

3 July 2025

Energy Competition Task Force
c/o Electricity Authority
PO Box 10041
Wellington 6143

By email to: taskforce@ea.govt.nz

Dear Energy Competition Task Force team,

Submission to the Energy Competition Task Force on *Rewarding industrial demand flexibility issues and options paper*

Introduction

Electricity Networks Aotearoa (ENA) appreciates the opportunity to make a submission to the Energy Competition Task Force (ECTF or Task Force) on the consultation paper on *Rewarding industrial demand flexibility issues and options paper* (consultation or this paper).

ENA is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix A).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have spent or invested \$6.2 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for our members' customers.

This submission covers some key themes upfront and then responds to the ECTF's specific consultation questions in Appendix B.

Summary

While ENA agrees in principle that industrial demand flexibility may have some benefits, we do not support the Industrial Demand Flexibility Issues and Options paper as proposed.

In summary:

- Any demand flex framework must recognise operational realities and make sure that flexibility is used in the way which benefits customers the most without compromising grid and network security as a foundational principle.
- ENA submits that the Authority continues to mischaracterise the demand flexibility landscape in New Zealand, consistently overlooking the most readily available, cost effective and efficient resource: residential hot water load.
- We continue to have concerns about the Authority's and Task Force's priorities and its tendency to 'pick winners' rather than consider more holistic solutions. In the case of this

paper, the Task Force should be concerned with efficient flexibility markets and incentivising **all** flexibility. The proposals are picking industrial flexibility as winners over other types of flexibility offerings, which is likely to make other forms of flexibility less competitive and can cause market distortions at a time when the market is still forming and growing.

- ENA recommends that existing tools and their barriers/frictions, including educating customers, be refined and developed before further complicating the market with new regulated products.
- ENA does not support additional payments on top of existing incentives to avoid spot prices.

Further consultation and an open mind

We appreciate the clarity this consultation provides around a multi-year roadmap, with a commitment to consult in more detail at each stage of the process. Any comments we make in this submission have that in mind, and do not constitute support of proposed future actions in the absence of further consultation once more specific details are available.

We also highlight that whilst a roadmap is helpful, it should remain flexible and adaptable as more information becomes available. If results from earlier stages suggests the next step is no longer warranted or new information suggests an alternative should be considered, we encourage the ECTF and the Authority to keep an open mind and be willing to adapt accordingly.

Roadmap and previous views

Whilst ENA is supportive of the ECTF's approach of having a roadmap for industrial demand flexibility, as noted in the consultation, and discussed further in this submission, there are a lot of interdependent workstreams impacting on this consultation. We encourage the ECTF and the Authority to create a much broader roadmap to support and visualise **all** their work programmes. We think this would help all parties more clearly visualise the interdependencies and prevent 'scattergun' or distracting regulatory interventions from undermining the overall sector effectiveness.

We also recommend that the ECTF consider submissions made on related papers as part of the consideration of responses to this paper. We note some specific examples within this submission, but do not suggest that our examples are an exhaustive list. For example, the consultation lists three specific reports/consultations in paragraph 2.16 in which demand flexibility incentives have already been discussed. Stakeholders will have already expressed views in relation to these consultations and their comments should be taken into account in the context of this latest paper as well.

An example in the context of the Peak Capacity consultation are the references made by Vector in their submission that there are in some cases physical limitations to participation in wholesale markets, as well as recommending that participants in such schemes follow "good industry practice for the benefit of all consumers."¹ Like Vector said in that consultation, "there is a need to acknowledge the physical infrastructure that enables the market so that we minimise the potential for unintended, harmful side effects of increased market participation by resources located on distribution networks."²

¹ Vector, [Potential solutions for peak electricity capacity issues – Vector response to consultation paper](#), 1 March 2024

² Vector, [Potential solutions for peak electricity capacity issues – Vector response to consultation paper](#), 1 March 2024, page 2

Vector also highlighted that use of discretionary demand response “should not be seen as a free option to ‘bail out’ the inability of the market to keep the lights on. Increasing the visibility of these resources via mandatory difference bids should therefore be accompanied by additional scrutiny of the behaviour of other market participants by the Authority, particularly given the acknowledgement that the market has not been effective in managing peak capacity shortfalls.”³

