27 February 2018

Submissions
Electricity Authority
PO Box 10041
WELLINGTON 6143

Dear Authority,

Multiple Trading Relationships: how can consumers choose multiple electricity service providers?

Thank you for the opportunity to provide feedback on the consultation paper.

While Contact supports transparency and enabling consumer choice, we are unclear as to what problem the Electricity Authority (Authority) is trying to solve and are concerned there is no supporting evidence that what is being proposed is what customers want, or indeed that change is required.

1. Customers must be the starting point

The Authority's mandate is to promote competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers.

The starting point for this consultation should therefore be the customer; specifically, what is it that **customers** want? Not networks, not retailers but **customers**, and is any change in their long-term interest?

MTRs should only be pursued where they create value and benefits for customers that outweigh the costs. It is not clear from the paper under what scenarios MTRs would create value for customers or that customers would find MTRs useful.

While we think there are some areas where the Authority's proposal may make sense, we are not convinced a blanket change is required.

2. The constraints set out in the paper aren't real - data is available now

The Authority notes "*that electricity service providers, other than the consumers' sole retailer, face barriers to obtaining the data needed to provide the service the consumer has chosen … This barrier is a consequence of the industry systems, processes and data flows being designed on a one to one customer relationship".*

We disagree with the Authority's assertion.

Data is currently available through the EIEP 13C process, which allows a customer's authorised agent to request consumption information on behalf of the customer and, for those requesting data from Contact, this is being provided within an average of two days, far

exceeding the five business day requirement set out by the Authority. In addition to this, our customers are able to extract their data from our web portal and provide it instantly to third parties should they wish, without any risk of privacy breaches.

3. Retailers are not incentivised to inhibit consumers establishing multiple trading relationships

Contact is not opposed to sharing customer data with third parties. However, Contact has a duty (as a custodian of our customer's data) to ensure that any customer data shared with third parties is done so in accordance with our Privacy Act obligations and any Code requirements.

4. Hard constraints can be more cheaply addressed through alternative commercial arrangements

While the current industry rules and processes were originally designed or intended for a one-to-one relationship between a customer and a retailer, and currently introduce challenges for customers having more than one retailer at a location, there are more pragmatic solutions to enable multiple parties to provide services to a single customer or connection point than those set out in the MTR paper. This includes that traders establishing commercial arrangements between both industry participants and external service providers to offer services to customers without requiring significant and costly changes, i.e. a trader may elect to work with a service provider to offer load management solutions.

Contact considers that finding a practical solution within the existing industry framework is more pragmatic, particularly in the short term, when demand is unclear, than undertaking significant and costly systems and Code changes that are likely to outweigh any associated benefits at this point in time. This seems a particularly sensible approach when:

- as the Authority notes there are a **small** number of households who are storing electricity in batteries or installing other generation and who would be in a position to both buy and sell a service.
- This approach is in line with the Authority's Code amendment principles that the Authority should prefer small scale change.

5. Privacy is a real concern

Customers provide retailers with the right to use/share their data for reasons that are listed in each retailer's (including Contact's) general terms and conditions. As retailers are custodians of customer data, they are obliged to share customer data within the bounds agreed with customers and their obligations under the Privacy Act.

It is against this backdrop that retailers must reasonably assess any requests for customer data before sharing it with any third parties.

Retailers are strongly motivated, not by an incentive to keep customer data close to their chests, but rather by a desire to ensure that customers' data (for which they are custodians) is safely managed and shared in an informed and secure manner.

Retailers are aware that for the industry to progress and develop, third parties need access to customer data, but this must be done in accordance with their terms and conditions and the Privacy Act.

6. Conclusion

In Contact's view before any decision is made on whether and/or how to progress this, the Authority needs to provide evidence of the problem it is seeking to solve, that this is what customers want and that there are real benefits to customers arising from MTRs.

Without evidence that clearly articulates the problem the Authority is trying to solve, we are concerned that MTRs are being touted as a solution in want of a problem.

The success of MTRs relies on a trusted, repeatable, low-cost to administer data-driven energy eco-system. If this is what customers want and there is a universal area, for example the commercial and industrial sector where this makes sense, then a pragmatic approach may be to trial this slowly and build it out into a bigger operation if demand is proven to exist.

In line with the Authority's statutory objective to promote competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers the Authority should prioritise areas where it can make the most difference. On the basis of the information provided by the Authority this is not MTRs given the small number of customers currently in a position to buy and sell a service. This is not to say it would not be worthwhile for the Authority to look at this matter again in the future.

