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Electricity Authority
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By email: appropriations@ea.govt.nz

Submission on the Electricity Authority's Proposed Levy-Funded Appropriations for FY2024/25

Executive summary

1. The electricity industry has made significant progress over the past couple of years in facilitating access to smart meter data through commercial arrangements. This enables electricity industry participants to operate more efficiently and introduce innovative and improved services, which ultimately benefit consumers. It also allows more consumer energy resources (CER) to be connected to the grid, which helps ensure an orderly transition to a highly renewable energy future. To build on these gains, Bluecurrent supports initiatives proposed by the Electricity Authority (the Authority) for FY2024-25 in relation to smart metering, and in addition suggests some new ones. These include:
 - Adopting a principles-based approach to proposed amendments to the *Electricity Industry Participation Code* (the Code) that would allow metering service providers (MEPs) to contract directly with electricity distributors for the supply of ICP data;
 - Introducing a regulatory sandbox framework to enable and facilitate innovative trials in the electricity sector;
 - Producing guidance on the threshold for extending the arm's length rules to distributors operating non-network solutions;
 - Reactivating the Authority's omnibus Code reviews; and
 - Establishing a metering compliance forum or working group.
2. We discuss the above suggested actions in this submission.

Introduction

3. Bluecurrent (formerly Vector Metering) welcomes the Authority's consultation on *Relieving pressure to deliver regulatory reform at pace: Proposed levy-funded appropriations 2024/25* (the Consultation Paper), dated 19 December 2023. We appreciate the Authority's proactive engagement with Bluecurrent and other stakeholders on metering issues over the past year.
4. Bluecurrent is a provider of a cost-effective end-to-end suite of energy metering, data, and control services in New Zealand and Australia. Bluecurrent was instrumental in introducing smart metering services in New Zealand and today partners with leading retailers and distributors in both countries.
5. Our solutions enable customers to manage energy more efficiently. We provide tools and information to retailers, network companies, and end consumers to allow them to operate their business effectively and help their customers manage their energy needs. We provide future-proofed smart metering

infrastructure that is flexible enough to enable customisation and meet customers' future requirements.

6. Bluecurrent continues to innovate in energy metering – once viewed as no more than a way to record usage – into a reliable, seamless, powerful platform that our customers count on as a foundation for their existing customer offers and to develop and deliver future-ready energy solutions. Our focus is on enabling choice for change while making it safe and easy for our customers to operate.
7. In July 2023, Vector Limited partnered with Queensland Investment Corporation to form Bluecurrent. Both partners share a long-term commitment in New Zealand and Australia. Bluecurrent is focused on developing close relationships with our customers and providing the services they want in a rapidly changing energy sector, and enabling the energy transition.

Responses to selected consultation question

8. We set out below our responses to Question 6 in Part 6 of the Consultation Paper regarding the Authority's indicative work programme for FY2024-25. We focus on actions where smart metering can best support the achievement of the Authority's strategic ambitions.

Q.6 Do you have any comments on the Authority's indicative work programme for 2024/25?

MEPs contracting directly with distributors for the supply of ICP data

9. We note the Authority's intention to introduce amendments to the Code to enable MEPs to contract directly with distributors and flexibility traders for the supply of ICP data. Bluecurrent has already entered into commercial arrangements with electricity retailers and distributors for the supply of data without the need for Code amendments. Bluecurrent would be happy to discuss with the Authority the approaches used for these various agreements. It is with the benefit of this experience that we make the following comments.
10. Bluecurrent generally believes that the diverse benefits of smart meters are best delivered in a competitive metering market. It is our preference that data access issues be addressed through commercial arrangements or industry-initiated approaches. There is clear evidence in the market that significant progress has been made, and is being made, by industry participants in facilitating data access via commercial arrangements. This should be encouraged so that market competition and innovation that ultimately benefit consumers can flourish. As more new and innovative services are enabled by smart meter data, regulation (or more prescriptive regulation) should not be required.
11. We therefore suggest that any proposed Code amendments to further facilitate data access and any supporting guidelines adopt a principles-based approach rather than impose prescriptive requirements. A principles-based approach, as described by the Australian Energy Regulator (AER) in relation to emerging and future energy services, offers the ability to:
 - focus service providers on achieving good outcomes for consumers, while reducing regulatory complexity by overcoming the need to specify actions under a prescriptive framework
 - apply to different types of energy services, enabling service providers to undertake relevant actions to best meet the principles according to the particular needs of their customers
 - enable the regulatory framework to facilitate the development of further innovative energy services, delivering good consumer outcomes and other benefits over time

- minimise regulatory burdens because businesses are free to find the most cost-efficient way of achieving the outcomes that are required under [the] regulatory framework.¹
12. In terms of amending the Code, we believe a principles-based approach should take the form of high-level directions rather than prescriptive Code provisions. Greater prescription is likely to result in industry participants being required to divert resources (money and staff) to ensuring compliance with new regulatory requirements, rather than focusing on the delivery of better services to their customers. Over-prescription introduces costs to data services that customers (or some customers) do not need or value but end up paying for. It introduces unnecessary data supply costs to retailers, distributors, and consumers. For metering service providers, it could result in them becoming mere data collectors, rather than innovators that strive to continuously deliver better services and market offerings to retain and attract customers.

