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Submissions
Electricity Authority
PO Box 10041
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By email: submissions@ea.govt.nz

Re: Consultation Paper – Multiple Trading Relationships

Nova appreciates the opportunity to provide feedback on the Authority's question: How can consumers choose multiple electricity service providers? The Authority wants 'consumers to have choices about electricity services'.

Consumers currently have unrestricted choice to select their electricity supplier and there are over 29 different retailers with various offers in the market. Despite that, Nova agrees that the current arrangements appear to limit consumers' choice, and that there may be benefits from multiple trading relationships (MTR). However, the trend in the market appears to be for the majority of residential consumers to favour simple arrangements with a single provider for one or more of electricity, gas, LPG or broadband connection.

The Authority gives examples of how 'the traditional one-to-one supply model is being challenged'. Nova agrees that these opportunities exist, but holds that the Authority should identify the categories of consumers it believes will benefit from changes to the Code, and what they expect the participation rate to be by those groups, before contemplating radical changes to the Code.

Industrial consumers are already able to work with multiple traders if they so choose. Their metering and lines services are frequently provided directly by an MEP and EDB. They have a single Trader for the ICP, but may hedge their exposure to the electricity spot price with one or more other Traders. Some also have demand response arrangements in place. These arrangements overall are generally driven by risk management considerations. The size of their electricity demand and the dollars at risk make such arrangements worthwhile, but it is doubtful that there are sufficient benefits for residential, or even commercial consumers, other than ardent technophiles, even if the cost of proving for those arrangements are significantly reduced for residential customers.

The Consultation Paper discusses the possible implications of MTR on the Code, data, the Registry, and electricity service providers. MTR can be achieved if all electricity service providers contract directly with the consumer, i.e. the services are largely unbundled, as for some large industrial consumers.

Nova contends that only a very small percentage of mass market consumers are likely to want to adopt MTR. If MTR is to be seriously contemplated, consideration must be given to how multiple services can still be packaged as a simple whole service at a low cost for the majority of residential consumers that do not wish to engage at multiple levels for their electricity supply.

Nova also notes that creation of additional complexity for consumers can create an opportunity for parties to take advantage of consumers, or alternatively can cause consumers to avoid engagement because of a fear of making poor decisions. The potential impact of this on vulnerable consumers should be carefully considered as part of any discussion around market design.

Those points aside, Nova has considered how the electricity supply industry might be structured to deliver on MTR. This is outlined in Appendix A, and is followed by Nova's response to the Authority's questions in Appendix B.

In summary; while the current market arrangements may seem less than straightforward to many consumers now, unbundling the services to allow multiple parties to supply electricity services to a single ICP could lead to a whole new layer of complexity and costs, which is likely to be detrimental to the end consumer.

Nova is happy to discuss these ideas further if desired.

Yours sincerely

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Appendix A

An unbundled market structure to facilitate MTR:

a) The primary interface between the Consumer and the market is, and will continue to be the meter. The Consumer would need to have an agreement with an MEP, including details on the type of meter provided, as well the availability and protections relating to metering data (in all its forms).

   i A new role would be created; that of 'Reconciliation Agent' (RA). RAs would be responsible for collecting meter data and submitting verified metered data to the Clearing Manager, Traders, and EDBs. The basis of allocating consumption or injection for each ICP would be submitted by the Traders by the RAs, which would be responsible for ensuring that 100% of the load is allocated.

   ii The RAs would not buy or sell electricity, line function services or metering services. They would contract to provide the reconciliation service to the Authority. Their revenue could be directly linked to each meter, payable by the MEP. A number of parties could compete to perform the role of RA for sets of ICPs.

   iii Consumers need to register their Trader(s) with an RA before they can receive a supply of electricity. Consumers either pay the MEP directly for metering services, or nominate a Trader to include the cost with its account (interposed model).

   iv MEPs would be required under the Code to ensure that all load supplied to an ICP is captured by the meter(s), and supplied to an RA.

   v The consumer will have the right to change electricity meters, just as long as any replacement is installed by a qualifying MEP. Charges may vary by MEP, including a mix of up-front charges and on-going fees.

