

FLEXFORUM |

2 November 2023

To: electricitymarkets@mbie.govt.nz

Advice on measures for transition to an expanded and highly renewable electricity system

FlexForum exists to support coordinated and collaborative action to speed the development of distributed flexibility, in a way that:

- supports the affordable and reliable operation of the electricity market and power system
- enables accelerated electrification by households and businesses as part of the transition to a zero emissions economy.

FlexForum currently has more than 20 Members from across the electricity ecosystem. Membership is diverse and includes: gentailers, retailers, metering services suppliers, EV charger manufacturers, Transpower, distributors, advisory services firms, universities, and consumers.¹

We have operated for over 18 months and delivered Aotearoa New Zealand's first publicly available Flexibility Plan, plus a range of insights on the actions to maximise the value of distributed flexibility. The Flexibility Plan details a set of least regrets practical and scalable actions needed to enable households, businesses and communities to maximise the value of distributed flexibility available from electrification of transport, heating and cooling and similar fossil-fuel reliant activities.

FlexForum Members shared their perspectives on the issues raised in the electricity market measures (EMM) consultation with the Ministry of Business, Innovation and Employment (MBIE) through two workshop sessions in early October 2023.

This advice complements the discussion at the workshops by setting out the FlexForum view of the overarching strategic interventions that MBIE can make to accelerate the transition.

Set the conditions for an environment which encourages collaborative action and learning-by-doing to happen at pace

Our strong view is that the most important strategic intervention MBIE can make to accelerate the transition is to set the conditions for an environment that encourages (or expects) collaborative action and learning-by-doing to happen at pace.

¹ FlexForum Members are listed at the end of this document.

We need to do things differently to ensure our energy system transitions at the pace and scale required to support a net zero 2050 and electricity services remain reliable and affordable.

Doing things differently will require a shift in mindset and practices. A key practical change will be to move from the 'propose and respond' policy and regulatory development paradigm focused on iterative, incremental changes which are "right the first time", to an agile co-design model where regulators, policy bodies and industry participants work collaboratively to leverage scarce resources, experience and expertise to make progress.

The collaborative, co-design model provides a whole-of-system focus spanning the existing wholesale, network, retail, customer siloes necessary to accelerate the development of distributed flexibility, and electrification generally. Further, this approach is consistent with a just transition through engagement and early involvement of those who are impacted by an issue and by being responsive to their perspectives through the discovery, refinement and solution phases.

The experience in the United Kingdom supports the value of a co-design and learning-by-doing approach. In a recent call for input on [The Future of Distributed Flexibility](#), Ofgem highlighted the role and value of co-design and collaborative action in accelerating development of distributed flexibility.²

