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Electricity Authority  
By email: [distribution.feedback@ea.govt.nz](mailto:distribution.feedback@ea.govt.nz)

## **Updating the Regulatory Settings for Distribution Networks**

Meridian appreciates the opportunity to comment on the Electricity Authority's issues paper on the regulatory settings for distribution networks. We are optimistic about the future potential for distributed energy resources (DER) and agree that changes to market settings can help to realise these opportunities.

This submission is structured under the following headings:

- Meridian supports changes to improve the workability of the data template
- Direct commercial relationships between MEPs and retailers, distributors, or flexibility traders would be an effective and efficient solution but would be a fundamental change
- Meridian is supportive of the Authority providing guidance on privacy considerations, but we note that this should not conflict with the privacy protections that already apply
- Meridian supports the measures to ensure that market settings allow for equal access

The Appendix of this submission also addresses the Authority's consultation questions.

### **Meridian supports changes to improve the workability of the data template**

Meridian agrees that codifying the Electricity Networks' Association / Electricity Retailers' Association variation to Schedule 12A.1, Appendix C of the Code (the data template) would make it simpler to form agreements in future and increase consistency across networks.

Meridian also supports changing the maximum frequency for receiving data to monthly. Several distributors have already requested such terms and Meridian is happy to oblige where the increased frequency of data provision supports the permitted purposes for the use of the data. We do not have any issue with the likely increased costs for higher frequency data provision, given the ability of retailers to cover their reasonable costs in providing the data.

Meridian agrees that MEPs should be the default providers of consumption data under the data template. It is not clear from the consultation paper how the Authority sees this operating in practice, but we assume the Authority has in mind a tri-party data template. Meridian suggests that Code changes could be useful to clarify that, while there is scope for alternative terms to be agreed, MEPs must accept the data template terms in the Code. Meridian supports the consequential change that would clarify MEPs can only cover reasonable costs for the provision of the consumption data.

**Direct commercial relationships between MEPs and retailers, distributors, or flexibility traders would be an effective and efficient solution but would be a fundamental change**

Ideally, MEPs should be considered the central repository and holder of the data, rather than retailers. Retailers do not generally contract for all meter information from MEPs, particularly voltage and other information that could help distributors to better understand their low voltage networks. It would also be far more efficient if distributors could go directly to MEPs for their ICP-level data, rather than having to work with retailers on those arrangements.

Ideally, any participant should be able to contract directly with the MEP for access to data. We see two matters that would need to be clarified in the Code:

- **MEP pricing:** as metering has the characteristics of a natural monopoly, transparency in pricing would help to ensure that prices are reasonable and appropriate. Currently retailers pay for metering costs. If there are multiple independent users of metering data in future, then costs would need to be allocated proportionate to use of the MEPs services. This should be done in a way that does not significantly increase the costs of metering, as this would harm consumers. Prices would be negotiated on commercial terms between each party. However, transparency would help to avoid unreasonable increases in the total revenue of MEPs (and resulting consumer

detriment). Meridian therefore supports the Authority's moves to improve transparency as well as consideration of options like standardised "pay-as-you-go" pricing.

- **Privacy:** consumers will need to agree that the various parties can use their ICP data, and the purposes for which those parties will use it. This is already the case for distributors in respect of permitted purposes under the data template as this will be covered in the terms and conditions and/or privacy policies of retailers. Those arrangements need not be any different if distributors were contracting directly with MEPs for metering data, however, retailers would need to make sure their terms and conditions and/or privacy policies were broad enough to also cover off power quality data. Meridian considers this a superior approach compared to trying to arrange distributor access to power quality data via the data template.

For any non-distributors wanting access to metering data, retailers will *not* have in place terms addressing privacy. Nor would it be appropriate for retailers to take on privacy functions on behalf of competitors. If any flexibility trader or load aggregator wanted to access metering data directly then that party must have a relationship with the consumer and should therefore seek customer consent to access their data as a condition of using the flexibility trader or load aggregator's services (in the same way that retailers do).<sup>1</sup> We note that under CDR legislation in Australia this tends to be something that consumers opt into when they seek the services of a third party. The Authority may need to consider operating rules for making this work, for example, what parties could seek consent and gain access, for what purpose(s), and how long that consent may endure.