It would be useful to understand how the Task Force and the Authority are considering their wider workplans to further address security of supply. As we noted in a previous Task Force submission,⁴ we are concerned that the ECTF and the Authority are unfocused with their proposed regulatory interventions and are not appropriately prioritising interventions in line with where the most material impacts will be. As the ECTF acknowledges in this consultation, “the current potential for industrial demand flexibility is lower than expected” and “relatively modest”.⁵

Support for customer choice

ENA supports the ongoing development of new customer propositions for managing consumer devices’ load and injection, including industrial demand flexibility, and the increasing choice and efficiency these should unlock. New technology provides the ability for individual consumers’ devices to be managed in different ways, by different parties, including themselves, enabling a much wider range of preferences to be met more effectively.

Ultimately, within the bounds of the supply arrangements that a consumer has secured, the consumer should be free to choose how they participate, or don’t participate, in load and demand management schemes. We believe customers, including industrials, want to get the most value out of their controllable and flexible load, for the least effort and inconvenience.

Ultimately, it seems that the ideal outcome is that consumers, whether residential or industrial, can have the amount of power they want, when they want it, for a price they’re willing to pay. It seems like the issue the Task Force is trying to fix with this consultation is a lack of supply, hidden under a convoluted incentive scheme to ‘benefit industrials’.

Maintaining the right focus

The Task Force should be concerned with efficient flexibility markets and incentivising **all** flexibility. The proposals are picking industrial flexibility as winners over other types of flexibility offerings. This makes other forms of flexibility less competitive and can cause market distortions, which is going to have significant unintended consequences at a time when the market is forming and growing.

Without evidence of the actual problems/barriers the Task Force is trying to resolve or a cost-benefit analysis, there is real risk these proposals result in inefficient outcomes and cross-subsidisation. The Task Force should be focusing on removing barriers/ frictions to flexibility such as search, coordination and transaction costs - which will be cheaper and faster and do not risk major inefficiency or market distortions.

³ Vector, [Potential solutions for peak electricity capacity issues – Vector response to consultation paper](#), 1 March 2024, page 3

⁴ ENA, [ENA submission on EA DGPP and ECTF 2abc consultations](#), 26 March 2025, section 2.6, page 6

⁵ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 3

Interdependencies, risks and coordination

How the future system will operate considering these new propositions and services is complex and different from how it has operated in recent times. New roles played by, and interfaces between, industry participants are evolving rapidly and remain unclear.

We note that the consultation makes reference to the incomplete work on *draft guidance for distributor involvement in the flexibility services market*.⁶ We understand from the webpage that the guidance is due to be finalised in mid-2025. It might be useful to ensure that outcomes from this consultation and the pending guidance are aligned. Some feedback from that process will also likely be relevant to this one and should be considered within this consultation accordingly.

Additionally, we note that Transpower has recently published a proposal to the Authority to amend the Ancillary Services Procurement Plan.⁷ The proposal also seems relevant to the topic covered by this consultation.

Demand flexibility, whilst offering potential benefits, also comes with risks and coordination considerations. The Future Network Forum work on developing a common load management protocol has highlighted how increasingly complex emergency response arrangements are becoming, with multiple new parties entering into load control arrangements with consumers and others. EDBs are mindful that their ability to shed significant load via their ripple control systems as directed by the system operator (SO), remains an important tool to manage system security.

As noted in our submission in response to the Electricity Authority (Authority) on its consultation paper on *Code review programme number 6*,⁸ with multiple parties able to control the load, coordination is key to ensure the required load is still available to be shed in the case of grid and network emergencies. It seems possible that the customer, a retailer, a third-party flex provider, and EDB and the SO could all be relying on the same load, not realising that another party has precedent or has already used the load for another purpose.