Yours sincerely

Louise Griffin
Head of Regulatory Affairs and Government Relations

Multiple trading relationships: Format for Submission

Submitter	Contact Energy

Question		Comment
Q1.	How material are the constraints to consumers establishing multiple trading relationships at a single connection identified above?	While the constraints may be material, it is important to note that retailers have not put up unnecessary barriers to sharing customer data. Retailers, as custodians of customer data, need to be able to reasonably assess each request to ensure that it is able to share the data and comply with its terms and conditions and its Privacy Act obligations. From an operational change perspective, without careful consideration of the costs and benefits and clearly articulated benefits to customers, Contact cannot support implementing any systematic or Code changes to support the multiple trader relationship proposal. We consider the changes involved in all operational aspects of the industry – in particular, trader operations, registry, switching, network reporting and settlement – will be significant and costly to implement for all participants for little benefit at this point in time. These are costs which are ultimately borne by customers. There are a significant number of industry processes, protocols, standards and assurances that would need to be agreed, operating and functioning seamlessly on behalf of customers and the respective providers of the data/services to each party, and with all eligible participants, before customers could rely on MTRs as a new capability. In essence you could look at the current suite of value-chain services, which all rely on a flow of information between parties, and which manifest in agreements, UoSA, license arrangements, billing, switching, saves protection, LUFC and other. Every single one of these touchpoints will have a constraint that needs addressing. Contact considers the best solution is to progress MTRs through commercial arrangements and/or within the existing industry framework and Code requirements at this point in time.

Q2.	Are there other constraints that prevent multiple trading relationships from efficiently occurring? If so, please describe them.	The biggest material constraint is the current lack of knowledge by customers as to what exactly they would do differently, or how they might benefit from MTRs. MTRs envision a scenario where data exchanges underpin multiple relationships and multiple flows between parties. While existing standards and processes have been set for the sharing of consumption data with a customer's agent, it won't necessarily assist in the sharing of data for MTRs. When data exchanges are multiplied ten-fold to embrace all aspects of the eco-system this system is a long way off from being 'open-source', regulated and systemised for ease of use by customers, brokers, agents and related parties. Another aspect that needs to be considered is the frequency with which multiple relationships can be formed or changed. At the very least, to provide participating multiple parties with some certainty, it's appropriate to consider limitations (i.e. one per year or only within a fixed term etc.). The absence of this could result in considerable additional costs and inefficiency. Another constraint is the current lack of a level playing field across EDBs. As they currently operate with their own tariff and charging structures, this proposal would essentially result in 29 different base variations potentially being created, in addition to the existing frameworks retailers work with today. ICPs are required to be separately isolatable under the current Code and any new ICPs created to allow multiple trading relationships to be established would need to take this into account. There is also a cost associated with receiving customer data, including the cost of complying with the obligations in the Privacy Act which needs to be borne by those using the data. How this is to be managed is an issue that would need to be considered.

Q3.	What do you consider to be the benefits of multiple trading relationships?	If the benefits can be easily articulated to customers, then there's a benefit in a new form of choice being available, i.e. it's an active demonstration of an open, transparent and co-operative market, working for those customers who would receive the material benefit. At this point the benefits are yet to be demonstrated. There is enough evidence globally to support the continued drive towards costs reflective tariff structures and improved demand response management systems – both under-pinned by greater access to data, and thus in the future there is an opportunity for this to be used to assist with multiple relationships. We would expect any/all of these types of enhanced energy management services to have some market appeal (in relatively small numbers to begin with). It will provide customers with access to new technology and complementary electricity services, therby enabling them to optimise their electricity cost/use.
Q4.	What other services could be enabled by reducing or removing the barriers to multiple trading relationships?	In reality, if we are in a more open-source, data-driven and data-exchange oriented system, and all participants of the energy sector agree to abide by set standards, then all manner of new services could be developed. The challenge is whether the market size and opportunity for each service is large enough and beneficial enough to warrant investment and development by the shared trading partners and whether customers want this.

