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Consultation Team, System Operator

Submitted by email: system.operator@transpower.co.nz

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Enel X appreciates the opportunity to comment on Transpower's draft System Operator Strategy.

Overall, we support the proposed strategic direction and consider that the Strategy appropriately identifies the key challenges facing New Zealand's electricity system over the coming decade. In particular, we agree with the focus on maintaining system security in an increasingly variable and decentralised electricity system, improving operational capability, enhancing resilience, and developing greater visibility of distributed energy resources (DER), consumer energy resources (CER), and demand-side flexibility.

The Strategy reflects the reality that the future power system will require greater coordination across transmission, distribution, and end-use resources, supported by improved operational data and forecasting capabilities. We support the System Operator taking a proactive role in preparing for this transition and developing the tools, processes, and capabilities required to maintain power system security as renewable generation and distributed resources continue to grow.

**Visibility and data requirements**
We generally support Priority 4, *Leveraging Data and Distributed Resource Integration*, and acknowledge that increased visibility of distributed and demand-side resources will become increasingly important for secure system operation. However, we encourage Transpower to ensure that any new visibility, monitoring, or data-sharing requirements are proportionate to the operational value they deliver. As flexibility providers, aggregators, and demand response participants become increasingly important contributors to the electricity system, there is a risk that compliance and reporting obligations could become unnecessarily burdensome.

The success of demand-side participation will depend on maintaining relatively low barriers to entry while still providing the System Operator with the information necessary to operate the system securely. We therefore encourage Transpower to continue working closely with industry when developing operational data standards, visibility requirements, and compliance frameworks, with a strong focus on minimising implementation costs and administrative burden wherever possible.

A principles-based approach that seeks the minimum level of information required to support secure operations is likely to achieve better long-term outcomes than highly prescriptive reporting obligations.

**Demand response, flexibility and aggregators**
We welcome the recognition of the growing role that flexibility, DER, CER, batteries, and demand response will play in supporting system security and reliability. We also support initiatives that seek to improve participation of these resources in ancillary services, emergency response arrangements, and future market mechanisms.

In particular, we support the Strategy's recognition that future markets should enable participation from a broader range of resources, including aggregated consumer and demand-side resources. Greater utilisation of demand response and flexible load can reduce overall system costs, improve reliability outcomes, and assist with integration of increasing levels of renewable generation.

We encourage ongoing work that supports aggregators' ability to access and provide flexibility services. Aggregators can play an important role in unlocking the value of distributed resources that would otherwise be unable to participate efficiently in electricity markets or operational services.

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At the same time, we recognise that many of the market design and participation changes required to fully enable demand-side flexibility sit primarily within the remit of the Electricity Authority rather than the System Operator. The Authority is best placed to consider changes to market frameworks and access arrangements.

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