Surfacing these issues is timely with the [future system operation](#) (FSO) consultation, with consideration of distribution system operation (DSO). We encourage the Authority and Task Force to consider the interdependencies between this consultation and the requirements for FSO/DSO. There needs to be sufficient visibility at the transmission system operator (TSO) or DSO level with regards to what activities are taking place on the networks. Transpower's response to Simply Energy in its Ancillary Services Procurement Plan proposal implies that even currently, there is insufficient data visibility causing risk to the power system, including the risk of a cascade failure.⁹

Problems should perhaps be addressed with the existing products before developing new products and confusing things further. We note that the Authority has already identified itself that there is benefit in widening its future security and resilience focus to encompass coordination of the whole power system.¹⁰

We therefore encourage the Authority to consider a full review of Part 8 emergency response requirements to ensure that the right parts of the energy system are able to respond appropriately

⁶ Electricity Authority, [draft guidance for distributor involvement in the flexibility services market](#), 24 May 2024

⁷ Transpower, [FINAL Ancillary Services Procurement Plan Review Proposal.pdf](#), 6 June 2025

⁸ ENA, [Submission to the Electricity Authority \(Authority\) on Code review programme number six: September 2024](#), 1 October 2024

⁹ Transpower, [FINAL Ancillary Services Procurement Plan Review Proposal.pdf](#), 6 June 2025, pages 23-26

¹⁰ Electricity Authority, [Covering-Paper-FSR-Final-Roadmap-and-Phase-Three](#), 18 August 2022, paragraphs 2.13-2.16, page 9

to avoid black-outs and cascade failures. This could perhaps be done as part of the work on the proposed ERS (proposed action 1) and definitely prior to introducing it or a mechanism like it.

Pilots and trials

ENA supports the intention expressed in the consultation to develop and publish guidance for pilots and trials (proposed action 4). We encourage the Authority to consider pricing trials as part of this work. EDBs are currently limited by the Code to one price change per year. Whilst we are not suggesting a wholesale change to this approach, it can make it difficult for EDBs to trial new innovative pricing options on a smaller scale.

We also encourage the ECTF and the Authority to apply a similar ‘pilots and trials’ mindset. As noted in the consultation, there are already developments underway to refine price signals, both from regulators and market-led initiatives¹¹ and the principles include remaining “open to ‘learning by doing’.”¹² Perhaps it might be efficient to allow the existing in-train reforms and initiatives to take effect and show results prior to initiating another set? As any good scientist knows, the first rule of experimentation is to change one variable at a time. Changing multiple things at once might get results, but it won’t get an understanding of which change made the difference and therefore, in this case, which mechanism is ‘efficient’.

If you have any questions about ENA’s submission please contact Gemma Pascall, Regulatory Manager ().

Yours sincerely

Gemma Pascall
Regulatory Manager

¹¹ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 19

¹² ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 34

Appendix A: 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 Networks
- Mainpower
- 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
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower

Appendix B: Specific consultation questions

Please find below ENA’s responses to the ECTF’s specific consultation questions.

QUESTIONS	ENA COMMENTS
<p>Q1. Do you agree with our approach of focusing on industrial demand flexibility as an early initiative to enable demand flexibility more broadly? Why/Why not? Do you have any information to indicate that demand response from other consumer types may be more readily accessed?</p>	<p>As noted in our submission on the 2a proposal, we think there is value in aggregators.¹³ Aggregators or flexibility service providers have been mentioned in relation to several consultations in recent years and yet the Authority appears resistant to bringing them into scope of the Code.</p> <p>In the same way that the Authority is supposed to be technology-agnostic, there is an argument to suggest that proposals such as this should be participant-agnostic. Reward for efficiently offered benefits should be valued and paid regardless of participant.</p> <p>As the consultation notes: “industrial demand flexibility should be considered as part of a larger ‘stack’ of demand-side flexibility options.”¹⁴</p>
<p>Q2. Do you agree with our estimates of the potential industrial demand flexibility capacity available in New Zealand currently and into the future? Why/why not? Do you have any evidence to support a materially different estimate?</p>	<p>No ENA comment.</p>
<p>Q3. Do you agree with our focus on intra-day demand flexibility for this initiative? Why/why not? What other approach would you suggest?</p>	<p>We agree that longer term arrangements are bespoke and therefore should continue under bilateral arrangements. Therefore, we agree with the EA’s proposal to focus its efforts on intra-day flexibility.</p>
<p>Q4. Are there any other ways that currently enable industrial demand flexibility in New Zealand?</p>	<p>Time of use pricing and bilateral agreements can help access this flexibility.</p> <p>The market are also already leading initiatives in this space. We draw the ECTF’s attention to INTSA projects already in</p>

¹³ ENA, [ENA submission on EA DGPP and ECTF 2abc consultations](#), 26 March 2025, section 3.1.11, pages 17-18

