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Electricity Authority

By email: submissions@ea.govt.nz

Market enhancement omnibus

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide a submission to the Electricity Authority (the **Authority**) on the consultation paper *Market enhancement omnibus* (the **consultation paper**) dated September 2018.

Broadly, we support the Authority to engage with industry in an omnibus format, but we do note this requires participants to consider a range of issues, some of which are intrinsically linked; others entirely unrelated, concurrently. This can put a strain on resources, particularly when there are other industry consultation processes underway. This may limit the quality of engagement, and we encourage the Authority to be mindful of this when planning for its next omnibus.

In our responses on the *Switch process review* section we commented that a number of the issues raised are related and should not be resolved in isolation so as to avoid unintended consequences. We also note that many of the issues in this section have arisen as the competitive market has developed to offer increasingly differentiated, innovate products and services for the benefit of consumers.

In our view, and that of the Switch Technical Working Group (**STWG**), the switch process needs a holistic re-think to both resolve these issues, and provide for further industry change. This is consistent with the Authority's role as regulator to ensure the regulatory framework can strike the right balance between allowing innovation to develop within the bounds of existing rules, and responding when market failures are identified.

We have provided comments in the appendices attached on the *Access to WITS and the registry*, *Switch process review*, *Integrating hosting capacity into Part 6 for low voltage networks*, and *Review of metering and related registry processes* sections of the consultation paper. We note that for the questions relating to access to WITS, we are comfortable with the proposed changes in principle, subject to legal review. If you would like to discuss any of these matters further, please contact me by email: margie.mccrone@genesisenergy.co.nz or by phone: 09 951 9272.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. McCrone".

Margie McCrone

Senior Advisor, Government Relations and Regulation

Appendix B: Switch process review

QUESTION	COMMENT
<p>Q1: Which, if any, of the 22 issues raised in this paper do you consider should not be investigated further? Please give reasons.</p>	<p>In our view, many of the issues raised are interlinked so we do not believe that they should be resolved independently or there could be unintended consequences. Where we believe there is an interconnection between issues, we <i>have indicated so</i>.</p>
<p>Q2: Are there any issues not raised in this paper that you consider should be investigated? Please identify these other issues and give reasons why they should be investigated.</p>	<p>A number of the issues raised are caused by parts of the industry changing faster than others and we consider the current switching process needs a holistic re-think to:</p> <ul style="list-style-type: none"> a) resolve issues created by increasing differentiation and innovation among participants; and b) future-proof the process for a future where there are multiple services offered to a single ICP. <p>This was also identified by the STWG.</p>
<p>Issue #1 <i>This relates to issues 2 and 10</i></p>	
<p>Q3: How material is this issue?</p>	<p>Genesis is not aware of any evidence that this issue is widespread. In the year to 30 June 2018, our average switch time was 2-3 days and there was high compliance with the 10-day rule: we processed 37,592 TR losses, none of which exceeded 10 days; 956 exceeded 5 days. We also processed 28,609 gains, of which 34 exceeded 10 days; 717 exceeded 5 days.</p> <p>In our view, the real issue is that the date of the switch is determined by the losing trader. This removes the ability for the gaining trader to align ICP ownership with any commercial arrangement made with the customer e.g. necessary metering changes or commencement of products and services.</p> <p>We suggest that the process should be changed so that the gaining trader can elect to provide the switch date. The gaining trader would need to operate within specified parameters so as to avoid</p>

	any valid restrictions.
Q4: Is this issue getting worse?	<p>As per the consultation paper, the issue has been observed, at consistent levels, since the 5/10-day rule was introduced.</p> <p>Demand to have the gaining trader determine the switch date has grown as competition to create more differentiation in products has increased.</p>
Q5: Why do you think this issue is occurring?	Traditional determination of the switch date process has been made redundant by advances in customer offerings.
<p>Issue #2 <i>This relates to issues 1 and 5</i></p>	
Q3: How material is this issue?	<p>This issue is only material for traders that have an offering limited to a class of metering not currently installed at an ICP the trader wishes to gain, or traders that have limited system capability that is limited to handling data in certain formats.</p> <p>We consider it can be resolved by the solution suggested above under issue #1, that is, allowing a gaining trader to set the switch date.</p>
Q4: Is this issue getting worse?	The issue has worsened as new retailers have entered the market relying on access to mass market half hour (HHR) metering. It will improve as HHR deployments continue.
Q5: Why do you think this issue is occurring?	See response to Q2.
<p>Issue #3 <i>This relates to issues 6 and 10</i></p>	
Q3: How material is this issue?	<p>This issue only occurs when the losing trader uses non-half hour metering data (NHH) and the gaining trader requires HHR data. While the differences may be small, the frequency is likely a concern for these gaining traders.</p> <p>As this issue only occurs when there is an advanced meter (AMI) at the ICP, in our view it can be resolved by having the meter equipment provider (MEP) determine and supply the switch event read to both parties via the registry and switch files.</p>