These MEP pricing and privacy considerations are surmountable but would be relatively complex to resolve. While Meridian believes there could be significant consumer benefits in such an approach, Meridian queries whether such changes could be implemented quickly or whether they may in fact be overtaken by the implementation of a consumer data right for the electricity sector. It may be prudent for the Authority to consider such changes when the CDR legislation has passed, and more is known about its application to the electricity sector. The

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<sup>1</sup> We also note in passing that Meridian would not support any modification to the data template designed to enable flexibility traders to obtain metering data from retailers in the same way as distributors. Distributors are a necessary component of the interposed model where retailers bundle up the costs of underlying services. Flexibility traders are not – it would be a service sought by a consumer (more akin to retailers themselves) and likely in direct competition with many retailers who plan to offer flexibility services. It would not be appropriate for retailers to incur metering costs and manage privacy considerations on behalf of competitors – that would distort competition. Flexibility traders should contract with MEPs for data on commercial terms and manage privacy considerations directly with their customers.

Authority should seek to avoid incurring implementation costs (and imposing implementation costs on the industry) if the changes may not be enduring.

### **Meridian is supportive of the Authority publishing model privacy terms**

Meridian supports the Authority publishing some model personal information disclosure terms for retailers to include in their terms and conditions or privacy notices. While many retailers are already well aware of their privacy obligations, guidance could be useful for some retailers navigating this area. We do not see any case to mandate privacy terms – doing so would risk duplication or conflict with the obligations in the Privacy Act 2020. If there is a lack of understanding or compliance issues are evident, then that is a matter for the Office of the Privacy Commissioner to consider further.

### **Meridian supports the measures to ensure that market settings allow for equal access**

Meridian agrees with the Authority that there are three potential issues, namely:

- Distributors may prefer network solutions when non-network solutions could be more efficient;
- Distributors may prefer to self-supply non-network solutions rather than use competitive procurement; and
- Distributors may use their monopoly position in distribution to secure an advantage in contestable markets.

Ideally distributors would be ambivalent regarding the type of network solution and should be carrying out transparent and competitive tender processes for any non-network solutions with their own non-network solutions operating and competing at arm's length.

*Monitoring will provide an evidence base for further policy development, should it be needed*

Meridian supports the options to:

- require distributors to show they have explored non-network solutions;
- support the monitoring of distributors' use of competitive procurement with the assistance of the Commerce Commission; and
- monitor the behaviour of distributors in contestable markets.

We agree that such monitoring is a sensible start. We would encourage any review by the Authority of the disclosed information to be publicly reported to provide wider transparency and confidence in the sector.

The monitoring could also help to build an evidence base and provide insight on whether an increased regulatory response is needed to address the issues. Our view is that there may be merit in regulating to promote good decision-making in the long-term interests of consumers, such as ring-fencing or the arm's length rules contemplated by the Authority. We encourage the Authority to be open to these options. If such options are not progressed now then it would be helpful if the Authority could signal a time at which point the lessons from monitoring will be reviewed, and further interventions considered.

*Meridian does not support enabling multiple trading relationships (MTRs)*

Meridian does not support the option to enable MTRs. There is no good evidence that consumers want this. Those that do want MTRs, can currently do this by installing a second meter at their property. If there was significant consumer demand for this kind of set-up, retailers would also be likely to develop contractual arrangements with third party service providers. The absence of this shows that there is not significant consumer demand.

As the Authority notes, the costs of enabling MTRs are likely to be significant, which calls into question whether the benefits would outweigh the costs. Redesigning reconciliation and settlement processes and coming up with cost allocation methods for common infrastructure (for example, how to allocate network and metering costs among multiple traders) would be extremely complex and controversial with high associated costs and no real benefits to consumers. The additional complexity may also stifle innovation by making it harder for new entrants. Meridian has previously outlined our views on MTRs at length in [our submission](#) to the Authority in February 2018 on the consultation paper *Multiple Trading Relationships*.