¹⁴ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 16

QUESTIONS	ENA COMMENTS
	<p>train, for example, such as the recently approved application from Powerco to develop a local flexibility platform to coordinate and procure flexible distributed energy resources.¹⁵</p> <p>Orion also has Control Period Demand (CPD) pricing during winter, with customers responding to price signals to reduce load. Please refer to Orion’s submission on this paper for more on this scheme.</p>
<p>Q5. Do you agree with our description of the barriers affecting the provision of industrial demand flexibility? Why/why not? Are any other barriers relevant to the provision of demand flexibility from other consumer types?</p>	<p>The Authority’s description of barriers is incomplete. Perhaps one of the most significant barriers is education and awareness. MDAG, for example, highlights that “For many parties, this will involve a change of mind-set and may require prompts from advisers or peers who can offer more insight.”¹⁶ MDAG suggests this could perhaps be a role for EECA, the Authority and Powerswitch (or by implication its successor).¹⁷</p> <p>Orion’s customer engagement also identified the following barriers that limit, or prevent, industrials from responding to its control periods (see previous question):</p> <ul style="list-style-type: none"> • Little to no understanding, by the consumer, about the ‘size of the prize’ for providing flexibility • Limited risk appetite and uncertainty about how flexibility can impact operations or service levels • Flexibility not generally considered in energy management plans • Limited awareness of CPD by facility managers and low priority/lacking resources to assess and support uptake • New facilities being commissioned without CPD response, or other forms of demand response, being considered in design, energy or financial planning • Perception that load-shifting means higher consumption, which could offset CPD benefits

¹⁵ Powerco, [INSTA-Application-Powerco-Local-flexibility-market-platform-8-April-2025.pdf](#), April 2025

¹⁶ MDAG, [Price discovery in a renewables-based electricity system: Final Recommendations PAPER 2023](#), 11 December 2023, page 121

¹⁷ MDAG, [Price discovery in a renewables-based electricity system: Final Recommendations PAPER 2023](#), 11 December 2023, page 124

QUESTIONS	ENA COMMENTS
	<p>Orion also identified significant resource constraint within industrials to manage demand response, as well as suitable equipment.</p> <p>Refer also to our responses to Q6 and Q7.</p> <p>We suggest that these existing barriers are addressed before the Authority creates new market mechanisms.</p>
<p>Q6. Do you agree that existing incentives and contracts for demand flexibility are resulting in inefficiently low levels of demand flexibility?</p>	<p>This point is perhaps debatable. Are the levels ‘inefficiently’ low or just low? Are they caused by a flaw in the system that needs fixing or just by industrials not wanting to flex their demand further?</p> <p>If consumers find it hard to flex their demand at times,¹⁸ then surely the same reasoning could apply to industrials. E.g. a food company can’t just turn off its freezers for a couple of hours without risking food spoilage. Even in the consultation, it is acknowledged that “many customers prefer to pay a higher price overall, rather than actively manage their demand in response to price movements.”¹⁹</p> <p>For example, we’re unsure if data centres are a good example of a flexible consumer of power. Data centres operate 24/7 and are typically looking to manage risk by ensuring uptime and performance, as well as often having deep pockets, resulting in less interest in adjusting operations for demand response.²⁰ Refer to the BEC submission on this paper for more on this and comments on demand response opportunities and limitations for other industries.</p> <p>As we discussed in our initiative 2a submission, there is a difference between peak periods and congested periods.²¹ Similarly to not all export generating network benefits, not all industrial demand flex would provide network benefits.²² There needs to be enough scope in any incentives and regulation to ensure that only efficient payments are made.</p>

¹⁸ Please refer to our [previous submission](#) in relation to Task Force proposals 2a, 2b and 2c, which discussed time of use and load shifting further. We refer you particularly to paragraphs 3.1.7 and 3.1.10.

