ELECTRICITY AUTHORITY
TE MANA HIKO

Facilitating access to multiple electricity services

STAKEHOLDER INTERVIEWS

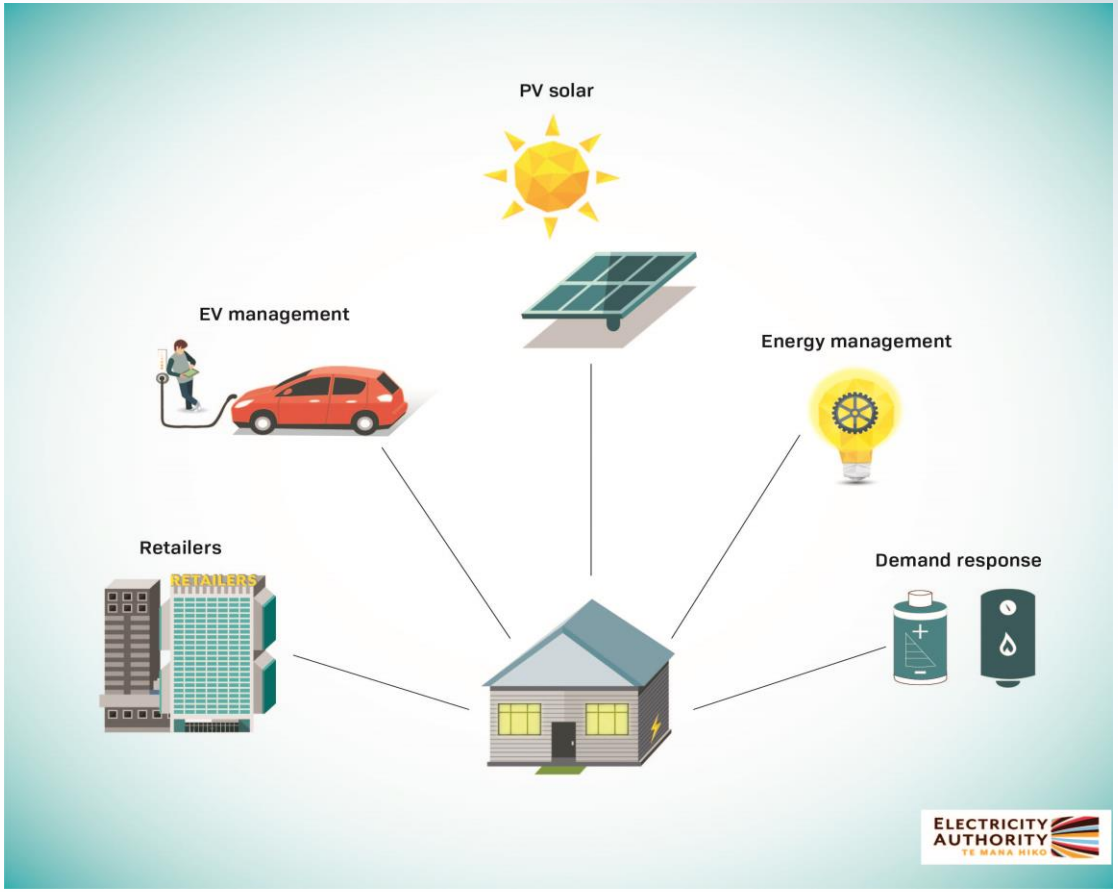
Options and barrier identification

COMPETITION • RELIABILITY • EFFICIENCY

We want to facilitate access to multiple electricity services

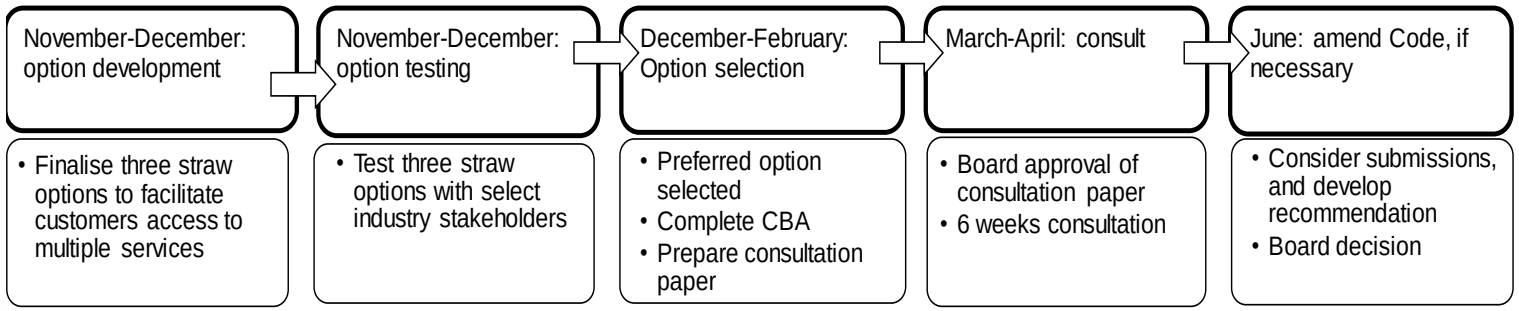
- Consumers have traditionally only accessed a single electricity service, the purchase of electricity from a retailer.

- Technological change will, over time, see consumers seeking to buy and sell a range of electricity services from a variety of service providers.



We want your views on pathways and barriers to facilitating access to multiple electricity services

- We want to hear about your experiences with services that go beyond the traditional retailer-consumer model and the barriers to them.
- Today we want to hear your views on practicality, cost, and barriers to potential pathways to increase access to multiple electricity services (MES) in New Zealand.
- Your feedback will help us develop a preferred option which will be consulted on in early 2019.



Today's agenda

- Your experiences with non-traditional services:
  - Barriers you have faced?
  - Potential benefits from multiple electricity services?
- Break
- Three models for facilitating access to multiple electricity services
  - The contractual model
  - The agency model
  - The platform model

Discussion starter questions are set out in slides 23-28

Your experiences with non-traditional services

What have been your experiences with the non-traditional services and those offering the services?

What services are being developed?

How mature is the market for these services?

What's your view of the opportunities provided by non-traditional services?

What barriers are there?

- Submission to our MTR consultation identified key barriers as:
  - tracking who is supplying what services
  - reconciliation and market settlement processes
  - assignment of responsibility for consumer-related obligations
  - procurement of metering services
  - pricing of distribution services and metering services
  - access to market and non-market data
  - data privacy and cyber-security

What do you see as the top 5 barriers to consumers accessing multiple electricity services?

What are the desired outcomes?

We've identified the desired outcomes from MES as helping:

1. Save customers money or provide them a opportunity to earn money
2. Encourage the efficient operation of electricity systems
3. Improve system reliability
4. Allow consumers greater choice of which services they consume or provide

<u>What do you see as the top 5 benefits to consumers accessing multiple electricity services?</u>

<u>What's the size of the potential market / business proposition?</u>

Options for consumers to access multiple electricity services

We have identified three high level options to enable consumers to access MES:

- A contractual model.
- An agency model.
- A platform model.

