consultation paper, and the Authority's rationale for doing so. ENA and members did note, however, the following statement in the body of the consultation material:

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. [emphasis added]*

ENA appreciates that this statement develops themes expressed in earlier Authority documents such as decision paper on *potential solutions for peak electricity capacity issues* and the consultation material on Code Review Programme #6. In ENA's submission on that latter consultation<sup>1</sup>, we provided detailed comments with an overarching message that the Authority should undertake a careful, considered, and holistic approach to amending Code provisions to establish a framework for a more dynamic DER market.

ENA wishes to draw the Authority's attention to those comments again, and to also re-emphasise the importance of the existing hot water load control (HWLC) system to network operation for many EDBs. It is not an exaggeration to state that over the years many EDB networks have been planned, designed, built and operated with the explicit expectation that HWLC will be available to the network operator. This approach has contributed to an ongoing

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<sup>1</sup> <https://ena.org.nz/submissions/previously-published-ena-submissions/2024-submissions/document/1510>

lower overall network cost to consumers with no impact on the network outcomes (e.g. reliability, security, power quality, etc) that those consumers rightly expect. Extreme care should be taken by the Authority to ensure that an ad hoc approach to Code revisions related to DER does not inadvertently undermine the effectiveness and availability of the existing HWLC systems, which would be detrimental to the interests of electricity consumers.

ENA does expect that, over time, the legacy HWLC systems (i.e. ripple systems) will transition towards more modern flexible control technologies (e.g. through AMI) that will provide greater opportunities for retailers and others to obtain rights to operate consumer DER. We reiterate that the Authority's role in this transition should be to be a cautious steward of the relevant Code provisions, to ensure that the vital role HWLC currently plays for many EDBs is not inadvertently undermined.

ENA would like to engage with the Authority further on the highlighted statement above and better understand the outcome that is being sought with regard to the future of DER and HWLC. ENA and members welcome and support a future state in which EDBs, retailers and others provide consumers compelling offers (e.g. value-stacking) to deliver the lowest cost electricity to consumers. However, this cannot be done without considering the value of the existing HWLC system and the vital role it plays in supporting network operations and security.

The value EDBs (and the system operator) derive from HWLC is significantly higher per kWh than retailer control because of its use in system stability and security and infrastructure load reduction and optimisation. EDBs reflect this value in their pricing that rewards customers with controllable load. It is therefore critical that for the minimal times EDBs and the system operator need to access HWLC it is available to use. EDBs are also mindful that retailers and aggregators may be formed and equally may be disestablished for a variety of reasons, not always predictably or orderly. Conversely, EDBs will remain an enduring party connecting consumers to the network and wider system, and therefore it is sensible to retain some elements of load control (currently via HWLC) within their purview.

As an aside, we do not agree with the statement "*...we want to see consumers directly rewarded for their demand response efforts.*" This seems to imply that EDB HWLC does not directly reward consumers for the rights to operate DER. This is of course not the case.

Do not hesitate to get in touch with ENA if you'd like to discuss any of the points raised in our submission. Please contact Richard Le Gros ([richard@electricity.org.nz](mailto:richard@electricity.org.nz)) in the first instance.

Yours sincerely,



Richard Le Gros  
Policy and Innovation Manager  
Electricity Networks Aotearoa

## Appendix A - ENA response

Questions	Comments
Q1. Do you support the proposal to raise energy scarcity prices? Please explain your answer.	ENA supports the proposal to update energy scarcity pricing and agrees with the Authority's rationale for doing so.
Q2. Do you support the proposal to set energy scarcity prices at values consistent with 2018 VoLL (\$17,000/MWh, \$25,000/MWh and \$40,000/MWh)? Please explain your answer.	ENA supports the proposed energy scarcity prices and agrees with the Authority's rationale for setting them at those values.
Q3. Do you support the proposal to reduce the number of reserve scarcity prices from three tranches to one tranche? Please explain your answer.	ENA supports the proposal to reduce the number of reserve scarcity price tranches and agrees with the Authority's rationale for doing so.
Q4. Do you support the proposal to set reserve scarcity prices at \$4,000/MWh for FIR and \$3,500/MWh for SIR? Please explain your answer.	ENA supports the proposed reserve scarcity prices and agrees with the Authority's rationale for setting them at those values.
Q5. Do you support the proposal to raise the price of controllable load to \$16,000/MWh? Please explain your answer.	ENA supports the proposed increase in the price of controllable load. We agree with the Authority's rationale that this better aligns with the proposed new value of energy scarcity pricing.
Q6. Do you have any comments on the drafting of the proposed amendment?	No comment.
Q7. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory main objective in section 15 of the Electricity Industry Act 2010.	ENA agrees with the Authority's preferred option with respect to the changes to the price of controllable load. ENA does not have a view on the alternative options considered for the other proposals in this consultation.
Q8. Do you agree with the analysis presented in this Regulatory Statement? If not, why not?	ENA agrees with the analysis in the regulatory statement in this consultation.

## Appendix B: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below.

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- Electra
- EA Networks
- Firstlight Network
- Horizon Energy Distribution
- MainPower NZ
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- The Lines Company
- Top Energy
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity Lines
- Westpower