¹⁹ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 18

²⁰ Adam Wierman, Zhenhua Liu, Iris Liu, Hamed Mohsenian-Rad, [Opportunities and Challenges for Data Centre Demand Response](#), November 2014

²¹ ENA, [ENA submission on EA DGPP and ECTF 2abc consultations](#), 26 March 2025, section 3.1.3, pages 12-13

²² ENA, [ENA submission on EA DGPP and ECTF 2abc consultations](#), 26 March 2025, section 3.1.2, pages 11-12

QUESTIONS	ENA COMMENTS
	<p>We also note that many industrial customers also have dedicated or mostly dedicated connections at the higher voltage levels of the distribution network, meaning that if they flex their demand, it is less likely to address constraints on other parts of the network or the need for system growth. This may also explain why EDBs and Transpower have not entered into many industrial flex arrangements.</p> <p>As noted in the consultation, industrial demand flex “will not be the most efficient form of flexibility in all situations” and “may be one of the more expensive forms of demand flexibility” and therefore controllable load, such as hot water control, “should generally be dispatched ahead of industrial demand flexibility.”²³</p> <p>Even the Sense Partners’ study seems to suggest that the bar is very high for industrials to want to flex. It seems that the financial incentive would need to represent 20-30% of the power bill in order to provide 2-6% of demand flex.²⁴ Retailers, networks and other participants would need to carefully consider whether this level of financial incentive is efficient.</p> <p>That said, we understand that many industrials flexed their load under the Regional Coincident Peak Demand (RCPD) scheme that existing before the transmission pricing methodology (TPM). The removal of the RCPD apparently removed about 200MW of flexible demand. This was presumably a conscious choice by the Authority as part of the TPM development.</p> <p>Arguably, the market would already have increased incentives for industrial demand flex if there was believed to be sufficient additional value in it. Perhaps the market should be left to develop this offering without regulatory intervention. We note, for example, that even the MDAG report “recommended a market-led approach to demand-side flexibility” and we encourage the Authority to maintain an open mind that it might still be the most efficient approach.²⁵ Moreover, MDAG said that “while well-intentioned”, regulatory schemes “become hard to withdraw</p>

²³ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, pages 15-16

²⁴ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, pages 21-22

²⁵ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 12

QUESTIONS	ENA COMMENTS
	and have the potential to distort the role of [demand-side flexibility] DSF and impair progress toward more market-driven DSF.” ²⁶
Q7. Are you aware of any additional barriers to enabling more industrial demand flexibility?	Refer to response to Q6. Please also refer to Vector’s submission to the Peak Capacity paper, ²⁷ as discussed in the body of this submission.
Q8. Do you agree with our vision for industrial demand flexibility? Why/why not?	Partly, on the basis it includes ‘efficient’ and is focused on achieving net benefits for consumers. We also agree with the explanation that we should only “be promoting proportional demand flexibility where that is the most efficient flexibility option.” ²⁸ However, we are concerned that the vision requires additional revenue streams over and above avoiding spot prices. Refer also to our response to Q10. We do support, as the vision is framed, that it also means that it is capable of standing alone without further Authority intervention, if that is deemed the most efficient approach. Refer also to response to Q6.
Q9. Do you believe that this vision is applicable to other forms of demand flexibility, or to flexibility more generally?	Yes. As noted in the body of this submission, we encourage the Task Force and Authority to look more holistically at the work programme.
Q10. Do you agree with our view that demand flexibility providers should be able to receive payment for providing flexibility services that exceeds avoided energy costs, provided the demand response is efficient (as defined)? Why/why not?	Our members have different views on whether demand flexibility providers should be able to receive payment for providing flexibility services that exceeds avoided energy costs. Some agree that as long as it is efficient, this is reasonable. (See below for more on efficiency). Others disagree on the basis that in no other market or industry is anyone paid for not consuming something, even if that benefits others. Supermarkets, petrol stations etc. Where would the money come from to pay them? In markets, those who <u>do</u> consume, pay the costs of those who

²⁶ MDAG, [Price discovery in a renewables-based electricity system: Final Recommendations PAPER 2023](#), page 122, paragraph A.23.