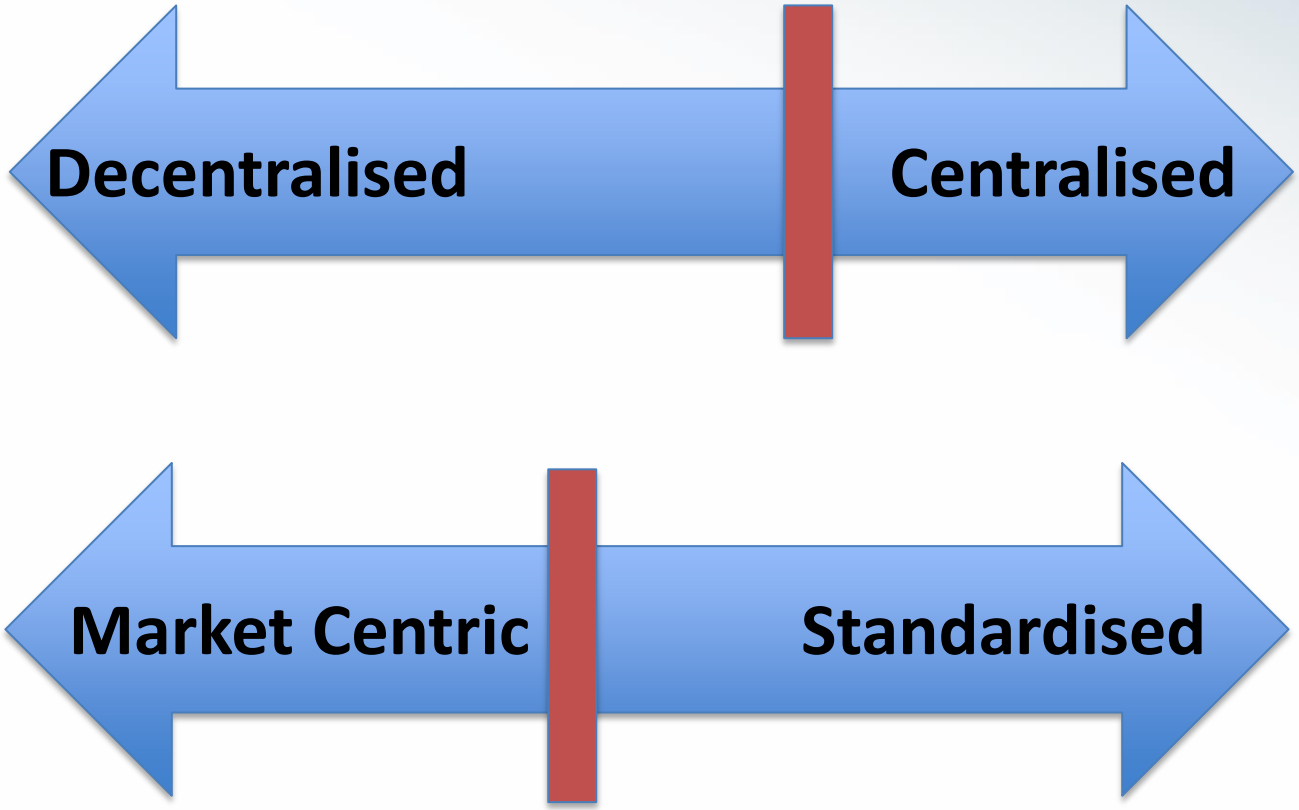
To illustrate the operation of these three models we show how a household would engage a second service provider to manage the charging (and potential