Q4: Is this issue getting worse?	The frequency of occurrences will be directly related to the market activity of HHR gaining traders.
Q5: Why do you think this issue is occurring?	See response to Q2.
Issue #4	
Q3: How material is this issue?	<p>In our view, traders should not be required to provide data [to facilitate an ICP switch] that is already stored in the registry and will not change as consequence of the switch.</p> <p>We consider changing the switch process to allow automatic completion by the registry on solely unmetered ICPs is likely to be an efficiency gain overall, and will prevent any discrepancies between the losing trader's data and the registry being passed on.</p>
Q4: Is this issue getting worse?	It is static.
Q5: Why do you think this issue is occurring?	There is currently no differentiation in the process between metered and unmetered ICPs.
Issue #5 <i>This relates to issues 2 and 16</i>	
Q3: How material is this issue?	<p>Genesis considers the timing of the delivery of data for a service agreed between a trader and an MEP should fall under the commercial arrangement agreed.</p> <p>In our view, any mandated minimum delivery period may have perverse effects.</p>
Q4: Is this issue getting worse?	We are unaware if this is the case.
Q5: Why do you think this issue is occurring?	See response to Q2.
Issue #6 <i>This relates to issues 3, 10, 12, 14 and 16</i>	
Q3: How material is this issue?	This issue results from instances of issue #3

	<p>described above and as such has the same solution.</p> <p>We consider read time could be supplied in addition to switch event reads so that HHR gaining or losing traders know what periods to begin or cease trading (respectively).¹</p>
Q4: Is this issue getting worse?	We consider this issue will get worse as more traders use HHR data.
Q5: Why do you think this issue is occurring?	See response to Q2.
Issue #7	
Q3: How material is this issue?	This is a common issue throughout industry that could be mitigated by having the switch request file include an indicator as to whether the ICP switch is a consequence of obtaining a new customer.
Q4: Is this issue getting worse?	We believe it is becoming more prevalent as focus on industry performance increases.
Q5: Why do you think this issue is occurring?	This has been an issue since switching began as a result of the process design.
Issue #8 <i>This relates to issue 10</i>	
Q3: How material is this issue?	<p>Immaterial. This is an issue with reporting for the Authority that has little impact on industry participants; as such we do not consider changes to everyday processes and file formats would be justified to accommodate it.</p> <p>It appears that reporting accuracy and awareness is the underlying concern for the Authority. To address this, advice of ICPs involved in a sale and the effective date (in a defined format to help reporting) could be mandated to be supplied outside of the ICP switch process as and when a sale or transfer occurs.</p>
Q4: Is this issue getting worse?	No comment.

¹ We note that timing differences are relevant in HHR/HHR switches as well as NHH/HHR switches.

Q5: Why do you think this issue is occurring?	No comment.
Issue #9 <i>This relates to issues 1, 4 and 10</i>	
Q3: How material is this issue?	<p>We hear that anecdotally many traders send switch acknowledgment (AN) files for every switch as it is easier than including logic in their systems to only send the AN file when they must.</p> <p>Over time the original purpose of an AN file - that is, to identify the current trader and supply information not held in the registry - has been superseded by developments in the registry to the point there is doubt it provides any value in the ICP switch process anymore.</p> <p>In addition to the solution recommend above for issue #1, we consider the AN file should be removed from the switch process to simply it.</p>
Q4: Is this issue getting worse?	It is static.
Q5: Why do you think this issue is occurring?	See response to Q2.
Issue #10 <i>This relates to issues 1, 3, 6, 8 and 9</i>	
Q3: How material is this issue?	<p>Genesis agrees this is an issue and consider it could be resolved by removing the connection between transfer, move-in or half hour codes and subsequent switch timeframes: If the gaining trader can indicate whether they wish to complete the switch (say for non-mass market AMI ICPs), and if the gaining trader can set the switch date, this will mean there is a single timeframe for all switches to occur e.g. all switches to be completed within the latter of 2 business days of the event date or when the switch notification is received by the registry.</p> <p>We consider this would be a customer centric move, as having the timeframe based on the switch event date means it is tied to a date the customer is aware of, rather than a date that is related to an internal file exchange protocol. The rider of the latter of event date or notification file date is to account for backdated switches such as historical move-ins.</p> <p>If this change and others we have recommended</p>