*Encourage distributors to make 'standing offers' for DER*

Meridian supports the Authority's tentatively preferred option to encourage distributors to make available 'standing offer' price information for DER to support longer term alternatives to network investment. In Meridian's opinion, if this were implemented, it could enable retailers to offer more demand flexibility rewarding tariffs and have benefits not just in terms of network investment but also in terms of managing peak capacity in the wholesale market.

Nāku noa, nā



Evealyn Whittington

**Senior Regulatory Specialist**

## Appendix A: Responses to selected consultation questions

1.	Do you see value in commissioning two separate reviews to look into the merit and practicalities of implementing the recommendations of the UK's Energy Data Taskforce around unlocking the value of customer actions and assets and delivering interoperability in a New Zealand setting?	Meridian is not across the detail of the UK Taskforce and therefore has no opinion at this stage. However, in our experience the Authority may be better placed understanding the NZ context and developing solutions to identified problems with energy data. While it is important to learn from other jurisdictions, it will be important to carefully consider any options in the NZ context.
2.	Does this capture the key data needs for distributors to make informed business decisions that will unlock the potential of distributed energy resources (DER) for the long-term benefit of consumers? If not, what data is missing and what would it be used for?	This question is best addressed by distributors.
3.	Do you agree with the prioritization of the key data needs for distributors? If not, why not and how would you suggest the priority is changed?	This question is best addressed by distributors.
4.	Does this capture the key data needs for flexibility traders to make informed business decisions that will unlock the potential of DER for the long-term benefit of consumers? If not, what is missing and what would the data be used for?	Yes.
5.	Do you agree with the prioritization of the key data needs for flexibility traders? If not, why not?	<p>In Meridian's opinion it would also be useful for flexibility traders to have access to real time network congestion data to enable business cases to be made for investments in flexibility resources. This could be a medium priority given:</p> <ul style="list-style-type: none"> <li>• real time data may be dependent on other on building blocks i.e. distributors having real time access to ICP data; and</li> <li>• distribution pricing reform may alter real time congestion and constraints on low voltage networks.</li> </ul>

6.	Do you agree that the Authority should amend the Data Template to address the above issues to improve its workability? If not, why not?	Yes.
7.	Are there other changes to the Data Template that would improve it and assist it to be a useful mechanism for open access to data?	No.
8.	Do you agree that this is an issue? If not, why not?	As discussed in the body of this submission, ideally other parties would be able to access data directly from MEPs on commercial terms without any involvement of retailers, provided that privacy of personal information is addressed as well as greater transparency and standardization of MEP pricing.
9.	Should the Authority amend the Code to clarify that MEPs can contract directly and provide both ICP data to distributors (and flexibility traders) for permitted purposes? If not, why not?	Yes. However, it is not clear to us at this stage what the permitted purposes would be for flexibility traders to access ICP data. In Meridian’s opinion the “permitted purposes” construct should be irrelevant to flexibility traders who should have a relationship directly with consumers and can request permission to access data for whatever purposes are required to deliver their services. The purposes could be highly varied depending on the business model of the flexibility trader. In Meridian’s opinion, flexibility traders should ensure their own compliance with the Privacy Act rather than rely on retailers (who may be their competitors) and limited permitted purposes under the Code.
10.	Should the DDA Data Template be updated to include Power Quality Data? If not, why not?	Yes, however our preference would be to allow for Power Quality Data to be obtained directly from the MEP, instead of the retailer. This is because it is the MEP who holds the data, not the retailer. Getting the information directly from the source would be more efficient.  Ideally retailers would have an agreement with a distributor that would authorize them to contract with an MEP to obtain consumption and power quality data (for permitted purposes). This would be a more efficient arrangement. Code changes could be used to make any exclusivity or other barriers in metering or distribution agreements unenforceable,



