

Multiple trading relationships

Submitter	GoodMeasure
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Question	Comment
Q1. How material are the constraints to consumers establishing multiple trading relationships at a single connection identified above?	Industry reluctance will be the most significant constraint. The largest, most powerful players are the most likely to be at ease with the status quo. If a new system is brought up alongside the existing framework, where both continued to operate in parallel (much like how analog and smart meters continue to existing in the industry), consumers can drive the transition by selecting progressive retailers that have swiftly embraced the new approach.
Q2. Are there other constraints that prevent multiple trading relationships from efficiently occurring? If so, please describe them.	<p>The changes required to establish multiple trading relationships (where the consumer ultimately benefits in great choice and lower prices) will actually be more sweeping than that covered by the consultation paper. A logical extrapolation of the initial changes proposed here will demand more fundamental changes in the relationships between parties. As with most industries, it is of great value to put the consumer first and decide which relationships need to exist based on how the consumer will benefit and where the appropriate incentives are placed.</p> <ol style="list-style-type: none"> 1. The most <u>enduring</u> relationship that a consumer may have with an industry participant is that between consumer and distributor. Yet, it is not direct under the current model. This disconnect makes less sense when multiple retailers provide services to the same consumer and must split-charge the costs through some arbitrary scheme. It will make even less sense when a consumer becomes a consumer/generator with solar and V2G. The industry is better prepared if distributors take a more active role sooner. 2. Currently, most MEPs contract with the retailer. Many of the problems highlighted in the consultation paper are due to the cosy nature of this arrangement. MEPs see the retailer as their customer and provide nothing more than what that retailer requires. MEPs use punitive contracts to ensure any installed assets cannot easily be superseded. These two conditions result in the consumer receiving minimal value from their smart meter. This should be clearly identified as a constraint. Of the 3 possible parties (retailer, distributor, consumer) that a MEP could contract with, the MEP-retailer arrangement is the one most likely to lead to anti-competitive behaviour. And yet, it is the most prevalent. 3. Access to load control needs to be opened in the same manner as access to metering data. This will lead to a greater level of competition, more efficient and greater utilisation of assets.

<p>Q3. What do you consider to be the benefits of multiple trading relationships?</p>	<ul style="list-style-type: none"> ● Ability for customers to choose between retailers at an intraweek or even intraday level. This would discourage smeared pricing for energy. This would encourage consumers to be more responsive to higher prices. ● Easier shifting between retailers will allow retailers to offer better seasonal prices, according to their own generation profiles. ● Recognition that multiple parties should have timely access to data will open the way for other service providers, such as load aggregators and energy buyers. ● Ironically, simply making multiple trading relationships possible is likely to provide benefits to the consumer without actually having to engage in it. The threat of it will push retailers to lift their game.
<p>Q4. What other services could be enabled by reducing or removing the barriers to multiple trading relationships?</p>	<ul style="list-style-type: none"> ● Opening up access to metering data also creates opportunities for ancillary service providers to promote services to consumers that can allow them to exploit their ability to shift load on demand. ● More flexibility in this area would allow customers to directly participate in providing capacity firming (for wind or solar). ● Demand for solar and EVs would not be held back by reluctant retailers. ● Distributors, as one of the parties receiving metering data, could benefit from the extra information about the state of their low-voltage network. ● Non-industry players could enter the market, bundling energy with other services. ● Swifter flow of data leads to swifter payment for services, lower prudential risk and lower costs to serve.
<p>Q5. What changes, if any would be needed to the switching and disconnection/reconnection processes if a consumer were able to have multiple retailers?</p>	<p>The distributor is the logical party to assume the role as default supplier and the sole party in charge of connections and reconnections. If recent regulatory changes permit a distributor to participate in retail, it would be the retailer of last resort for parties that have not selected an alternative retailer.</p>
<p>Q6. What other data exchange processes that have not been identified in this paper need to be changed to accommodate multiple trading relationships?</p>	<p>The use of file transfer arrangements between parties is archaic. Many other industries have moved to web services models for the exchange of data. It is faster and more flexible, without compromising on the need for agreed standards.</p>
<p>Q7. How could the data exchange processes be modified to accommodate multiple trading relationships?</p>	<p>While a centralised database could be used as a common source for metering data, it does not put the right incentives in the right places with respect to timely delivery of data. As the consultation paper suggests, retailers and their contracted MEPs have little incentive to provide a swift and value-rich service. The EA should consider arrangements where the metering services are contracted directly by the consumer, or by the distributor. This would provide a more level playing field for the retailers and further, it would prevent the ridiculous circumstances that occur today; for example where multiple meters (each for a different party)</p>