Regulatory sandbox framework

13. Bluecurrent supports the development of a regulatory sandbox framework for New Zealand's electricity sector, akin to that being administered by the AER (using its Energy Innovation Toolkit).² Such a framework would allow game-changing business models and technology solutions – which would otherwise breach existing Code provisions – to be trialled in a time-limited manner.
14. We understand that industry participants currently use the Code exemption process, which we also support, to enable them to conduct trials that would otherwise breach the Code. However, in the absence of a comprehensive regulatory sandbox framework, individual exemption applications would, at best, be a piecemeal solution to testing innovative solutions such as smarter and more dynamic hot water load management. We suggest that current Code exemption processes for innovative trial purposes provide comprehensive, omnibus-like exemptions that capture known and potential exemptions necessary for the duration of the trial. This would avoid trial participants having to apply for multiple specific exemptions prior to the commencement of the trial and as the trial progresses.
15. A key concern with the exemption process is that it could drain a trial project's budget before any lessons can be learned early in the process. It involves significant costs to coordinate multiple trial participants and keep the project team intact throughout any delays associated with the exemption application process. Simple trials could be put at risk as their innovation budgets dwindle due to such delays or unforeseen additional costs. Delays in the commencement of trials could also divert funds that could have been available for customer service improvements or innovation.
16. In addition, we suggest that participation in any trials that (fully or partially) benefit from public funding be open to all interested parties on a contestable basis. The learnings from publicly funded trials should be published for the electricity sector's benefit.

Arm's length rules – procurement of non-network solutions

17. Bluecurrent supports, in principle, the Authority's proposal to produce guidance on the threshold for extending the arm's-length rules to a distributor operating non-network solutions. The Authority's distribution sector reform work programme, published in October 2023, notes that:

. . . Imposing 'arm's-length' rules on distributors with respect to their non-network solutions activities would preclude them from supplying non-network solutions directly out of their existing distribution businesses. The need for us to make a foundational policy decision on this threshold was signalled in the issues paper.

¹ <https://www.aer.gov.au/system/files/2023-12/AER%20-%20Review%20of%20consumer%20protections%20for%20future%20energy%20services%20-%20Final%20advice%20-%20November%202023.pdf>, pages 28 - 29

² <https://www.aer.gov.au/about/strategic-initiatives/regulatory-sandboxing-energy-innovation-toolkit>

If it was apparent that third-party offerings were available which would deliver better outcomes than self-supply and distributors were continuing to favour self-supply, we could then consider extending the 'arm's-length' rules to require distributors to operate non-network solutions through separate entities. Issuing guidance on the threshold for extending the 'arm's-length' rules ahead of any evaluations of distributors' use of non-network solutions provides distributors and others with a clear understanding of our expectations and the consequences of not meeting these expectations. This project is aimed at supporting innovation, encouraging competition, and creating the regulatory environment that supports the efficient development of non-network solutions.³

18. Bluecurrent has the capability to deliver non-network technology solutions to help distributors manage their network more efficiently and avoid costly new network investment or expansion. For example, we are willing to provide alternative solar metering and other solutions for network management or related purposes. This would provide more options for distribution networks and contribute to, and ensure, the competitiveness of the emerging non-network solutions market.

Omnibus Code reviews

19. Bluecurrent supports the reactivation of the Authority's omnibus Code reviews – which were suspended during the pandemic – on an annual or more frequent basis. Such reviews help ensure clarity and consistency of provisions across the Code, reducing confusion or multiple interpretations and their associated costs.
20. While intended to introduce technical and non-controversial changes to the Code, the omnibus Code reviews could also help uncover systemic and more complex issues that the Authority could consider separately in greater depth and on a longer timeframe.
21. More regular omnibus Code reviews would also allow greater flexibility for the Authority, in consultation with industry participants, to correct errors or clarify ambiguous parts of the Code in a timely manner. This ability is becoming more important as the pace of regulatory reforms accelerates.

Metering compliance forum or working group

22. Bluecurrent suggests that the Authority consider Vector's suggestion in the previous financial year's consultation on levy-funded appropriations to establish an industry-wide metering forum or working group. This would allow existing and emerging implementation and compliance issues under the Code relating to metering to be surfaced in a timely manner. An industry-wide forum would also allow more practical perspectives from the industry to be captured for consideration by the Authority for future Code amendment processes. Vector's suggestion involves:

...the establishment of an industry-wide "metering compliance forum" where issues related to compliance with Code provisions related to metering can be identified, discussed, and resolved. As the need for smart meter data accelerates to enable the delivery of more digitalised energy services, complex and challenging metering issues that are causing confusion amongst industry participants need to be addressed in a more structured and timely manner. We suggest that the Authority facilitate such a forum at least every six months.

Alternatively, the Authority could consider establishing a "metering compliance working group" to consider systemic metering-related issues raised by industry participants. This working group can present options and recommendations to the Authority on how specific issues may be addressed, e.g. by introducing the appropriate Code amendments or developing guidelines. This working group, which can serve as the 'first point of call' for participants on metering compliance issues, could include representatives from metering service providers, approved test houses, retailers, distributors, auditors, consumer groups, and new energy service providers.

³ https://www.ea.govt.nz/documents/3929/Work_programme_Oct_231406907.13.pdf, pages 16 - 17

The Authority could further consider refreshing or expanding the Standing Data Formats Group (SDFG) to enable it to discharge the above functions. It is not clear what the status of the SDFG is currently.

The resolution of many compliance issues can be a discovery process, particularly those that are alleged to breach untested provisions of the Code. It is therefore important that a shared understanding of identified issues can be established across the industry in the first instance, which the above proposed metering compliance forum or working group can facilitate.⁴

Concluding comments

23. We are happy to further discuss with the Authority the critical role of smart meters in enabling the delivery of greater consumer benefits and an orderly transition to a highly digitalised and renewable energy future. Please contact Luz Rose (Senior Regulatory and Policy Partner) in the first instance at [REDACTED]
24. No part of this submission is confidential, and we are happy for the Authority to publish it in its entirety.

Yours sincerely



Neil Williams
Chief Executive

⁴ <https://blob-static.vector.co.nz/blob/vector/media/vector-2022/vector-submission-ea-2023-24-levy-funded-appropriations.pdf>, page 8