discharging) of an electric vehicle (EV) under each option.

Principles that underpin success

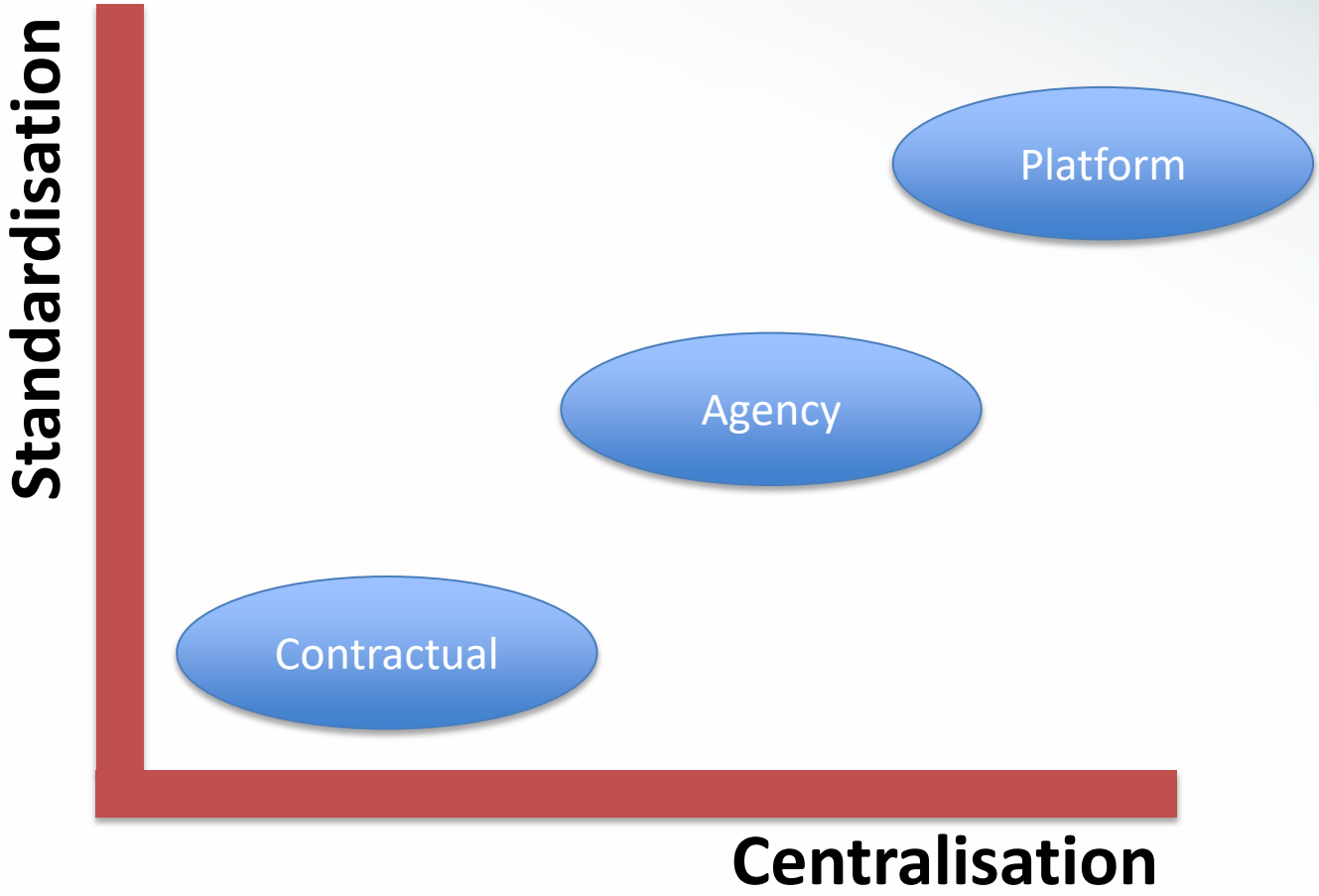
Any successful model would underpin increased participation by:

