



**TRANSPOWER**

Transpower House, 96 The Terrace,  
PO Box 1021, Wellington,  
New Zealand  
Telephone +64-4-495 7000  
Facsimile: +64-4-495 7100  
www.transpower.co.nz

Richard Fletcher  
[richard.fletcher@transpower.co.nz](mailto:richard.fletcher@transpower.co.nz)

9 September 2009

Kate Hudson  
Electricity Commission  
PO Box 10041  
WELLINGTON 6143

Dear Kate

**Re: Property Rights for Load Management**

Thank you for the opportunity to make a submission on the Commission's 4 August 2009 discussion paper *Property Rights for Load Management*.

We responded to an earlier version of this discussion paper in a letter dated 15 May 2009. This confirmed our position that property rights for load should belong to the consumer and that consumer choice should determine how load may be controlled. In that submission we drew attention to some of the broader issues that we felt the Commission should consider as part of its work in this area.<sup>1</sup>

We have no issue with the quality of the analysis that has been presented. However, we are concerned that the scope of the current work remains too narrowly focused. Property rights for managing load are obviously important, but the central question seems to be understanding how, under the current regulatory and market settings, New Zealand went from having an effective and efficient load management infrastructure that worked to the benefit of electricity consumers to a situation where the available capacity is being underutilised, and what to do to correct this situation. As an observation, the evidence of recent years seems to suggest that, despite the presence of commercial incentives to contract to improve the use of load

---

<sup>1</sup> In particular: "...what should be considered as a potential loss of efficiency is locking in the current practices and benefits to participants with assumed property rights for load without testing the benefits that this use could provide when offered as another market product. For example, the use of load for managing network peak demand via ripple control versus demand-side load management by consumers."

Also: "...not everything can be left to consumers making market type decisions. Frameworks and standards are needed to regulate some related products and services, such as for the products used to send signals into a house, or time-of-use signals from a house, e.g. smart meters, to enable use by more than one retailer, and the mandating of products that aid security, e.g. refrigerators with voltage flicker. In addition, although information is "owned" it is important that it be made available more generally in due course, possibly contractually – this is particularly important for load and other aggregated information required for forecasting purposes." Letter Richard Fletcher to Rod Treder, Re: Property rights for load management, 15 May 2009

management infrastructure, very little effective contracting has actually occurred that might help release the potential value that is obviously there.

One of the key areas in which work should be focused is consideration of the extent to which existing contractual arrangements are impeding the efficient use of available load management capacity and whether or not current market incentives to control load are adequate. We should also try to quantify the scale of the possible benefits that are available now and which might become available in the future, given the emergence of “smart” technologies. This will help to identify whether or not particular interventions might be justified.

Frameworks, standards and guidelines are likely to be only part of the answer. We are likely to need greater prescription in some areas to avoid locking in current practices that may be sub-optimal from a national perspective. Identifying which changes will actually make a positive practical difference to the current situation should be the main focus of the Commission’s work.

The specific proposals relating to AUFLS are also of major concern to Transpower. The System Operator is currently discussing the scope of a substantive review of AUFLS with the Commission. It would be premature for any determination on AUFLS compliance “trading” to be made until the review of AUFLS arrangements has been completed, the optimal amount of AUFLS has been identified and the implications of such trading are properly understood.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Fletcher', with a small dot at the end.

Richard Fletcher  
Regulatory Strategy Manager