		rather than requiring existing agreements to be renegotiated.
11.	Do you think that the transaction costs associated with negotiating access to MEPs is a problem that the Authority should prioritise? If no, why not? If yes, do you think there is merit in developing a default template to help reduce transaction costs?	We think that there is merit in making this process more streamlined and standardised.
12.	Do you agree that MEP pricing for ICP Data (including Power Quality Data) and related data services is not unreasonable at this stage? If not, why not?	Meridian's experience is that MEP pricing can be varied, and in at least one instance appeared unreasonably high. We support the move to having standardized charges.
13.	Do you agree that MEP pricing for the provision of ICP Data to distributors (and other parties) could be more transparent? If not, why not?	Yes. We support options to increase transparency.
14.	To support the transparency of pricing, standardization, and equal access to data, do you think that the Authority should consider further implementing IPAG's Input Services recommendation that MEPs publish standard "pay-as-you-go" pricing.	Yes.
15.	Do you agree that distributors' visibility of the location, size, and functionality of DER needs to be improved within the next 3-7 years to support network planning? If not, why not?	Yes.
19.	Do you agree that flexibility traders' access to ICP data must be improved so they have the same level of access as distributors (and retailers), with whom they might be competing to provide contestable services? If not, why not?	Meridian would like to question the need for granular ICP data for flexibility traders, if they can use real time data sourced from the flexible assets to monitor their systems (such as smart chargers, battery inverters, and other internet enabled energy devices). Information about household peak times and pricing can be sourced directly from the customer upon onboarding engagement.  If flexibility traders do require access to granular ICP data for operation and billing they should be treated the same as a retailer, and adhere to privacy, monetary and regulatory requirements needed to

		access this information in a fair and competitive market.
20.	Do you think the Authority should prioritise modifying the Data Template, so that flexibility traders can use it, or should the Authority prioritise amending the Code to clarify that MEPs must provide ICP data directly to flexibility traders and distributors for a set of permitted purposes without the need for retailer permission? If neither, please explain why.	<p>In Meridian’s opinion a tri-party data template would be enormously complex to design and implement and describing limited permitted purposes for flexibility traders to access data would be challenging and may limit the business models of flexibility traders.</p> <p>It would be far more efficient for the Code to clarify that MEPs must provide ICP data to other parties. However, rather than a set of permitted purposes, flexibility traders should ensure they comply with the Privacy Act and gain customer consent directly to access whatever data they require from an MEP to deliver their service. We understand this is how the Australian Consumer Data Right has evolved and that the same may occur in New Zealand. Such an arrangement would also:</p> <p>the terms between the flexibility trader and the MEP would also need to:</p> <ul style="list-style-type: none"> <li>• need to include terms to ensure the flexibility trader contributed fairly to the MEP’s costs; and</li> <li>• promote competition between retailers and flexibility traders as retailers providing the data or retaining the “primary” relationship with the MEP may give them access to commercially sensitive information about how flexibility traders are competing with them.</li> </ul> <p>While such Code changes would be Meridian’s preference, it would be a significant undertaking and it may be prudent to defer such changes and make them as part of the development of a consumer data right in New Zealand</p>
21.	Do you agree that flexibility traders need access to granular current and likely future Congestion Data on distribution networks within the next 1-3 years?	Flexibility traders need simplified information that identifies areas in the low voltage network that require support. Granular data that requires expert understanding should be summarized for easy ingestion by traders, with the network responsible for managing and alerting traders of constraint events (for example through messaging protocols such as OpenADR). Low voltage network health

