
Submission

Multiple Trading Relationships

27 February 2018

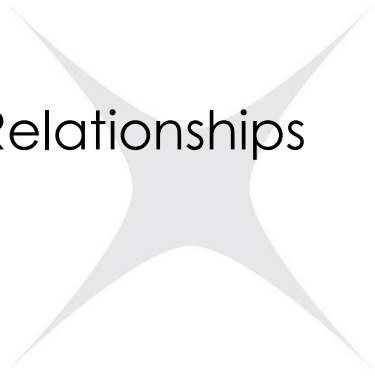


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1 Introduction

Aurora Energy welcomes this opportunity to comment on the Electricity Authority's consultation paper "*Multiple Trading Relationships – How can consumers choose multiple electricity service providers?*" (the **Consultation Paper**).

No part of our submission is confidential and we are happy for it to be publically released.

If the Authority has any queries regarding this submission, please do not hesitate to contact:

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2 Recognising change

As the Authority has identified on several occasions recently, the electricity industry is changing. The consultation on enabling mass participation in the electricity market, and this most recent multiple trading relationships consultation, both serve to highlight that the industry needs to turn its mind to the way in which it is changing and how those changes can be embraced for the long term benefit of electricity consumers.

Aurora Energy welcomes change and is supportive of the Authority exploring ways in which the industry can facilitate new ideas and concepts, but would like to see the Authority ensure that in doing so it:

- considers the efficiency of any proposed arrangements and makes proposals that will drive an appropriate level of competition within the industry; and
- proffers prudent and pragmatic solutions to accommodate the changing landscape, as opposed to solutions which, while in themselves may be optimal, are inefficient and costly in the long run to all parties affected by those solutions.

3 Demand for multiple trading relationships

The Authority suggests in the Consultation Paper that because there are more options available to consumers within the electricity industry, when it comes to the management of their electricity supply and services, consumers may want to move away from having a relationship with one single trader.

Before deciding to redesign the industry to accommodate multiple trading relationships, the Authority should consider whether there exists a genuine need and demand from consumers for multiple trading relationships, or whether competition between traders in the existing marketplace will see those services being offered to consumers in an efficient, price effective way.

Aurora Energy is not convinced that the need or demand has been adequately established yet to justify the extent and significance of expenditure that will be incurred if the Authority looks to redesign some of the fundamental processes and procedures upon which the industry operates.

4 Accommodating multiple trading relationships

If a need and demand is subsequently firmly established, then Aurora Energy agrees that the industry should look to challenge the status quo when it comes to current processes and

procedures, and consider how they can be amended to accommodate multiple trading relationships.

The two barriers to accommodating multiple trading relationships that the Authority has identified are:

- the current processes and procedures that facilitate a one-to-one relationship; and
- retailers' ability to hinder access to metering data.

In the Consultation Paper, the Authority has concluded that one of the changes required in relation to the removal of the first barrier (current processes and procedures facilitating a one-to-one relationship) would be distributors charging multiple users, and it asks for feedback on how distributors would do this. The Authority fails to consider other alternative options for how distributors could be asked to accommodate the notion of multiple trading relationships.

Aurora Energy believes that there are the following alternatives to allocating charges to multiple traders:

- **Primary trader:** the appointment of one 'primary' trader for each ICP. That trader would maintain the relationship with the distributor and the customer and pass on the costs to any other 'secondary' traders or service providers at the ICP. This type of relationship would eliminate the need for a distributor to charge multiple traders and would see only one trader continue to be responsible for the management of the customer relationship in terms of the collection of personal information, outage notifications, metering, the connection and disconnection process and medically dependant or vulnerable customers; or
- **Conveyance method of supply:** distributors move away from the interposed model of delivery. Again, this would eliminate the need for a distributor to deal with multiple parties and would see the distributor billing consumers directly for the cost of supply.

5 The cost of change

Any change to the way in which the industry is currently structured is going to incur costs. Aurora Energy strongly urges the Authority to undertake a robust cost-benefit analysis as part of considering whether and how to accommodate multiple trading relationships, and involve all stakeholders in that process.

The removal of the barriers that the Authority has identified each bring costs to the industry. It is therefore important to accurately evaluate and determine options that are both prudent and efficient in the circumstances.

If the Authority does look to accommodate multiple trading relationships by redesigning the industry's processes and procedures, there will inevitably be significant cost incurred by the industry. This could include initial and ongoing expenditure in relation to:

- the redevelopment of the Registry;
- amending distributors' billing and connection management systems and procedures. This would apply to both split billing and conveyance delivery options; however, if conveyance was adopted by distributors, then there should be a decrease in traders' costs as a consequence of the shift of responsibilities; and
- developing and implementing contractual arrangements between 'primary' and 'secondary' traders.

It must also be front of mind that these increased costs would inevitably be passed on to end consumers. Therefore the need, and necessarily the demand by consumers, to accommodate multiple trading relationships must be firmly established by the Authority before any decisions are made.

6 Access to data

Aurora Energy is not convinced that it is necessary at present to redesign the industry's current processes and procedures to accommodate multiple trading relationships. The Authority has identified one of the barriers to accommodating multiple trading relationships as being retailers' ability to hinder access to metering data. The Authority should prioritise continuing to explore making metering data more readily accessible to consumers and their agents, as this is likely to be an enabler for multiple trading relationships.