²⁷ Vector, [Potential solutions for peak electricity capacity issues – Vector response to consultation paper](#), 1 March 2024

²⁸ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 29

QUESTIONS	ENA COMMENTS
	<p><u>do produce</u>. Would we consider compensating the generators who didn't get to generate because of demand response? It is a slippery slope, which is likely to increase costs for the average consumer. Vector's submission on this paper explains this very well on pages 4-5.</p> <p>We agree with the ECTF's definition that "efficient demand flexibility occurs when: (a) the value of the demand flexibility to consumers (in aggregate) is greater than the cost of the demand flexibility; and (b) the cost of the demand flexibility is less than the cost of alternatives (eg, additional supply or network investment)."²⁹</p> <p>However, reliability is a key part in the effectiveness of flexibility services for avoiding investment costs for transmission or distribution. If a demand response cannot be relied upon, the grid or networks must continue to invest to ensure network stability and capacity.</p> <p>As we noted in our initiative 2a submission, there is a risk EDBs or other providers (and therefore consumers) pay twice.³⁰ The cost of providing capacity on the network will be signalled via the TOU prices set. If a consumer (such as industrial load) decides not to consume, the benefit is not having to pay for the electricity. If the industrial load also receives a payment for not consuming, then this is creating 'double benefit'. The load saves money by not paying for the consumption and also gets paid for doing this.</p> <p>Given the high likely cost to incentivise industrial demand flexibility (refer to response to Q6), there appears to be a high risk of cross-subsidisation by other consumers, including residential consumers. We encourage the ECTF and the Authority to be particularly careful to avoid this outcome.</p>
<p>Q11. Do you believe that a different level of payment would be appropriate? Why/why not?</p>	<p>No ENA comment.</p>
<p>Q12. Do you agree with our proposed guiding principles? Why/why not? Are other specific considerations which you believe</p>	<p>Maintenance of network safety, security and power quality must be a guiding principle of any demand response initiatives.</p>

²⁹ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 30

³⁰ ENA, [ENA submission on EA DGPP and ECTF 2abc consultations](#), 26 March 2025, section 3.1.2, pages 11-12

QUESTIONS	ENA COMMENTS
<p>should be included in the evaluation framework?</p>	<p>ENA broadly supports the underlying principles identified in the consultation. However, we note that there is no explicit reference to grid or network security as a guiding principle.</p> <p>We recommend the inclusion of a principle that says: “network safety, security and power quality must be preserved as demand response is exercised.”</p> <p>As noted in our response to Q7 and in the body of this submission, Vector submitted on this issue as part of the Peak Capacity project. Their submission on this industrial demand paper also expands on this and refers to “the forgotten side of load management”, being the restoration after a period of control. ENA notes that the guiding principles also include a requirement for “service delivery and performance” to be “forecast and measured with sufficient accuracy.”³¹</p> <p>As we have raised in numerous recent submissions, access to data is vital for accuracy. Please refer to section 3.3.1 of our recent submission on the 2abc initiatives for more on this.³² The arguments in that submission are equally relevant to this one.</p> <p>We would appreciate further clarity from the ECTF regarding the first bullet under principle 3, which refers to industrial demand flex needing to provide “long-term benefit to consumers in aggregate” but then uses an example focused on reducing “up front impacts on consumer bills.”³³ Up-front costs can still result in a long-term net benefit. Is the ECTF more concerned with short-term bill impacts or a long-term net benefit?</p> <p>Please also refer to the body of the submission, which includes further comments around the principles, including the final principle regarding alignment across work programmes.</p>
<p>Q13. Do you agree with our view that there is currently insufficient potential industrial demand flexibility to justify the</p>	<p>No ENA comment.</p>

³¹ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 33

³² ENA, [ENA submission on EA DGPP and ECTF 2abc consultations](#), 26 March 2025, section 3.3.1, page 24

³³ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 33

QUESTIONS	ENA COMMENTS
<p>establishment of new market mechanisms or platforms other than the proposed ERS and standardised demand flexibility product?</p>	
<p>Q14. Do you consider there are other cost-effective measures that can be implemented urgently to enable industrial demand flexibility to support reliability and efficient in the wholesale market?</p>	<p>We remind the Authority and the Task Force that there are alternative sources of demand flexibility. The demand flexibility landscape in New Zealand continues to be mischaracterised by consistently overlooking the most readily available, cost-effective and efficient resource: residential hot water load that EDBs have the ability to control. EECA estimates indicate over 1GW of demand flexibility is available through EDB-controlled ripple systems, dwarfing the ~170MW of potential C&I flexibility identified by the Authority in this consultation paper.³⁴</p> <p>We also note that there are existing mechanisms in place, such as dispatchable load and interruptible load. There are also a lot of industry projects designed to maximise flexibility – many of these are highlighted through the FlexTalk Flexibility Scan.³⁵</p> <p>We also refer back to our comment in the body of this submission, that the ECTF appears to be trying to fix a supply problem with a demand fix. Whilst we generally disagree with the argument to pay industrials above their avoided costs, many of the ECTF’s arguments, particularly in 5.5-5.10, used to justify the shift in position to pay for demand response, could equally apply to generators who produce electricity. The Authority should be careful to ensure that demand and supply are treated even-handedly.</p>
<p>Q15. Do you agree with our proposal to establish an ERS? Why/why not?</p>	<p>As noted in the body of this submission, we encourage the Task Force and the Authority to consider a more wide-reaching review of emergency response mechanisms and Part 8 concerns to ensure that grid and network stability is not undermined and that there are not other unintended consequences.</p> <p>We also note the advice from RBP in its analysis of a similar Australian scheme, Reliability Emergency Reserve Trade</p>

