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Kate Hudson  
Electricity Commission  
Level 7, ASB Bank Tower  
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By Email

Dear Kate

### **SUBMISSION ON THE PROPERTY RIGHTS FOR LOAD MANAGEMENT**

Thank you for the opportunity to provide a submission on the Property Rights for Load Management Discussion Paper.

In addition to your specific questions, which we have commented on in the attached table, TrustPower wishes to highlight the following points:

- a) Despite the somewhat negative comments being circulated by some, TrustPower considers New Zealand's current load management system to be far superior to that of many other jurisdictions. We also consider it important that this "existing capability" is not lost during the transition by some, and ultimately all, to Advanced Metering Infrastructure.
- b) TrustPower does not support the development of Rules and Regulations as these tend to be inflexible and hinder innovation, particularly during times of change.
- c) TrustPower does not consider it appropriate for the Electricity Commission to consult on the details of "Advanced Metering Infrastructure" via a discussion paper regarding the "Property Rights for Load Management". We will therefore reserve our feedback regarding Advanced Metering Infrastructure for the formal Advanced Metering Infrastructure consultation process.

As usual I wish to make myself available to answer any further questions you may have.

Yours sincerely

**Richard Spearman**  
**OPERATIONS MANAGER**

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## Property Rights for Load Management Submission by TrustPower Limited

Question	Response
<p><b>Question 1.</b> Do you agree that there is no single correct answer as to who should secure property rights to load management uses?</p> <p>If not, why not?</p>	<p>No, TrustPower is firmly of the view that all property rights associated with load management belong to the end use customer. The customer can, of course, contractually trade these property rights with other parties if they believe sufficient incentives exist.</p>
<p><b>Question 2.</b> Do you agree that, while load management for network cost management use has a relatively high value, consumers and retailers will grant distributors rights to manage load for that network use, irrespective of who owns the load control assets?</p> <p>If not, why not?</p>	<p>TrustPower agrees, if load management is utilised appropriately, that network cost management is the largest component in the load management value chain. This is also consistent with the findings of the ECWP<sup>1</sup>.</p> <p>TrustPower does not consider the ownership of load control assets to be a critical factor in the utilisation of load management for network use. We consider the magnitude of the incentives provided from the distributor to the end use customer to be far more critical.</p>
<p><b>Question 3.</b> Do you agree that irrespective of who owns the load control or metering assets, or who initially establishes a right to load management, there are sufficient mechanisms available to enable trading of rights between interested parties if the financial incentives support such trading?</p> <p>If not, why not?</p>	<p>Yes, this is also confirmed by the fact that the majority of load management is presently being put to its highest value use. That is, network cost management. We also understand that a number of commercial contracts exist between various parties for the lower value applications such as Spot Price management and the Interruptible Load Market.</p>
<p><b>Question 4.</b> Do you agree that tradability of AUFLS obligations may provide for more efficient use of load management for all its uses?</p> <p>If not, why not?</p>	<p>Theoretically yes. However, in practice we expect the costs will outweigh the benefits to all but a relatively small number of commercial and industrial applications. The reasons for this are:</p> <ol style="list-style-type: none"> <li>1. In the commercial and industrial sectors we expect that, due to economies of scale, there may be some benefit in being to able to trade AUFLS obligations in order to facilitate the introduction of Interruptible Load that would not otherwise be available. However, from a practical perspective if the party taking on the obligation to provide AUFLS is not on a designated AUFLS feeder it is expected they will need a system that will reliably detect under frequency events, disconnect a pre-determined minimum amount load, and accurately record the amount of load disconnected. The cost of such a system is expected to be material.</li> <li>2. In the domestic mass market sector we expect that for an individual household the fixed and transaction costs will significantly outweigh the benefits. While the status quo may not be theoretically efficient it does provide New Zealand Inc with a robust, reliable and relatively</li> </ol>

<sup>1</sup> The Electricity Commission's Existing Capability Working Panel (now inactive)