	above were implemented, we could sign up a customer today and agree to start billing them from 15th of the following month as that aligns with their pay cycle. We would submit a first notification file (NT) with the 15th as the switch date and by the 17th we would have the switch complete (CS) file with metering configuration from the registry combined with a read for the 15th.
Q4: Is this issue getting worse?	It is static.
Q5: Why do you think this issue is occurring?	See response to Q2.
Issue #11	
Q3: How material is this issue?	<p>Genesis does not consider this issue is material, and there is no justification for regulatory intervention at this time.</p> <p>In our view, if information is required from a third party for a trader to complete their obligations, this is not a failing of the ICP switch process, but rather an issue for that participant's operational relationship with the third party and/or its own internal processes.</p> <p>Altering the ICP switch process to 'address' delays is likely to have the effect of disguising the underlying issue – as happens currently with traders withdrawing switches where they have delays in creating the CS file and then re-processing the switch to avoid the CS file timeframe breaches.</p>
Q4: Is this issue getting worse?	We note that soon after updates were made to Part 10 of the Code, several switches were delayed due to incorrect metering data being populated in the registry. These delays have dropped away as the data has been corrected and in absence of evidence to the contrary we believe the 'noise' around this issue is simply a hangover from that time.
Q5: Why do you think this issue is occurring?	It is a direct result of participants' own internal processes and third-party relationships.
Issue #12 <i>This relates to issue 6</i>	

Q3: How material is this issue?	It appears this issue results from a misunderstanding of the use of switch reads rather than any definition itself. ² A real, associated issue is that with the NHH read being deemed to be at the 24:00/00:00 boundary, a gaining HHR retailer will notice a discrepancy between the 24:00 NHH read and the subsequent half hour consumptions as the NHH read is to be an estimate for 24:00. This issue is addressed via the existing NHH to HHR trader replacement read (RR) clauses.
Q4: Is this issue getting worse?	The confusion could be becoming more prevalent as more HHR traders emerge.
Q5: Why do you think this issue is occurring?	See response to Q2.
Issue #13	
Q3: How material is this issue?	Yes, this is a material issue that should be addressed. The most common outcome we observe is that the status on the registry becomes misaligned e.g. when the current trader disconnects the ICP just as sign up with a new trader occurs and the notification file is delivered to the registry before current trader's status event - 'ACTIVE' to 'INACTIVE' - is registered; the gaining trader reconnects the ICP as part of sign up but no update to registry is made as the status is 'ACTIVE'; then the switch completes and the losing trader resends their original status event leaving the registry status reading as 'INACTIVE'.
Q4: Is this issue getting worse?	It is static.
Q5: Why do you think this issue is occurring?	We believe it is the result of a rule to lock the ICP when a switch is in progress that has been around since the registry was established. While there were probably valid reasons for doing so at that time, it is timely to reconsider whether certain fields should be updateable during the switch process e.g. status and nominated MEP.
Issue #16 <i>This relates to issues 5 and 6</i>	

² The definitions are not incompatible: the NHH meter read definition spells out the period for which a NHH read covers, the switch event read definition makes it clear it is a boundary read i.e. a start read for gaining trader, not a consumption read for the first day of ownership.

Q3: How material is this issue?	All the shortcomings identified in the paper present inefficiencies for parties involved.
Q4: Is this issue getting worse?	<p>In our view it is likely more disconnects will happen as new retail business models emerge. There are two potential solutions we see:</p> <ul style="list-style-type: none"> a) amending the switch process to reduce the need for read adjustments; or b) refining the RR process itself. <p>We consider that having MEPs provide switch reads on ICPs with AMI would dramatically reduce the number of RRs required. The shortcomings that have been identified can be resolved as follows:</p> <ul style="list-style-type: none"> 1) this is not a shortcoming of the RR process but the reasoning for its existence; 2) a simple alteration can be made to make the 4-month period start from the CS file date, not the switch event date; 3) a reasonable ICP threshold should be introduced - in the times of only NHH metering, 200 kilowatt hours was determined to be appropriate as that roughly equated to the cost to parties of amending the reads and amounts less than that did not have significant impacts on a monthly bill. With the advent of HH and the associated greater resolution of consumption it may be timely to review this threshold; 4) a simple change to allow either party to initiate the read amendment could be made, and we note this currently happens in the sense a losing trader may advise the gaining trader they now have actual read and can request they initiate, however the gaining trader can legitimately refuse if it is to their disadvantage; 5) this is addressed by having MEPs supply switch read for AMI ICPs, as above; and 6) this is addressed if the MEP supplies a time stamped reading. It is our understanding that MEPs may refuse to supply pre-switch date data if there are additional costs and time involved as a result of their systems being configured to deliver consumption data to the trader of the ICP at the time of the consumption i.e. extracting back dated periods is an exception process for them.

Q5: Why do you think this issue is occurring?	We believe the initial drafting of the RR rules, which was during a time where there was only NHH billing, did not envisage the actual operational function of switching process.
Issue #17	
Q3: How material is this issue?	This issue only occurs within one network area that does not always move from 'NEW' to 'READY' in a timely fashion. Having had discussions with them, it is clear they are aware of their obligations but are hindered by delays in the return of paperwork from their contractors. A bypass of this delay would be to allow traders to accept ownership of an ICP and update certain fields e.g. nominate an MEP while the ICP record is in 'NEW' status.
Q4: Is this issue getting worse?	No. It has improved over time.
Q5: Why do you think this issue is occurring?	This is a result of field processes not aligning directly with Code requirements.