



Submission on Evolving Multiple retailing and switching

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1 Submission and contact details

Consultation	Evolving multiple retailing and switching
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2 Confidential information

There is no confidential information provided in this submission. This submission can be publicly disclosed.

3 Introduction

Wellington Electricity Lines Limited (WELL) welcomes the opportunity to provide a submission on the Electricity Authority's (EA) consultation on 'Evolving multiple retailing and switching'. As highlighted in the consultation document, WELL is currently trialing the concept of multiple trader relationships (MTR) with Kainga Ora. As a general direction of the industry WELL supports an efficient implementation of MTR provided that such an implementation can clearly be demonstrated as benefiting consumers. We also consider that as part of this picture, ICP based reconciliation is likely to be a key enabler of consumer value going forward. The potential benefits of ICP reconciliation have been illustrated by the Kainga Ora trial. We look forward to presenting these benefits and costs to the EA.

However, we do not support the proposed implementation of MTR as proposed by the EA. The current proposal does not appear to address fundamental aspects of the legal and commercial framework that would be required to ensure successful implementation of MTR. We consider that the proposed implementation will likely lead to legal and commercial uncertainties. Not addressing these legal and commercial uncertainties prior to implementation of MTR will highly likely result in significant costs

being borne by consumers. In our view the aspects that need additional clarity before the proposal is implemented are:

1. Under the current proposal the legal relationship between the responsible-trader and other traders at an ICP needs to be clearly specified. While as an EDB we are satisfied with having a one-to-one relationship with the responsible-trader, the requirements of the responsible-trader to pass on any pricing signals, and payments from and to other traders operating at a site, the treatment of outage notifications etc. needs to be crystal clear and well defined to ensure a safe and reliable operation of the system and the market. This additional clarity includes how the operation of the DDA relates to the relationship between the EDB and the responsible-trader, and how the responsible-trader will then be accountable for the actions of all other traders and aggregators operating within the ICP. Under the current proposal these arrangements do not appear to have been fully addressed. We also note that these arrangements are required to implement some of the other decisions recently made by the EA such as the requirement for an EDB to pay for injection at peak times and the passing on of TOU pricing by retailers, as the interaction between this proposal and that Code amendment is unclear. We note that both TOU pricing and paying for injection results in effectively double counting benefits of injection.
2. In our view it is unlikely that the responsible-trader implementation of MTR will be a stage on the path to full MTR implementation. As such the implementation of the full MTR regime will likely require another redesign of the legal and commercial framework. If the proposed MTR structure is implemented but full MTR is the desired end-point, then this will likely result in duplication of significant costs which will all be borne by consumers. These costs include both the costs associated with redefining commercial and legal arrangements along with the significant system change costs incurred by each participant in relation to implementing the MTR regime. As such we would highly recommend that the EA consider the final end-point of the MTR reform, and the associated legal and commercial structure before embarking on the implementation process.

We consider these are fundamental points that need to be addressed prior to the implementation of MTR. As such, and given the fundamental aspects of any MTR implementation, we would strongly recommend that changes required to implement MTR should not be rushed into without careful consideration. We note that in Australia controlled devices are registered separately and this could be an avenue worth exploring.

We note that Chapman Tripp have identified examples of these issues within its advice to the ENA. We support Electricity Networks Aoteroa (ENA's) submission along with the advice provided by Chapman Tripp.

In regard to the proposed changes to the switching processes proposed by the EA, we are generally supportive of the proposal concerning EDB switching aspects. More details on our view are described in our answers to the EA questions below.

We would welcome further discussion from the EA on the points raised within this submission.

4 Consultation Questions

Q1. (Paragraph 2.20) Do you agree with the Authority's vision for consumer mobility? If not, what would you change and why?

WELL agrees that consumers will likely benefit from increased mobility and choice. We also agree that the proposed MTR implementation will result in greater complexity and cost to both implement the changes and operate within an MTR regime. As such we consider it is far from clear whether the value of the proposal for consumers will be positive. In our view the value of the changes would almost certainly be negative if it resulted in transition costs to be incurred twice. As such in our view the EA needs to be very clear what the end point of the MTR transition would look like.

Q2. (2.20) Do you have any comments regarding future stages of multiple trading, whether the proposal provides optionality for the potential future stages, and the options the Authority should consider?

We do not consider that the proposal provides optionality for the potential future stages for MTR implementation. A fundamental piece of the MTR journey that needs to be undertaken is a detailed consideration of the legal and commercial framework and the roles, functions and incentives of all the parties involved. We consider that these should be established up front for the end state of the MTR, and then an appropriate transition step be established as a mid-point should it be necessary. Without this process being undertaken it is highly likely that consumers will bear unnecessary costs and industry participants face significant risk. Under the currently proposed Code amendments, there is insufficient clarity on the relationship between the distributor and the traders at an ICP.

Q3. (3.26) Do you agree with the proposed solutions? If not, what would you change and why?

WELL does not agree with the proposed solution due to the points raised above. However, we note that a simplified one-to-one relationship with a responsible trader is in our view the simplest version of the MTR operating model, if this is the desired end-point in the MTR transition.