- allowing customers to have a frictionless experience when engaging with the service providers of their choice
- providing a single point of truth for all parties including customers, service providers, MOSPs and EDBs
- not imposing unreasonable costs on customers or service providers
- establishing single set of robust rules that apply equally to incumbents and new entrants

Dimension of these models

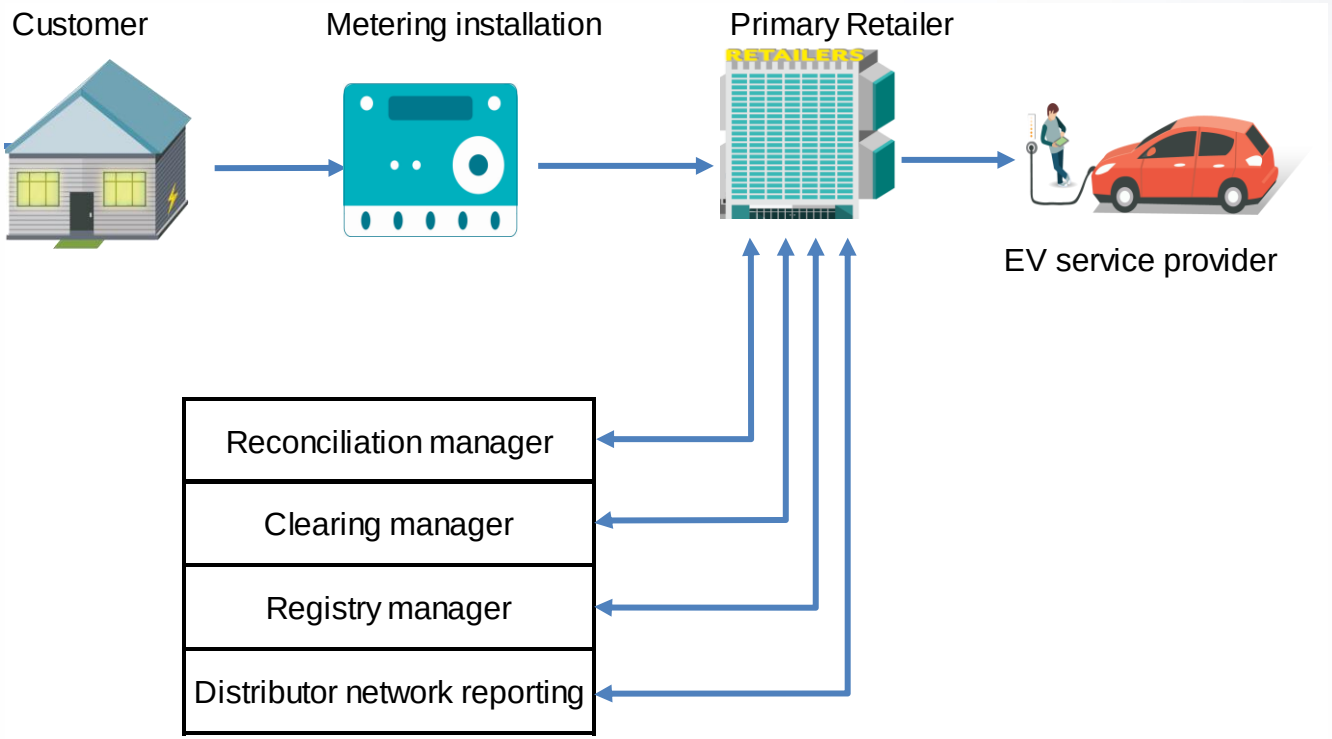


Where each models sit on this spectrum



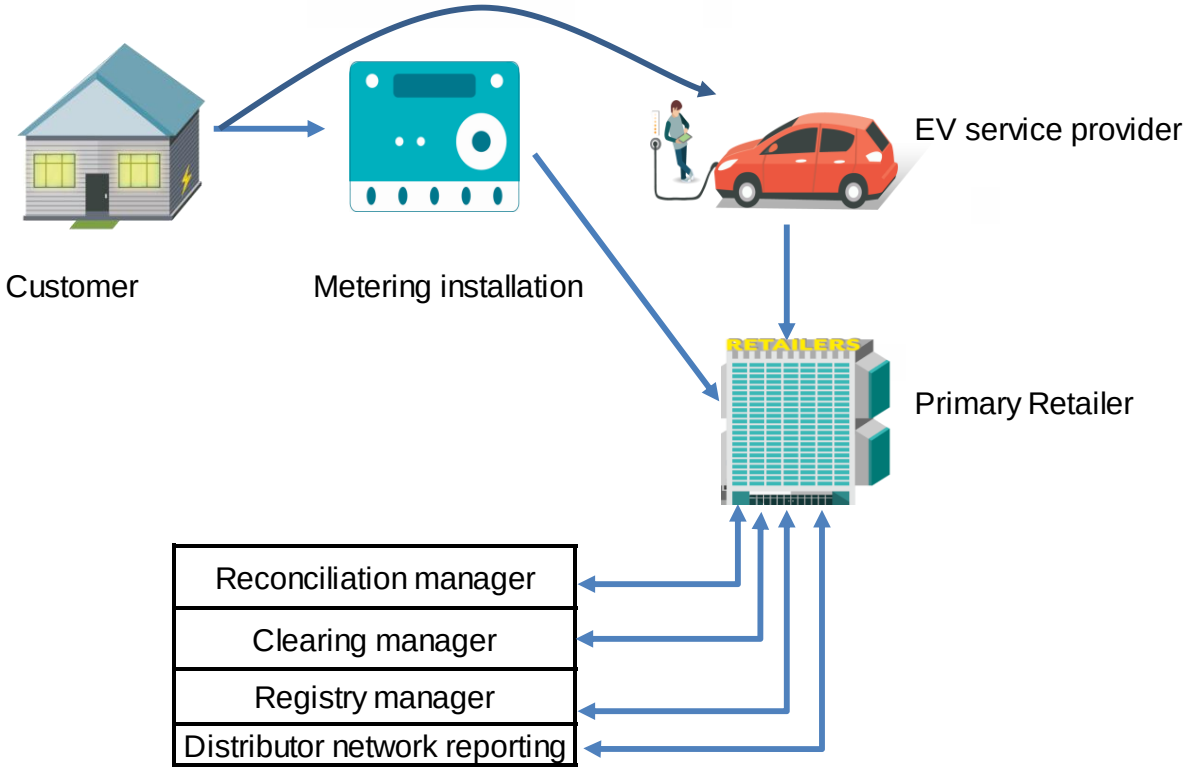
The contractual model (option A).

Under this model the consumer has a single contract with a retailer. This retailer enters into contracts with EV service providers and offers them to the customer as part of a bundle of services.



The contractual model (option B).

Under this model the consumer has a contract with a retailer and the EV service provider. This retailer enters into contracts with EV service providers and interacts with market systems for both services



The contractual model (cont.)