Q5.	What changes, if any would be needed to the switching and disconnection/reconnection processes if a consumer were able to have multiple retailers?	As set out in our response to question one we believe a system/Code change is unnecessary. Contact recommends careful consideration is given to whether implementing industry system and Code changes to support multiple trading relationships is required at this time and whether such changes are required by and in the customers' interests. Contact considers that at this point in time the benefits to customers can be met by alternative arrangements as opposed to extensive system and Code changes. Alternative arrangements and utilisation of the existing industry framework will provide the market with time to assess whether there is a need or interest from customers wishing to take up services offered by multiple parties. This will enable the industry to establish processes appropriate to the new technology services and will help refine the requirements rather than attempt to predict or pre-empt innovation and implement a blanket solution that potentially isn't fit for purpose. In practice, the challenge for switching and connection protocols, an area already prone to high levels of customer confusion and lack of knowledge, would simply become more challenging if multiple parties are involved. The key question to resolve is that in signing on for multiple relationships, there needs to be a standard agreed from the outset, which grants (at the customers' request) the switch/connection rights to a lead relationship. Multiple parties cannot hold (or even withhold) this right without express permissions from the end customer. To enable this, new standards are needed in terms of notice periods, SLAs, remediation steps and data sharing. On the matter of disconnection/reconnections, given different traders would be offering different services (e.g. load, generation, storage), it is vital that the disconnection and reconnection processes are managed effectively, i.e. should it be necessary to get the agreement of all retailers at an ICP before it can be disconnected to ensure that energy cannot flow to/from the entire property rather than a 'partial disconnection'? The following matters would also need to be worked through: a) Data clean up As the electricity retailer, the way the market currently works is that the retailer receives the raw data from the metering equipment provider (MEP) and then validates it to make sure it is complete and accurate. This process of validation includes estimation, where there are gaps in the data, and fixing it where it is corrupt. In the event the party provided with the data is not responsible for the distributed generation (DG), the Authority would need to consider who would clean up this data as the retailer would have no incentive to produce and provide data to the DG purchaser that was any better than the data the retailer required for its own purposes.

	b) Reconciliation As a retailer Contact submits load and generation for reconciliation purposes. How this would be done under the proposed scenario still needs further detailed clarification. c) Customer compensation scheme It is unclear how the customer compensation scheme work under the proposed scenarios – would each party be responsible for the $10.50 per week? d) Cost We believe the costs of a significant change to enable MTRs in the way the Authority has envisioned them have been severely underestimated. There is a cost associated with the data provided by metering equipment providers (MEPs) which is currently paid for by retailers to MEPs for customer data. If third parties wish to access this data, they will need to pay for it, or at least a portion of it. The question then arises, if they pay for a portion of it, will these third parties have a say in what data they want, and if yes, how will this arrangement be managed?

Q6.	What other data exchange processes that have not been identified in this paper need to be changed to accommodate multiple trading relationships?	As outlined earlier, our preference is to avoid large scale change until there is evidence that this is what customers want and/or it will be of benefit to them.
		
		Consideration will need to be given to all industry interface points, particularly the EIEPs (Electricity Information Exchange Protocols), including network reporting and meter data or reading service providers. Other key information flows requiring consideration are as follows:
		
		• Customer information – responsibilities would need to be assigned between traders, particularly in regard to management and reporting of medically dependent and vulnerable customer information.
		• MEP change process.
		• New embedded network, trader consent and provision of customer and metering information.
		• Outage management:
		  ○ In the event of an unplanned outage where a trader is responsible for handling fault calls, who should the customer call?
		  ○ For planned outages, which trader would be responsible for notifying customers? A major system change will be needed for distributors to allow multiple traders to be notified.
		• Registry management for status events and nominating MEPs.
		• EIEP file transfer – as with other key processes, the ICP is the key piece of data for reporting to and from distributors. Traders are required to report on ICP tenure, volume, demand and capacity charges each month. Distributors would therefore have to develop the ability to bill multiple traders for different aspects of their charges for the same ICP. The current design of most distributors' systems does not have this functionality.
		• Credit processes – consideration would need to be given as to how these would be managed between the different traders.
		
		There are a significant number of interfaces that are currently designed to communicate and financially account between single parties rather than multiple.

Q7.	How could the data exchange processes be modified to accommodate multiple trading relationships?	Contact considers that the data exchange processes do not need to be modified to accommodate multiple trading relationships. As Contact has set out earlier, existing processes are in place to enable participants to obtain data to perform assessments for various commercial purposes. Contact also considers that, if a participant wishes to progress any of these commercial ventures and Contact considered there was benefit to the customer without imposing significant costs, we would be willing to establish the appropriate arrangements to allow this to be implemented and operationalised. Under the proposal major system changes would be required to all participants' systems to enable multiple trading relationships. Key examples of these are as follows: • Distributors would need to be able to split network charges and communicate these to appropriate parties and receive information from multiple parties. • Meter equipment providers would need to be able to split meter reading data and service fees to appropriate parties and receive information from multiple parties. • Traders would need to be able to submit customer and consumption information to appropriate parties and receive information from multiple parties. In a multiple trading relationship, a major process change – something that's not required of the current data exchange processes – would be how a customer's bill is presented. How do multiple relationships and the respective datasets they represent get presented on a customer's energy bill or invoice? Who bills the customer, without this becoming an exercise in additional costs and unnecessary paperwork? Does a multiple trading relationship change the very nature of how we invoice customers?
Q8.	What other services, if any, would have to share costs between multiple users?	This depends on who the parties are in the multiple trading relationship and the types of costs being incurred. Metering businesses might need to adjust their lease agreements and costs. Similarly, network companies may incur additional/new costs which warrant sharing or passing on to customers.