	<p>are installed at a premise, or the common example where all metering equipment (including CTs) is physically removed from a consumer's premises and replaced with identical equipment, simply to provide communications services to a different party.</p> <p>There is proven communication technology, commercially available today, that allows multiple parties to receive compliant, secure, real-time metering data, simultaneously <i>from the same smart-meter</i>. However the existing MEP-retailer relationships are restricting the widespread uptake of such technology.</p>
<p>Q8. What other services, if any, would have to share costs between multiple users?</p>	<p>While all participants would be required to sign Use of System Agreements with the distributor, the prospect of multiple retailers having to share distribution costs is folly. The clear solution for is the distribution company to bill the consumer directly. This leaves the consumer free to have as many retailers as they wish. Billing has never been so cheap and simple to manage. Many smaller operations can send regular bills to consumers, for only a few cents a month. The distribution company would be just another party with access to the metering data. It could determine whether it needed to bill weekly, monthly etc., independently of the services that the retailers would provide. If the distributor does not wish to bill the consumer, it could ask (not force) a sole retailer to do it for them.</p>
<p>Q9. How could the cost of these services be shared amongst multiple users?</p>	
<p>Q10. Could consumer data be more efficiently shared with service providers that have a legitimate claim for access to their consumer's data? If so, how?</p>	<p>Yes. The consumer understands which parties need to have access to their data. Just as they today agree which parties should have access to their surfing habits or shopping preferences, they should be able to appoint more than one party to be the recipient of their metering information. To limit it to a sole party would be restrictive unless it could be guaranteed that the party would act only in their interest.</p> <p>A few market participants have expressed the view that the only way to share metering data among multiple traders is through a centralised data store. This is not the case. Multiple parties have been able to read the same meter, reliably and without disruption, for many years. This technology is commercially available now.</p> <p>There should be no restriction to innovative meter communication technologies being considered as a feasible way of removing the existing information barriers. The contractual relationship between MEP and retailer is what prevents it happening, highlighting a market weakness.</p> <p>Even if multiple parties end up managing their own information, competitive pressures will force the inefficient, poorly organised ones out of the market. The consultation paper seems to suggest (in 5.8) that decentralised models are inferior. It does this by highlighting the current state and the risks that surround it. Decentralised models rule the Internet, yet deliver very effective services to their customers. Centralised system require agreement over a lowest common denominator. Given the industry's poor track record over</p>

	<p>data management and customer oriented service, the bar would end up being pretty low.</p> <p>New retailers are emerging with agile tariffing and billing capability. Why should they be hampered with trundling data processes that are tuned to the pace of the bigger retailers?</p>
<p>Q11. How much value is there in making it easier for appropriately authorised firms to access information such as a consumer's tariff structure, the smart meter functionality that is used by the consumer's MEP, a consumer's controllable appliances?</p>	<p>Regarding tariff structure, all retailers should be required to make their pricing available to customer through a standard web services model. This allows 3rd party services to access the tariff (as well as other pertinent detail such as house load, EDB tariffs) in order to make the best decisions on behalf of the customer.</p> <p>Regarding smart meter functionality, the true power of the smart meter has effectively been hidden under a bushel by the retailers that wield so much control over the MEPs. There are parallels here with the anti-competitive challenges around the local loop. Just as retailers and incumbent MEPs raise walls to defend their position, Telecom NZ engaged in similar anti-competitive activities. In the area of home broadband, customers now enjoy a great deal of choice and lower prices due to Commerce Commission intervention, granting access to 3rd party DSLAMs and ATM connections in the exchange. In the electricity industry, <u>the smart meter is the exchange</u>. Most smart meters have the ability to be read and managed by multiple parties, yet the stranglehold that a single retailer holds over the communication with smart meters is limiting the market.</p> <p>Regarding consumer appliances, with appropriate pricing signals, an energy consumer should be able to either make informed decisions about when to operate appliances, or have the ability to appoint an agent to act on their behalf. No standardisation is necessary, other than for publication of tariffs.</p>
<p>Q12. Are there other industry participants that may need to amend their systems to operate in an environment with multiple trading relationships?</p>	
<p>Q13. What are the costs of the above changes recognised in questions 10-13?</p>	
<p>Q14. What other obligations need to change if multiple traders can serve an ICP?</p>	<p>On Medically dependent and vulnerable consumers, the obligations should have always been with the distributor.</p> <p>On Customer Compensation Scheme, the scheme just highlights the weakness of Fixed Price Variable Volume contracts. If a consumer buys a fixed amount of base load, they can always sell the surplus back to</p>

	<p>the market, in the event that it is worth more to the market than it is to them.</p> <p>On Trader Default, the distributor should be the retailer of last resort.</p> <p>This consultation paper highlights that some existing market structures are failing to deliver the expected benefits to consumers. Why not broaden the scope to also say that LFC does not deliver the expected benefits either? Wealthy owners of LED lighting, efficient heat pumps and solar panels are the ones selecting the LFC tariff. The LFC also obfuscates the true cost of delivered services as distributors and retailers perform tariff contortionism to fit within the framework. It either fails to deliver the benefits or delivers the benefits to the wrong parties. It should also be overhauled.</p>
<p>Q15. How could the obligations discussed above be amended to accommodate multiple traders at an ICP?</p>	
<p>Q16. What costs would be involved in amending consumer-related responsibilities to accommodate multiple traders at an ICP?</p>	
<p>Q17. What additional matters would need to be considered if we were to introduce multiple trading relationships? What amendments would need to be made to the Code to facilitate multiple trading relationships?</p>	<p>Distributors should have no default guaranteed right to the control of consumers' load. They have price signalling or opt-in contracts (through controlled tariffs) to provide the influence over load that they need. Retailers could bid for the use of the load control, or better still, the consumer could participate in dynamic markets where the use of load control would be given to the highest bidder for a half hour period. Communication technologies which facilitate this, utilising existing smart-meters, are commercially available today.</p>
<p>Q18. What is the cost of the changes needed to enable multiple trading relationships?</p>	