³⁴ EECA, [Ripple Control of Hot Water in New Zealand](#), September 2020.

³⁵ EEA, [FlexTalk flexibility scan published - eea.co.nz](#), March 2025.

QUESTIONS	ENA COMMENTS
	(RERT), that such as scheme “is a programme of last resort only. It was never intended to function as a mechanism to encourage large volumes of DR into the market.” ³⁶
Q16. For demand flexibility providers – do you consider it likely that you could make demand flexibility capacity available for an ERS in time for Winter 2026?	No ENA comment.
Q17. Do you agree with our proposal to investigate a standardised demand flexibility product? Why/why not?	No ENA comment.
Q18. Do you support our other proposed roadmap actions? Why/why not?	<p>As noted in the body of our submission, we support the creation of a roadmap, but provide any comments in this submission on the basis that all further steps will be fully consulted on in more detail in due course.</p> <p>Action 1</p> <p>We support the intent of the ‘last resort’ scheme being proposed, but please refer to the body of this submission for further comments and recommendations in relation to a broader review of emergency management prior to initiating an additional mechanism in this space.</p> <p>We also note and support the EA’s intent to review the value of lost load (VoLL), as mentioned in the consultation in the context of the ERS. There may be value in adding VoLL to a list of regularly reviewed outputs to ensure it remains fit for purpose.</p> <p>We look forward to further engagement on the ERS proposal in due course.</p> <p>Action 3</p> <p>Why is the proposed reporting aimed at EDBs and Transpower only? Would it not be better to require reporting from all parties entering into such arrangements in order to get a complete picture?</p>

³⁶ Robinson Bowmaker Paul, [Demand response programmes](#), 9 December 2024, page 23, paragraph 3.2.7

QUESTIONS	ENA COMMENTS
	<p>We recommend that the Authority should broaden this requirement to include all sector Participants. This would allow the Authority to develop a comprehensive picture of demand response.</p> <p>Action 4</p> <p>As noted in the body of this submission, we encourage the Authority to include pricing trials within the scope of this guidance development to enable EDBs to trial more innovative pricing solutions.</p> <p>Action 5</p> <p>While we generally support increased transparency, we agree that confidentiality would need to be carefully managed in the disclosure of commercial contracts and other arrangements.</p> <p>Action 6</p> <p>This action seems to have an interdependency with another live consultation and therefore interdependent considerations across the two consultations should be considered in an aligned manner. Please refer to the ENA submission on the multiple trading relationships and switching paper. We also recommend further progress on the future system operation paper before deciding on this action.</p> <p>Aggregators of industrial (and residential) demand must be in the Code and not inadvertently harm network or grid security. As such, we recommend that the Authority should not introduce Code to enable third-party, non-retailer load managers until and unless it requires those parties to enter into a binding Load Management Protocol with their host lines companies. To do otherwise would be irresponsible.</p> <p>Action 7</p> <p>ENA recommends that EA should support industry to co-design flexible connection contracts before pursuing Code changes. The EDB part of the co-design is led by ENA's Streamlining Connections workstream. There is not enough urgency to require a regulator-led design for the first flexible connection contracts.</p>