      - This could include retaining a legacy meter and paying for manual meter reads and calibration if the consumer so chooses;

   vi The consumer could request or authorise the RA release meter data to third parties, either on a one-off or standing arrangement. Such permission could be specific to their selected service providers, or quite general, e.g. all Traders. This would need to be actioned through the authorised Trader (or possibly MEP) for identity verification purposes. Authorisation for access to data would be made available by default to the MEP, EDB and Traders for the ICP and include the MEPs right to collect voltage data etc. in addition to electricity demand data.

b) The EDB would contract to supply lines services with the consumer (or property owner if more relevant[1]); but the charges could still be allocated to the primary Trader for the ICP for collection and payment if the parties agree to that. Alternatively the EDB and consumer could agree that the consumer pays the EDB charges directly.

   i The EDB would have the right under contract to access the metering data from the RA, with provisions on how that data may be used. That data would be used for lines billing. This would be covered in the electricity supply contract between the parties.

   ii Where a property is vacated then a Trader's account may be terminated. This is fundamentally different to the current situation where the Trader is required to continue to pay the EDB lines charges for the vacant site.

   iii The EDB has the choice of charging the property owner for continuity of the connection, or disconnecting the service The EDB would therefore be responsible for recovering the

[1] The current "interposed' model assumes energy consumption is linked to home ownership. With 33% of New Zealanders living in rental properties and making up over half of all moves between properties, there is a strong case for network connections to be tied to the property owner rather than the tenants.

costs of any energy consumed at the site if there is no Trader contracted to supply energy.

iv Traders may agree to cover the costs of lines charges (i.e. provide a packaged service) on a case by case basis.

c) A load control company (if not the EDB) could contract with the consumer for access to control parts of the consumers load, subject to meeting the EDB's technical requirements, wiring configuration and meter being suitable to provide such capability. They would reimburse the consumer directly.

d) Under this model Traders would only be responsible for the supply energy to the consumer. This supply could be split between buy and sell, by time period or some other parameter.

i The total energy consumed is accounted for through the RA's records.

ii The Trader can still bundle up all electricity services (metering, lines, and load control) in their supply offering, in addition to other services such as gas, LPG or telecoms.

e) Shifting the contractual nexus. Under this model the EDB has responsibility for all of the physical aspects of distributing electricity to the consumer, and will have the rights to access data and information for that purpose. While other parties may be involved in supplying solar PV, batteries and other potential technologies, the EB is inevitably involved from the perspective of managing the connection to the distribution network and subsequent power flows. (The EDB is essentially the only party in control of the quantity and quality of the electricity being supplied, and the rights and responsibilities of disconnection would need to be covered.)

f) A result of this is that the Trader is removed for most of its obligations to the EDB. Any registered Trader would have the right to supply an ICP with electricity. They would form a contract with the Consumer and register a switch with the RA (or central Registry, depending on the final design). The parties may still operate on an interposed basis should they so choose. If the Consumer prefers a package including network and metering charges, then the Trader could contract with the EDB and MEP to do so. Irrespective, any contract with the EDB would be quite limited in scope.

The key change under this model, from a regulatory perspective, is that the Reconciliation Agent becomes the primary 'gate-keeper' responsible for ensuring that all energy supplied is accounted for, and for recording and storing any other form of metering data. Consumers would have a contractual right of access to their own data from the RA.

We expect that the role of RA could be undertaken by existing parties adapting their systems to manage the data management requirements. For efficient management of the switch process, it is likely that the role of registering different interests at an ICP should be managed by the existing Registry.

This model could potentially be adopted by the The Lines Company (TLC) region as TLC already obtains meter reads itself and invoices customer directly. The key step required there would be to insert the role of an RA.