Q9.	How could the cost of these services be shared amongst multiple users?	It seems premature to be considering costs and sharing, when it's unknown exactly what's involved. However, as a design principle, a range of options need to be considered and available for costs and their sharing, so that it's obvious and transparent to customers how any costs are being shared or recovered, i.e. one-off fees for the set-up of MTRs, and monthly service and processing fees shared in proportion to an agreed scale (50/50 if there are two equal partners; other ratios where they may not be equal). If arrangements were in place to provide an ongoing service, it would be preferential for this to be agreed and centralised through the equivalent of a 'primary trader' as opposed to having multiple traders, i.e. by establishing arrangements outside of existing industry processes where charges or service fees are exchanged. Contact notes this is already taking place for some inter-party data exchanges or services.
Q10.	Could consumer data be more efficiently shared with service providers that have a legitimate claim for access to their consumer's data? If so, how?	Contact considers that appropriate processes are now in place to enable access to customers' data, albeit some of these have only recently been established or cemented. This is primarily due to the industry taking time to establish the appropriate controls, protocols and principles to address any privacy concerns which is Contact's top priority. As touched on previously in our response, there are multiple ways customers (and customers' approved agents) can access data. In addition to this, most traders are willing to release anonymised bulk consumption data so long as it meets privacy requirements, the use of the data is considered acceptable and the service provider agrees to our terms. Please also see our earlier responses.

Q11.	How much value is there in making it easier for appropriately authorised firms to access information such as a consumer's tariff structure, the smart meter functionality that is used by the consumer's MEP, a consumer's controllable appliances?	At a minimum there needs to be a threshold of competence/skills/service for any authorised firm to participate. Absence of this, the market for services is at risk of providing poor, unqualified service, for data breaches and privacy to be exposed and also for firms to purport to want access to meter data, without having legitimate services or propositions they can offer (i.e. firms going on 'fishing expeditions' to try and find value). There would need to be a minimum set of standards prescribed for 'authorised firms', to ensure that only legitimately qualified and capable providers of value are introduced into the system with MTR as a service. The current processes are sufficient as they give the retailer sufficient time in which to reasonably assess the request. Typically, the requests for data, if not complicated, are responded to on average within a much shorter period than required. It is not clear whether we need or which party will maintain, a central repository of customers' controllable appliances. It's assumed that the customer will be the best person to provide this information directly to a third party.
Q12.	Are there other industry participants that may need to amend their systems to operate in an environment with multiple trading relationships?	As a potential area of regulation, there needs to be consideration for two different levels of participant involvement. Every party in the energy system (generation, services, metering, networks and more) should be able to abide by and function under a consistent set of standards and frameworks. If in practice this is impractical, because of the scale and diversity of the industry, the exact nature of eligible participants needs to be prescribed/pre-defined (in other words, limited for example to networks companies only), so that it's easier for customers to understand and know who is able to provide this service versus not. Without having this level of 'open to all' or limitation, we are at risk of creating a lop-sided system that benefits some, and potentially disadvantages others.

Q13.	What are the costs of the above changes recognised in questions 10-13?	If the 'Retail Data Project' was any guide, and we see this proposal as being significantly more complex to set up and administer ongoing, the one-off industry costs could readily cost tens of millions of dollars as well as ongoing maintenance thereafter.
Q14.	What other obligations need to change if multiple traders can serve an ICP?	All those accessing customer data need to comply with the Privacy Act principles (e.g. security, destruction).
Q15.	How could the obligations discussed above be amended to accommodate multiple traders at an ICP?	They won't need to be amended, each trader will simply need to comply with its obligations under the Privacy Act.
Q16.	What costs would be involved in amending consumer-related responsibilities to accommodate multiple traders at an ICP?	

Q17.	What additional matters would need to be considered if we were to introduce multiple trading relationships? What amendments would need to be made to the Code to facilitate multiple trading relationships?	As noted above we do not believe a system or Code change is required at this time.
Q18.	What is the cost of the changes needed to enable multiple trading relationships?	Contact cannot estimate the costs associated with enabling multiple trading relationships without a proposed solution. However, changes to incorporate multiple traders into core system and industry processes (switching, registry, network reporting, general trader operations, billing and energy settlement) may run into the tens of millions of dollars.