The household would sign up to either

- a bundle product offered by the Primary Retailer. This would include the sale of electricity for general use by the primary retailer alongside a separate offering for the management of EV charging/discharging provided by EV service provider; or
- an EV service offered by an EV service provider that has a contract with a primary retailer and the customer would also need to switch their normal electricity supply to this retailer.

The contractual model, your views.

Do you see potential for the contractual model to facilitate access to MES?

Given this is possible under current arrangements what has been holding it back?

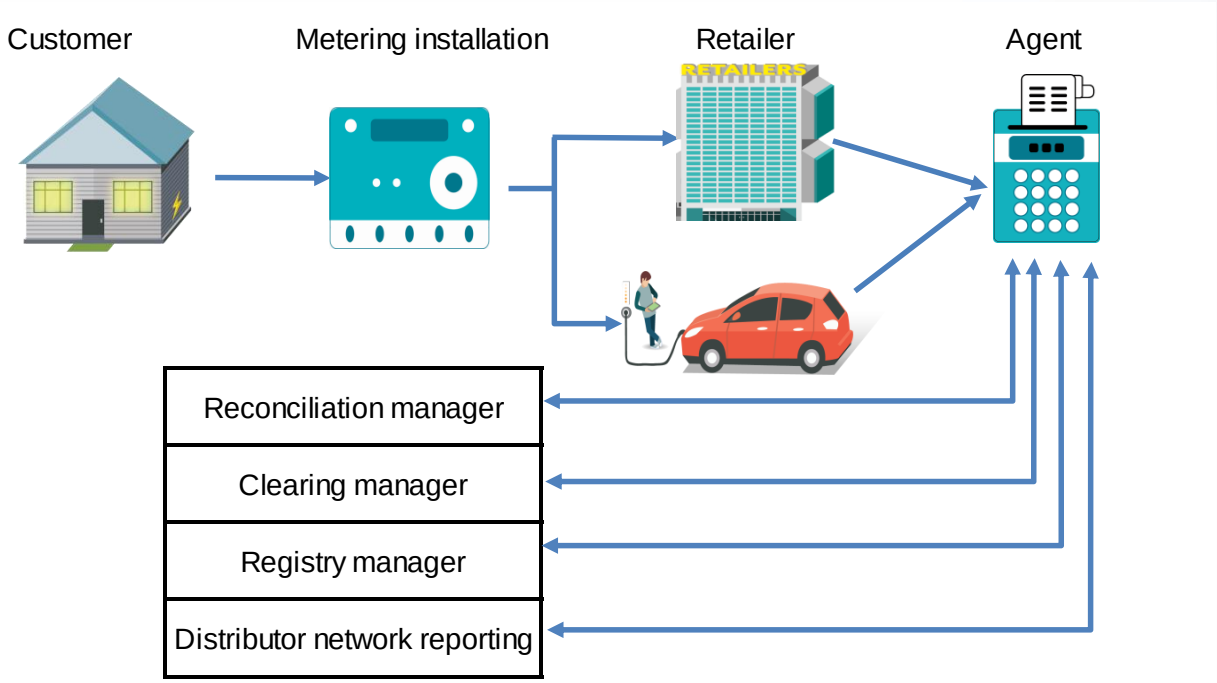
What's needed to make this model work?

How would this model play out?

What practicalities would need to be addressed in to allow MES to flourish under this model?