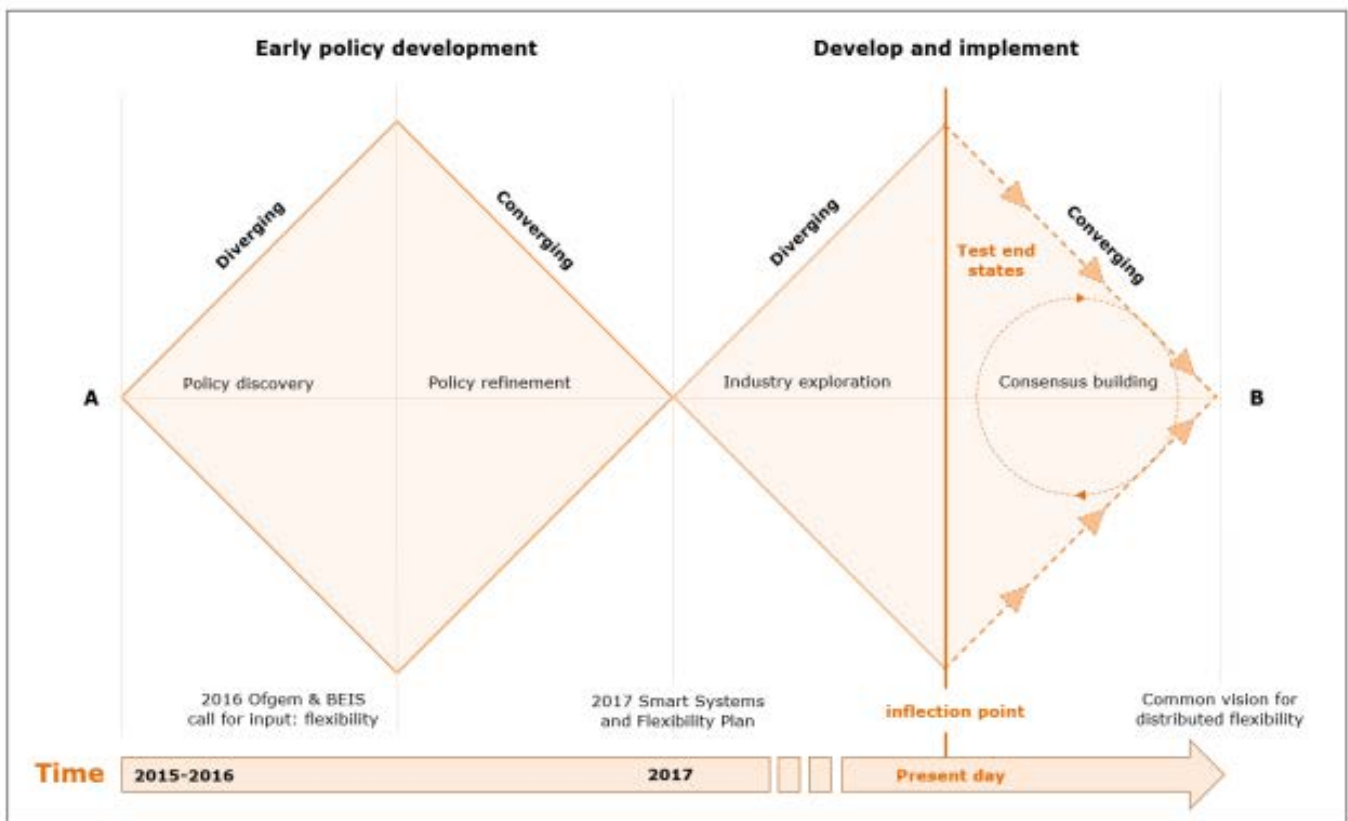


Figure 1. 'Design thinking double diamond' timeline of flexibility policy and industry delivery since 2015.²⁰

² Ofgem, The future of distributed flexibility. Call for input, 1 March 2023, at <https://www.ofgem.gov.uk/sites/default/files/2023-03/Ofgem%20Call%20for%20Input%20on%20the%20Future%20of%20Distributed%20Flexibility2023.pdf>. See page 22 for the figure shown here.

MBIE can set the conditions by actively supporting dedicated, collaborative processes like FlexForum. The issues raised in the EMM paper are known but poorly understood. The 'problem' is how to address the issues and in what timeframe, because solutions are not evident and will be contentious. Traditional policy and regulatory processes are not suited to this environment and circumstances.

FlexForum was established to accelerate electrification and distributed flexibility by doing things differently through supporting coordinated, collaborative learning-by-doing.

The FlexForum initiative provides participants, MBIE and regulators a valuable tool to accelerate progress through leveraging expertise from across the electricity ecosystem to identify agreed facts, explore solutions, then converge on those more suitable to implement. MBIE should focus on supporting this process, particularly for topics which are contentious and not well understood, to build consensus on the right solutions to implement.

Delivering the Flexibility Plan is a least regrets response to many of the issues raised in the EMM consultation

The Flexibility Plan provides a checklist of tasks that are needed to identify and develop the capability, processes and practices required to unlock the value of distributed flexibility for households, businesses and communities. A detailed whole-of-system plan setting out the specific things that need doing is a must have to effectively coordinate and prioritise the efforts of participants, policymakers and regulators.

The Flexibility Plan is a near equivalent to the [UK Smart Systems and Flexibility Plan](#). The key difference is that the Flexibility Plan does not have the explicit backing of the government and regulators – the practical effect is progress relies on the willingness of the electricity ecosystem to hold itself accountable for delivery.

Government involvement and leadership will keep the electricity ecosystem on track

Government involvement and leadership in the transition process generally will keep the electricity ecosystem on track. Three ways MBIE and the government can effectively get involved and provide enhanced leadership are:

1. Produce a vision to provide direction and set boundaries for the efforts and approach to enabling distributed flexibility, including setting expectations relating to digitalisation, competition and markets, and consumer participation. The vision could be set out in the energy strategy or through topic specific strategies so long as the expectations are coordinated and complementary.
2. Actively support FlexForum to deliver the Flexibility Plan. MBIE can use the Flexibility Plan and FlexForum as a vehicle to accelerate the development of insights and solutions to support the transition to an expanded and highly renewable electricity system and deliver the outcomes defined in the future energy strategy.
3. Hold everyone involved – participants and regulators – accountable for delivering the tasks they are responsible for at pace based on realistic yet relevant timeframes for progress. This could be done by using the Council of Energy Regulators to monitor progress with the Flexibility Plan (and similar initiatives led by others) and to coordinate the response to advice from the FlexForum (and similar collaborative industry-led initiatives) about what is achievable in a given timeframe with available resources and any specific measures and interventions which would assist progress.

Final points

We greatly appreciated the opportunity to collaboratively talk through the issues being explored by the EMM paper with you and to identify agreed facts and narrow the range of possible solutions. We encourage MBIE, plus the Electricity Authority and Commerce Commission to make this approach of open workshops a routine practice because it is part of a

collaborative, co-design model and is far more effective and efficient compared to written submissions when done with a diverse group from across the electricity ecosystem, particularly at the pre-policy stage of a regulatory change process.

During the two workshops, a number of specific tasks and priorities for MBIE were identified by FlexForum participants. We consider this provides a useful starting place for MBIE during the next stages of preparing the energy strategy and are happy to continue the discussion with you on anything raised in those workshops.

Additionally, in late November 2023 FlexForum will provide MBIE with the list of tasks identified through the process to create the FlexForum workplan. This list of tasks will include the things FlexForum considers important and should be done now. We expect the list will include tasks which would require MBIE involvement or leadership.

We particularly encourage MBIE when determining its response to the EMM consultation to carefully consider the nature and timing of interventions to avoid directing effort at specific solutions which rely on unknown or undeveloped capabilities. There is a clear need for coordinated action involving the sequencing of effort based on understanding interdependencies and enablers. MBIE can leverage the insight of collaborative processes like FlexForum to inform what gets done and when.

You can contact FlexForum at info@flexforum.nz with any questions and to arrange further discussion about this advice.



Two individuals who are consumers and Vector Metering are also FlexForum Members.