		information is valuable for traders, but it should be translated from granular data by network operators.
22.	Are there any other issues preventing distributors from providing granular current and likely future congestion data?	Not that we have identified.
23.	Do you agree that visibility of the location, size, and functionality of larger DER needs to be improved within the next 3-7 years to help understand the drivers of network congestion, what DER is “controllable”, and what services could be offered to owners of DER? If not, why not?	Yes.
24.	Do you have any views on the type and size of DER that flexibility needs to have improved visibility?	Not at this stage.
25.	Do you think that the Authority, instead of a DER registry, should consider amending the registry data fields and/or requirements to improve DER visibility?	Meridian does not currently have a strong opinion.
26.	Do you agree that the Authority should prioritise work on addressing the other issues outlined in this paper?	Our view is that the Authority should prioritise simple, quick changes that can be progressed in the short term (such as amendments to the data template). Larger changes should be left until the Consumer Data Right has been implemented in New Zealand.
27.	Do you agree that flexibility trader access to real-time congestion and ICP data won't be needed for at least five years?	This seems a reasonable assumption and all data access for flexibility traders should be based on consumer consent.
28.	Do you agree that model privacy disclosure terms are appropriate?	We are supportive of the Authority's option to develop model privacy terms. However, we would caution against making these mandatory.
29.	Do you agree that model privacy disclosure terms would facilitate data access? If not, why not?	Not necessarily. Retailers should already comply with the Privacy Act and while guidance might assist in that task it is not likely to change anything fundamental.
30.	Do you see any practical issues with this proposal?	No.

31.	What are your views on the three options presented above, to deal with Issue 1 (that distributors might prefer network investments to NNS)? What alternative option(s) would you favour, if any?	Meridian supports a requirement for distributors to show they have explored flexibility options for network investments over a certain size. See the body of this submission under the heading “Meridian supports the measures to ensure that the market settings allow for equal access”.
32.	Do you agree with the tentatively preferred intervention to deal with Issue 2 (Option 3: encourage standing offers) and the collection and monitoring of information proposed under Option 4? If not, what alternative option(s) would you favour, if any?	Yes.
33.	Do you think there are circumstances in which the Authority should extend the arm’s length rules? If not, why not?	Yes. Monitoring and information disclosure options will provide further evidence regarding whether there is a need to extend arm’s length rules, to ensure that DER markets avoid distortions and remain efficient.
34.	Do you agree with the Authority that Option 1 should be implemented, and that Option 2 should be considered in the event of allegations of, or instances of anti-competitive harm in contestable markets (Issue 3)? If not, what alternative option(s) would you favour, if any?	Yes. We support the approach suggested but would like the Authority to remain open to Option 5 (Arm’s-Length Rules on distributors involved in flexibility services) if the evidence suggests that this would promote competition and benefit consumers.
35.	What do you think of the Authority’s option of using the education option proposed elsewhere in this paper, to include some guidance on how distributors should collaborate in future?	Given the size and number of distribution networks in New Zealand, Meridian supports further collaboration between networks, including through joint ventures. However, it is not clear to us whether the Authority will be able to facilitate efficiencies through collaboration, where it sees potential at low cost then it should proceed.
36.	Do you think it would be helpful for the Authority to encourage the use of joint ventures between distributors to increase their integration of DERs and their procurement of NNS projects? And should this be combined with the first option?	See above.
37.	Do you agree with the proposed approach to monitor progress between Transpower and distributors in developing standard offer forms for	We support the use of increased monitoring to help build an evidence base for further policy development.

	procuring NNS, and monitor whether issues associated with operating agreements for flexibility services are developing, and prioritise resource to help to progressing the other chapters? If not, why not?	
38.	Do you have any views on the best way the Authority can monitor whether issues associated with operating agreements for flexibility services are developing?	Not at this time.
39.	Do you have any suggestions for how the Authority can support industry-led work on providing guidance on best practice and templates for operating agreements?	Not at this time.
<p>Note that Meridian has not addressed the remaining questions in the consultation paper as we do not have a strong view at this time on the DER standards in Part 6 of the Code. In general we support the removal of any regulatory barriers to DER uptake. We also support the Authority's efforts to work with stakeholders on other barriers to DER uptake, such as EECA's green paper on <i>Improving the performance of EV chargers</i>.</p>		