Excepting TLC, the EDB's are currently overly reliant on the interposed supply model. This enables them to avoid invoicing consumers, credit management or engaging with owners of vacant properties. The above changes would force EDBs to become more engaged with consumers. The changes required to fully unbundle electricity supply services as described above would therefore be highly disruptive in the short term, with uncertain long term benefits.

Given that such a model is achievable, the question remains whether it is desirable.

Appendix B

Responses to the consultation paper

Q No.	Comment	Response
Q1.	How material are the constraints to consumers establishing multiple trading relationships at a single connection identified above?	For an Industrial or large commercial customer the current arrangements can largely be worked around. The constraints to that extent are largely a matter of the benefits being sufficient to offset the financial costs and complexity involved.
Q2.	Are there other constraints that prevent multiple trading relationships from efficiently occurring? If so, please describe them.	Locking Traders into paying for all metering and distribution services, particularly when sites are left vacant, creates the most significant barrier.
Q3.	What do you consider to be the benefits of multiple trading relationships?	Unbundling services provides greater transparency of the services being provided and enables greater specialisation in service delivery.
Q4.	What other services could be enabled by reducing or removing the barriers to multiple trading relationships?	The functions of meter ownership, meter reading, data collection, and data management are all linked to providing multiple trading relationships.
Q5.	What changes, if any would be needed to the switching and disconnection/reconnection processes if a consumer were able to have multiple retailers?	The EDB has the ultimate control over disconnection/reconnection of an ICP, and therefore should have primary responsibility for any electricity consumed in the absence of a Trader at a site.

Q No.	Comment	Response
Q6.	What other data exchange processes that have not been identified in this paper need to be changed to accommodate multiple trading relationships?	There would need to be a role of Reconciliation Agent created to ensure that the total energy purchased by a consumer is always accounted for.
Q7.	How could the data exchange processes be modified to accommodate multiple trading relationships?	As above
Q8.	What other services, if any, would have to share costs between multiple users?	The function of Reconciliation Agent could be recovered via MEP charges, which would obviate the need to pro-rata type allocations.
Q9.	How could the cost of these services be shared amongst multiple users?	Nova does not believe that sharing costs is a viable solution across multiple users, unless a Trader chooses to provide a package of services as per the existing interposed arrangement.
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?	Metering data should be collected by the MEP on behalf of the consumer. That data should be managed by a Reconciliation Agent, which would be responsible for supplying that data to the Clearing Manager, EDB and Traders. Other parties should only have access to that data through contract, regulation or the Consumer's specific permission. EDBs and Traders should each access the metering data directly from the Reconciliation Agent.

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?	In an unbundled environment: • the tariff structure is less of an issue because the Trader is only charging the energy component, (i.e. the EDB would determine the appropriate network charge directly and either invoice the customer or contract with the Trader to collect that charge), • the smart meter functionality should be made available directly by the MEP, • any appliance data etc. should only be at the behest of the consumer, i.e. it is 'behind the meter'.
Q12.	Are there other industry participants that may need to amend their systems to operate in an environment with multiple trading relationships?	MEPS and EDBs would potentially have to make large changes. The Registry Manager would also need to make changes to facilitate recording the Traders for different components of the ICP's account.
Q13.	What are the costs of the above changes recognised in questions 10-13?	Very significant for the MEPs and EDBs
Q14.	What other obligations need to change if multiple traders can serve an ICP?	Refer to Appendix A
Q15.	How could the obligations discussed above be amended to accommodate multiple traders at an ICP?	Refer to Appendix A

Q16.	What costs would be involved in amending consumer-related responsibilities to accommodate multiple traders at an ICP?	Consumers would be faced with greater complexity as more options are presented to them in terms of supplier arrangements.
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?	EDBs would need to interact directly with consumers with respect to lines connections, costs and delivery of electricity. MEPs would need to deal directly with consumers with respect to meter functionality and release of data.
Q18.	What is the cost of the changes needed to enable multiple trading relationships?	Unbundling would be a radical shake-up of the industry and have significant costs for all parties.