QUESTIONS	ENA COMMENTS
	<p>ENA would support the development of an Authority-led working group to better understand what a flexible connection is or could be in New Zealand’s context.</p> <p>Action 8</p> <p>We do not support proposed action 8 for two main reasons:</p> <ul style="list-style-type: none"> - Multiple regulator misalignment - Misunderstanding/ mischaracterisation of EDB’s use of non-network solutions. <p>While we appreciate that this is a Task Force consultation, and understand that the Commerce Commission has been involved in its development, the wording of Action 8 reads as somewhat unilateral in tone.</p> <p>In areas where there are clear interdependencies — such as action 8 suggests — we believe there is value in a more explicitly collaborative approach. Greater emphasis on alignment between regulators would help build confidence in the coherence and mutual trust of regulatory settings across the sector.</p> <p>We do not believe it is the intent of the proposal, but as currently phrased, Action 8 gives the impression that the Authority lacks confidence in the Commerce Commission’s regulation of EDB expenditure efficiency or in the INTSA framework and is preparing to step in to ‘pick up the slack’. That may risk undermining the very regulatory arrangements that are intended to support innovation and non-network solutions.</p> <p>Similarly to our response to Q6, if non-network solutions were deemed to be the most efficient solutions for networks, they would be investing in them already.</p> <p>Action 8 appears to reflect a misunderstanding of why non-network solutions have not been widely adopted. The Authority’s proposal to “evaluate need for enhanced regulatory requirements” suggest that EDBs are choosing <u>not</u> to use demand flexibility when available. That is incorrect.</p> <p>The Authority must recognise that EDBs cannot procure flexibility that does not exist. When EDBs conduct cost-benefit analyses, they frequently find that:</p>

QUESTIONS	ENA COMMENTS
	<ul style="list-style-type: none"> • The quantity of available demand response is insufficient to defer network investment • The cost of procuring what little exists often exceeds the cost of network solutions • The reliability and availability of market-based solutions remains unproven. <p>The Authority should not then penalise EDBs for making rational economic decisions (which are also therefore in the best interests of consumer prices) when flexibility markets remain immature. Enhanced regulatory requirements will not create flexibility where none exists – they will simply force EDBs to overpay for inadequate solutions while network reliability potentially suffers, and true innovation and flexible market development is distorted.</p> <p>The market for flexibility services is still new and developing – let it develop.</p>
<p>Q19. Do you believe there are other actions that we should consider in the roadmap? If so, please outline the actions and rationale.</p>	<p>As discussed in the body of this submission, ENA recommends widening the scope of the roadmap to include the wider Authority workplan, including the “larger ‘stack’ of demand-side flexibility options.”³⁷</p> <p>This would help demonstrate to all parties, including the Authority, the interdependencies between work programmes and it may help identify relative priorities and whether timelines are realistic, given the competing requirements for participants.</p> <p>We also note that the consultation refers to third-party flexibility service providers and aggregators and how existing arrangements can make it difficult for such providers to “fully realise the full value of the demand response.”³⁸ However, we are currently unclear as to how any of the proposed actions are designed to address this problem.</p>
<p>Q20. Do you support the proposed sequence and timing of actions in our proposed roadmap? Why/why not?</p>	<p>Please refer to responses to Q18 and Q19.</p> <p>We recommend the Authority focus on optimising existing market mechanisms before creating new mechanisms.</p>

³⁷ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 16

³⁸ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, pages 28-29

QUESTIONS	ENA COMMENTS
<p>Q21. Is there anything else relevant to this issue that the Authority should consider? If so, please provide any relevant information to support the Authority's consideration.</p>	<p>Please refer to considerations highlighted in the body of this submission.</p> <p>We support the Authority's implicit proposals to obtain a greater understanding of the current market for demand flex arrangements. The recognition that the Authority does not have full visibility of the existing agreements and the acknowledgement that this information is required prior to significant further action is reassuring.</p> <p>As we have noted in several recent submissions, it is often apparent in Authority proposals that there is not a clearly defined problem statement before 'fixes' are proposed.</p> <p>We hope the information gathering and assessment phase will be given due time and attention before initiating further steps on the roadmap. An open mind to refine the roadmap is appreciated. This includes regular reconsideration of the fact "international experience has shown that mechanisms need to be carefully considered in order not to distort the market."³⁹</p> <p>Moreover, this information gathering could be completed prior to other decisions, allowing time for other inter-dependent workstreams to develop, including those previously mentioned in this submission, and also for the Government-commissioned Electricity Market Review outcomes to become known.</p>

³⁹ ECTF, [Rewarding industrial demand flexibility](#), 28 May 2025, page 9