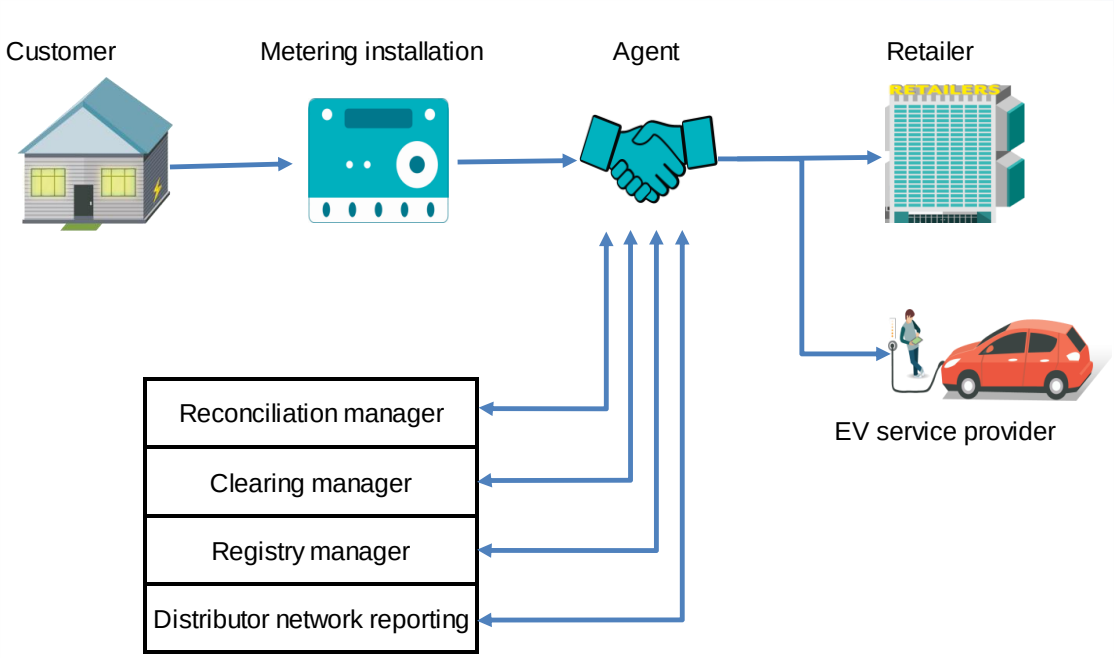
The agency model (option A).

- Under the agency model (option A), the consumer obtains services from multiple suppliers via neutral ‘intermediary’ (service agent). The service agent offers the customer a menu of options for multiple services. Each supplier on the menu interacts with a service agent and has no interaction with the consumer.



The agency model (option B).

- Under option B, the consumer obtains services from multiple suppliers directly. The agent then co-ordinates the service providers interactions with market systems and reconciliation process.



The agency model (cont.)

This model would operate as follows:

- the household would choose both a retailer and EV service provider from the agnostic agent's menu of services and providers.
- the agent could be either a single service provider appointed by the Authority, or we could leave this open for the market to supply the agent service, however this would likely need to become a participant and be audited for compliance with market rules and independence.
- the agent will invoice the household for all services received plus a management fee.

The agency model, your views.

Do you see potential for the agency model to facilitate access to MES?

What's needed to make this model work?

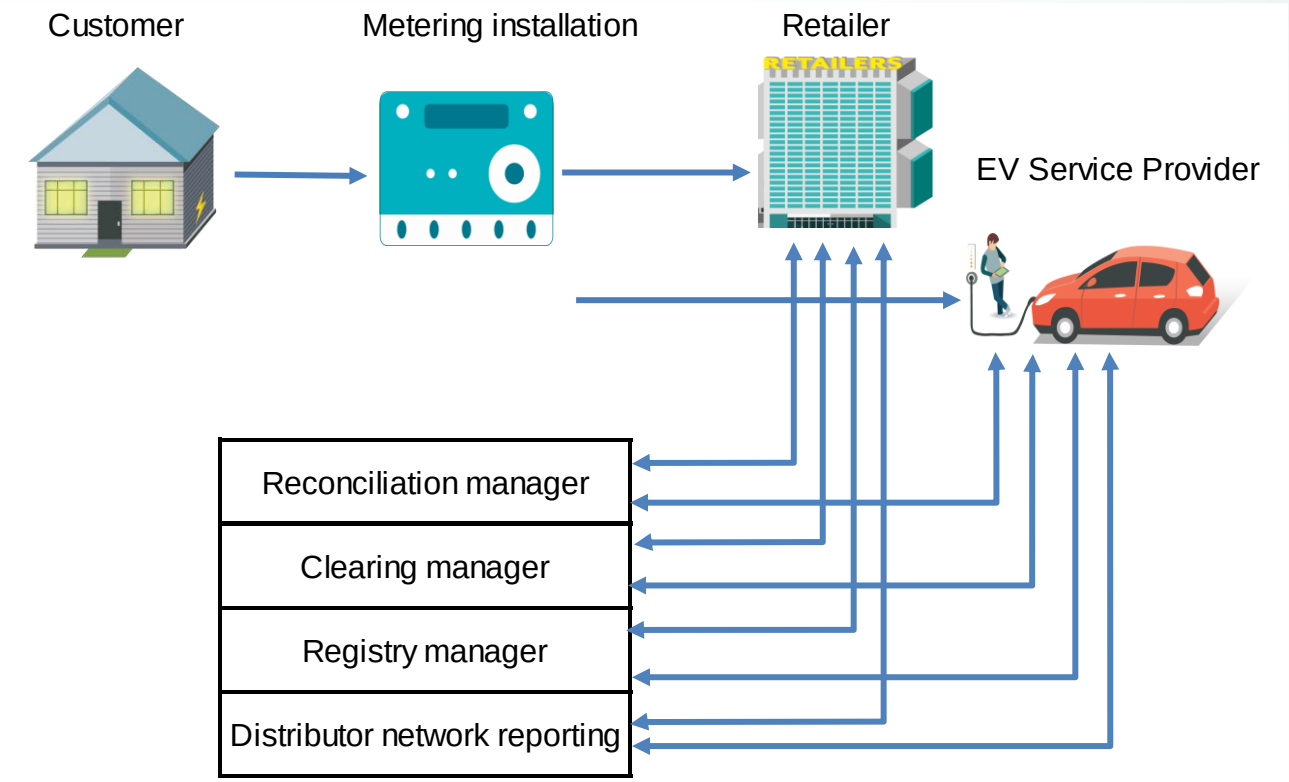
How would this model play out?