Question	Response
	<p>low cost solution.</p> <p>As an aside, much of the tension regarding AUFLS appears to be centred around the inability of Interruptible Load to be offered into the Instantaneous Reserve Market in conjunction with AUFLS. While TrustPower agrees with this concept, it is of the view that domestic hot water load should not be counted when determining AUFLS capability and therefore be able, subject to its availability, to participate in the Instantaneous Reserve Market.</p> <p>TrustPower does not support the argument given by some distributors that their System Security provisions extend to having exclusive access to the Instantaneous Reserve Market. TrustPower's view is that this should be a contestable and competitive market.</p> <p>Further to this, TrustPower urges the Electricity Commission to investigate the practicality introducing an additional reserves product that lies somewhere on the spectrum between AUFLS and the Instantaneous Reserves product.</p>
<p><b>Question 5.</b> Do you agree that weak price signals, transaction costs and Part 4A of the Commerce Act provide the main barriers to any under-utilisation of load management – overshadowing any effect from property rights?</p> <p>If not, why not?</p>	<p><b>Weak Price Signals</b> – Yes, we feel confident that if the price signals were stronger we would experience more interest in load management. There are of course many different sources of price signals such as, but not limited to, high wholesale market prices, volatile wholesale market prices, transmission and distribution pricing signals, and high ancillary services prices.</p> <p><b>Transaction Costs</b> – Yes, in the mass market domestic sector but not in the large commercial and industrial sectors</p> <p><b>Commerce Act (Part 4a)</b> – Yes, particularly for those distributors that have relatively strong distribution networks that presently do not need to maximise load management for distribution reasons and or those distribution networks with distribution system peak demands that are not coincident with regional peak demands. If these distributors had stronger incentives to minimise Transpower costs we expect they may show more interest.</p>
<p><b>Question 6.</b> Do you agree with the above 'AMI Functionality and Information' findings for use as guidance to the Commission's deliberations on the future of advanced metering guidelines and/or Rules?</p> <p>If not, why not?</p>	<p>TrustPower does not consider it appropriate to consult on the details of "Advanced Metering Infrastructure" on a consultation regarding the "Property Rights for Load Management".</p> <p>We will therefore reserve our comments for the formal Advanced Metering Infrastructure consultation process.</p>
<p><b>Question 7.</b> Do you agree with the Commission's preference to not prescribe in Rules contractual terms that will re-distribute existing property rights for load management, but to provide guidance as necessary through protocols and guidelines?</p> <p>If not, why not?</p>	<p>Yes, TrustPower does not support the establishment of Rules which tend to be inherently inflexible and have the real potential to stifle innovation in this changing environment.</p> <p>We support the Electricity Commission's comments in paragraph 6.2.5 of the consultation paper which state that "<i>Good investment outcomes do not appear to be reliant on mandating particular types of functionality in new Rules or Regulations.</i>"</p>

Question	Response
<p><b>Question 8.</b> Do you agree that the above options discussion on AMI functionality and information provides useful guidance to the Commission’s deliberations on the future of advanced metering guidelines and/or Rules?</p> <p>If not, why not?</p>	<p>Like our response to Question 6 above, TrustPower does not consider it appropriate to consult on the details of “Advanced Metering Infrastructure” on a consultation regarding the “Property Rights for Load Management”.</p> <p>We will therefore reserve our comments for the formal Advanced Metering Infrastructure consultation process.</p>
<p><b>Question 9.</b> Do you agree with the Commission’s preference to refrain from pursuing a redistribution of the ownership of load management assets?</p> <p>If not, why not?</p>	<p>Yes</p>
<p><b>Question 10.</b> Do you agree with the Commission’s conclusion and intentions on market design as providing impetus for participants to provide better load management outcomes?</p> <p>If not, why not?</p>	<p><b>Commission’s Conclusions</b> - Yes, with the exception of 7.1.3 and 7.1.4 where TrustPower does not support the formation of additional Rules and Regulations.</p> <p><b>Market Design</b> - Yes, TrustPower supports the Load Management aspects of the Market Development Programme.</p>
<p><b>Question 11.</b> Do you agree with the Commission’s conclusion and intentions on facilitating industry contracts and arrangements?</p> <p>If not, why not?</p>	<p>While TrustPower supports the concept of the Electricity Commission assisting with facilitation by the publication of analysis we do not support the development of “guidelines” as experience suggests that these will become the basis of future regulation.</p> <p>It should also be noted that there are a number of existing Load Management agreements in place, some of which are “evergreen” in nature.</p>
<p><b>Question 12.</b> Do you agree with the Commission’s conclusions and intentions with regard to advanced metering functionality and information?</p> <p>If not, why not?</p>	<p>Like our response to Questions 6 and 8 above, TrustPower does not consider it appropriate to consult on the details of “Advanced Metering Infrastructure” on a consultation regarding the “Property Rights for Load Management”.</p> <p>We will therefore reserve our comments for the formal Advanced Metering Infrastructure consultation process.</p>