Q4. (3.26) Do you agree with the benefits anticipated from the proposed solutions? Are there other benefits you can anticipate or improvements to operational effectiveness and efficiency? Can you quantify these benefits?

We agree that there are potentially benefits of MTR implementation for consumers with MTR. However, the scale of the benefits and whether the value of MTR for consumers is positive is far from certain given the likely small uptake of MTR opportunities, the liability consequences for responsible-traders, and the costs of implementation.

Q5. (3.26) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high-level description of the changes that need to be made?

The proposed solutions will require system changes to ICP management, billing, and outage notifications. We consider the costs will likely to be significant.

Q6. (3.47) Do you agree options 2 and 3 are not preferred? If not, why not and how would you overcome the disadvantages?

We do not consider the options presented are sufficiently well formed to express a preference. While Option 1 appears to be the simplest we consider that fundamentally the legal and commercial framework needs to be clarified, and the end point to the MTR transition should be carefully considered prior to embarking on an implementation path.

Q7. (3.47) Do you agree that option 1 is the preferred option over options 2 and 3 and the reasons for preferring option 1? If not, why not?

Described above.

Questions on trader switching

We do not have any comments on trader or MEP switching or answers to questions 8 to 15.

Q16. (5.38) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high-level description of the changes that need to be made?

We do not expect the MEP switching changes to introduce additional costs.

Questions on distributor switching

Q17. (6.13) Do you agree with the proposed solutions? If not, what would you change and why?

WELL are supportive of the distributor switching changes to improve visibility and efficiency of these processes, however we believe that the proposed changes do not go far enough to remove inefficiency. The EA have made the assumption that the gaining distributor would always start this process. In the case of an Embedded Network being decommissioned, the parent network would have no knowledge of the decommission happening or the ICPs impacted until they receive manual notification from the embedded network provider (losing distributor). It would only be after this notification that the parent (gaining) network could then trigger the proposed switch process in the registry. We would encourage the EA to consider this problem further including the flow of information and the legal requirements prior to the consent stage. A related issue that we also consider that the EA should investigate is the customer impact that results from substandard extended networks.

Q18. (6.13) Do you agree with the benefits anticipated from the proposed solutions? Are there other benefits you can anticipate or improvements to operational effectiveness and efficiency? Can you quantify these benefits?

WELL agrees with the listed benefits especially where the changes enable and improve the efficiency of business processes, however we believe the changes could be expanded to ensure further efficiency and reduce costs.

Q19. (6.13) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high-level description of the changes that need to be made?

The proposed solution will require changes to our ICP management system and will have an associated cost. Until we have a functional specification from the registry, we cannot quantify what the cost would be.

Questions on implementation

Q20. (7.4) Would you prefer a single implementation or a staged implementation? Please give reasons for your preference

We have noted above that we would prefer a single implementation following clarification of both the end point, and the legal framework. This will minimize costs borne by consumers for the changes required.

Q21 (7.4) Do you agree with the suggested implementation timeframes? If not, please state your preferred timeframes and give reasons for your preference

We consider that the proposed MTR implementation requires further consideration of the fundamental components. As such we believe that 18 months is too short a timeframe for implementation. We would also prefer that implementation timeframes align with the beginning of the disclosure year.

Q22. (8.6) Do you agree with the objectives of the proposed MTR amendment s? If not, why not?

While we agree with the objectives of the proposed amendments, we do not consider the proposal will achieve these without addressing the fundamental issues raised in this submission.

Q23 (8.11) Do you agree with the objectives of the proposed amendments to the switching process? If not, why not?

We agree with the objectives of the proposed amendments.

Q24 (8.17(q)) Do you agree the benefits of the proposed amendment outweigh its costs?

We have noted above the likely costs of system changes required by the amendments. We expect that benefits can be maximised by having an appropriate amount of time for implementation for all participants.

Q25. (8.21) Do have any comments on the preferred and alternative options discussed in the 2019 Issues paper?

We support a single implementation over a staged implementation as noted above. We support the preferred options to resolve issues with distributor switching that are in the 2019 Issues paper.

Q26. (8.22(d)) Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

As discussed above

Q27. (8.25) Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?

We do not consider that the amendment complies in its current form for the reasons stated above. The EA would better promote efficiency by considering the various issues outlined in greater detail and should consider solving the problems raised before engaging in large reforms.

Q28. (Appendix A) Do you have any comments on the drafting of the proposed amendment?

As we have noted throughout this submission, we consider that there are significant and fundamental aspects of this proposal that require clarification that have not been included in the proposed code amendments.

We also note that the proposed Code amendment does not include any complementary changes to the Default Distributor Agreement (DDA). We expect that complementary changes will be required as well as changes to Part 6 of the Code.

5 Conclusion

We strongly recommend that the end point for the MTR is further considered and the clarity of the legal and commercial framework for the MTR is determined prior to implementation. We also consider that implementation should be undertaken in one step and thereby limiting the impact of costs on consumers. As such we do not support the current changes proposed by the EA.

We would welcome further discussion with the EA on the points we have made in this submission.