Are there any parties you think would be willing to play the role of the independent agent?

What practicalities would need to be addressed to allow MES to flourish under this model?

The platform model

- Under the platform model the consumer obtains services directly from multiple suppliers. Each supplier interacts on its own account with the market systems, which are altered to reflect a one-to-many relationship.



The platform model (cont.)

The household directly contracts with both the retailer and the EV service provider

Both the retailer and EV service provider are individually responsible for:

- contracting with the MEP and payment of the meter lease charge for the services it uses
- contracting with the distributor and payment of network charge
- reconciliation and clearing settlements with the electricity market
- payment of the Electricity Authority levy
- issuing invoices to the consumer for the services provided/obtained.

A potential alternate design option for the platform model would be to establish a central meter data store where the party that reads the meter provide the meter readings into the central metering database.

The platform model, your views.

Do you see potential for the platform model to facilitate access to MES?

How comfortable would you feel with this model?

What's needed to make this model work?

How would this model play out?

What practicalities would need to be addressed to allow MES to flourish under this model?

Would the platform model based on a central meter data store be more practical or cost effective?

Handouts to accompany discussion of each model

The following slides aim to provide a structure the discussion of each of the three different models.

Outputs (1): Filling out the model

- What would business process flows look like?
  - How would consumers engage with suppliers?
  - What interactions would be required between participants?
- How would commercial arrangements be formalised?
  - Between consumers and businesses
  - Business to business
- How would existing legislative or regulatory obligations be allocated?
  - If all suppliers, how would a shared model work?
  - If primary supplier only, what would pass-through arrangements look like?

Outputs (2): Identifying changes

What changes would be required to:

- the Code
- MOSP systems
- Participant systems
- Contractual frameworks
- EIEPs

Outputs (3): Costs

For each category of change:

- What magnitude of change is required? (Very high, High, Moderate, Low, Very low)
- What are the major cost drivers?
- How uncertain are the cost drivers?
- What ballpark cost would you guesstimate, and why? (<=100k, <=1m, <=10m, <=100m, >100m)

Outputs (4): Identifying outcomes

We have drawn the following categories of potential benefit from the consultation:

- Reduced electricity consumption
- Reduced cost of energy (through increased competition and efficiency)
- Reduced cost of ancillary services
- Reduced infrastructure expenditure (through price response, better incentives)
- More reliable and secure electricity supply
- Increased customer satisfaction
- Better data

Outputs (5): Benefits

For each category of outcome:

- Will changes affect overall benefit to the consumer positively or negatively?
- In the best case, what magnitude of benefits are potentially available? (Very High, High, Medium, Low, Very Low)
- What will be the main drivers affecting the scale of these benefits?
- How uncertain are the drivers?
- What, if any, preconditions are there to benefit availability?
- What ballpark benefits (over a 5 year period) would you guesstimate and why? (<=100k, <=1m, <=10m, <=100m, >100m)